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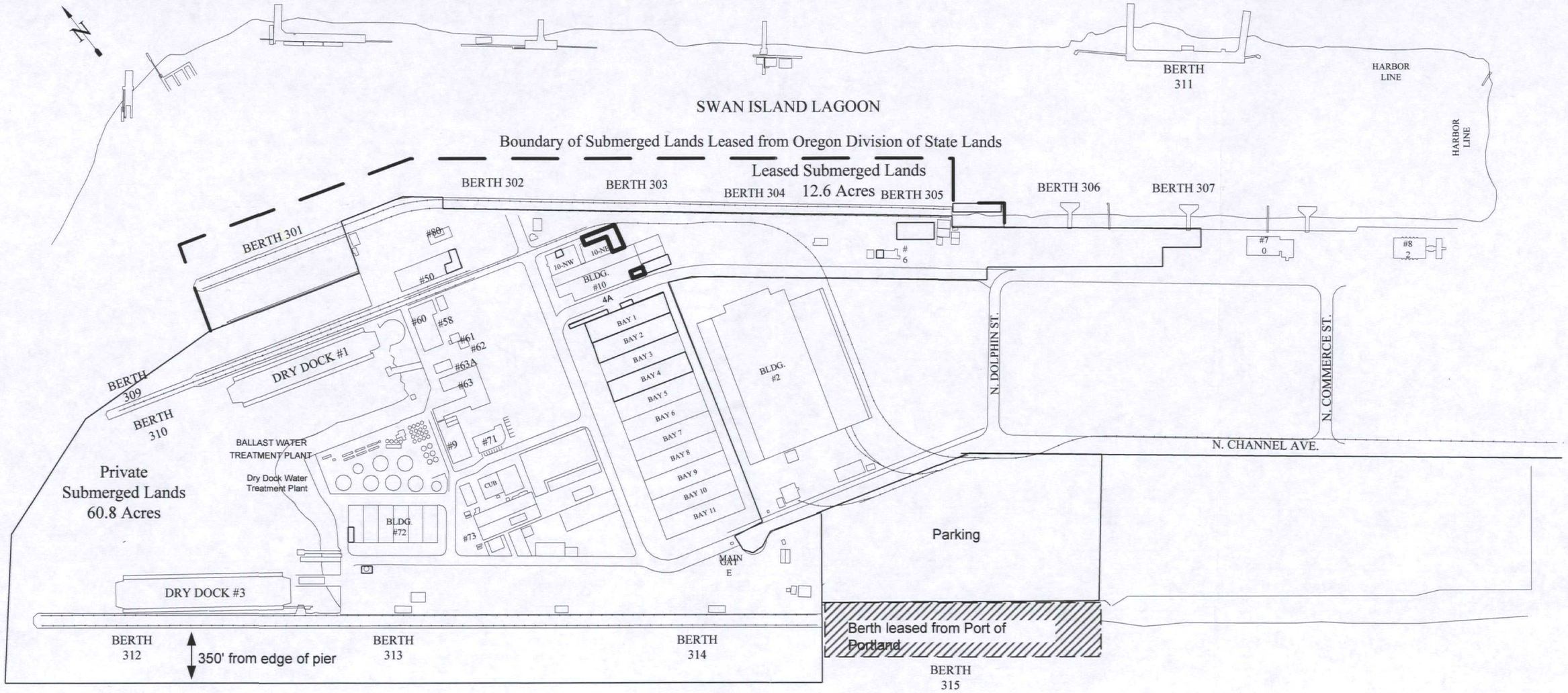


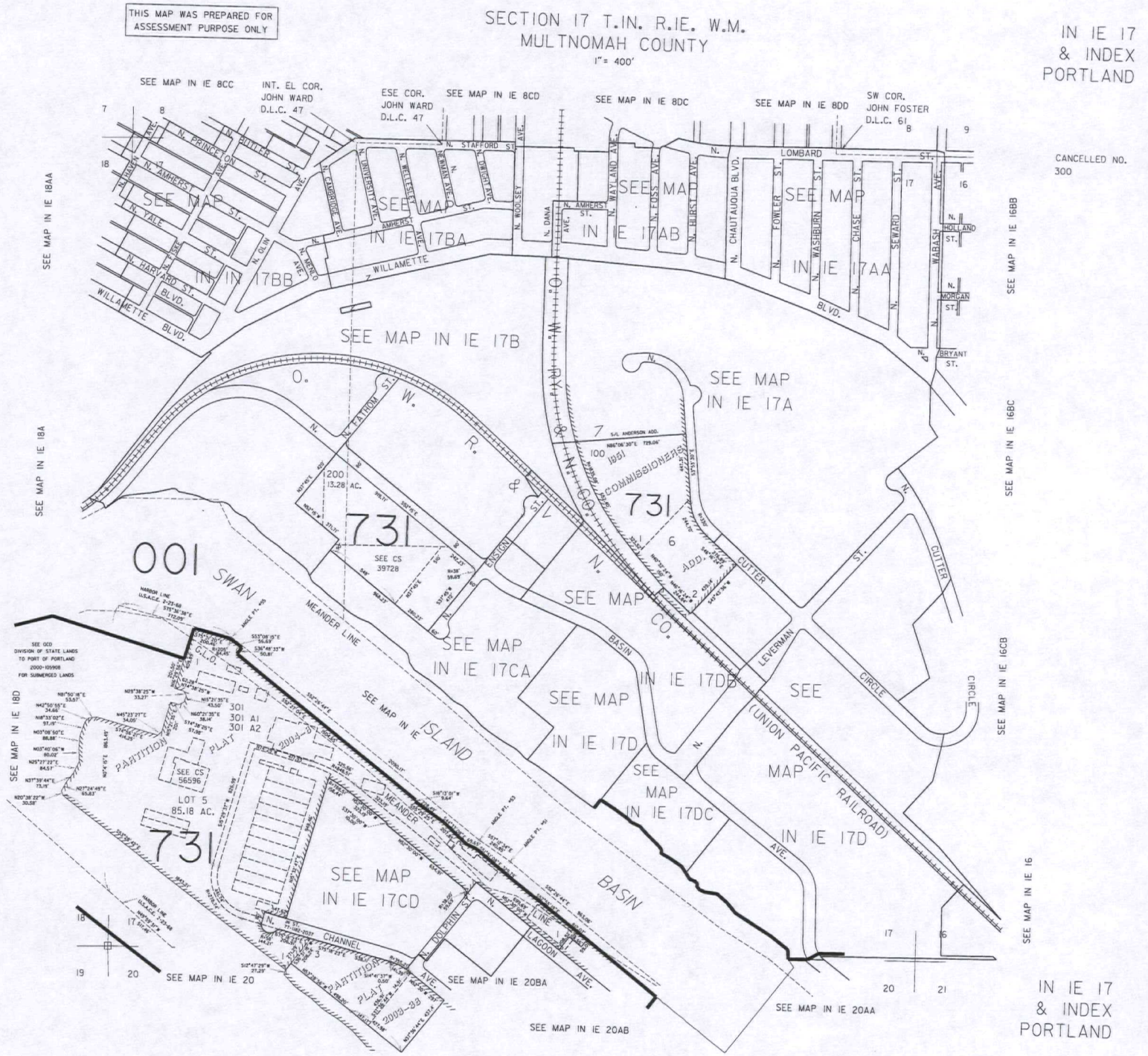
Portland Shipyard Property Boundary

Boundary of Leased Submerged Lands

APPROXIMATE SCALE: 1" = 400'

USEPA SF
1363932

MAP OF PROPERTY BOUNDARY AS OF JUNE 2008



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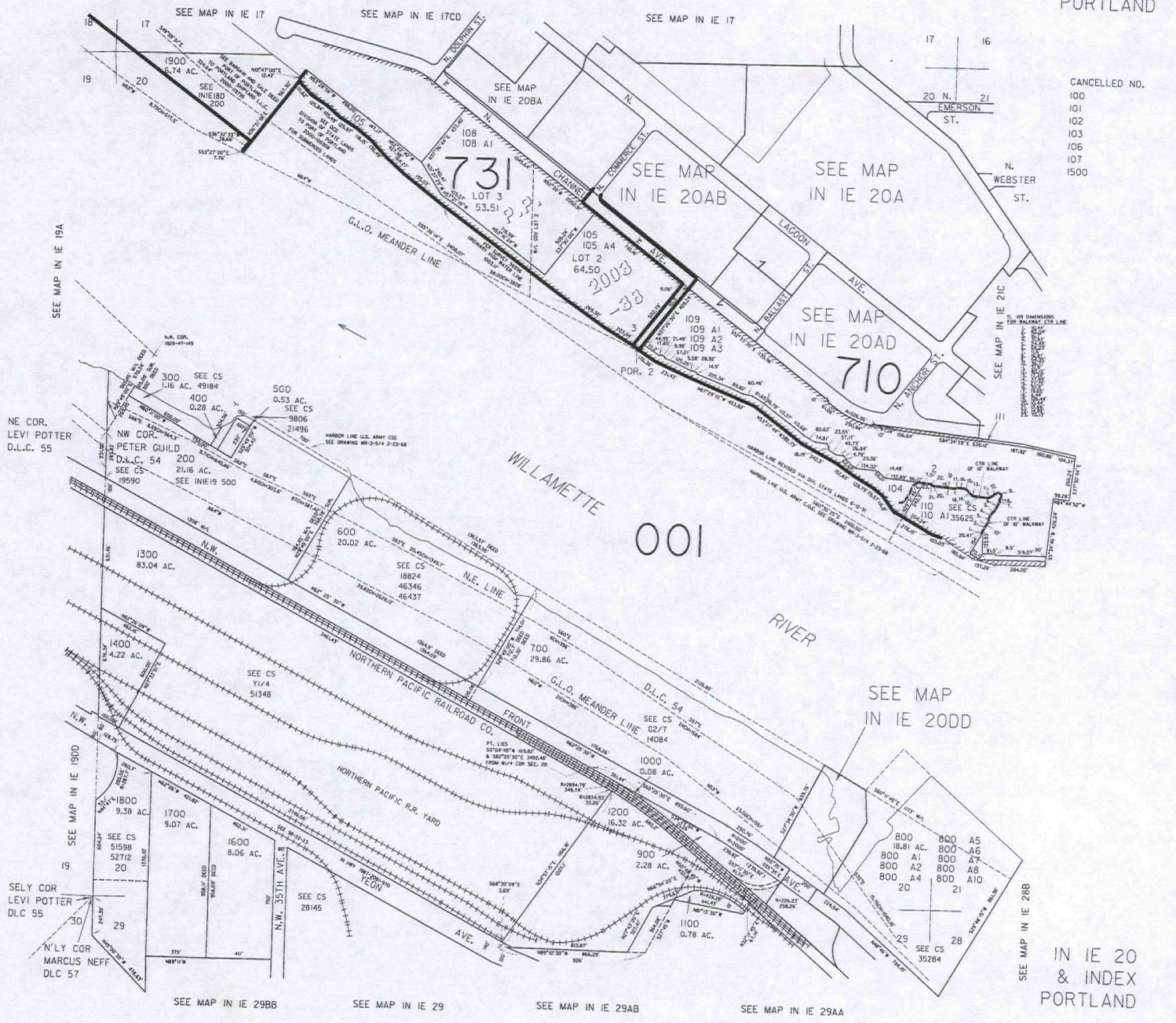
THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSE ONLY

SECTION 20 T.1N. R.1E. W.M.
MULTNOMAH COUNTY
1" = 400'

IN 1E 20 & INDEX PORTLAND



IN 1E 20 & INDEX PORTLAND

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LAND LEGAL DESCRIPTION

A tract of land situated in the south one-half of section 17, the southeast one-quarter of section 18, and the northwest one-quarter of section 20, township 1 north, range 1 east of the Willamette Meridian, in the city of Portland, County of Multnomah and the state of Oregon, described as follows:

Commencing at a point which is 1,262.39 feet west and 859.49 feet south of the northwest corner of said section 20 said point being a centerline angle point of N. Lagoon Avenue; Thence, along the centerline of N. Lagoon Avenue, north 52°30'00" west, 695.12 feet; Thence north 37°30'00" east, 40.00 feet to a point on the northeasterly right-of-way line of N. Lagoon Avenue at the most westerly corner of that tract of land recorded March 20, 1967 in Deed Book 552, Page 1034, Multnomah County Deed Records; Thence, continuing along said right-of-way line, north 52°30'00" west, 688.03 feet to the true point of the beginning; Thence, continuing along the northeasterly right-of-way line of N. Lagoon Avenue, north 52°30'00" west, 699.69 feet to a point of intersection with the northeasterly extension of the northeasterly right-of-way line of N. Dolphin Street; Thence, along the extension of said right-of-way line, south 37°30'00" west, 118.00 feet to a point-of-non-tangency art the intersection of N. Dolphin Street and the southerly right-of-way line of that portion of N. Lagoon Avenue vacated in the city of Portland Ordinance No. 153166, recorded June 21, 1985, Deed Book 1832, Page 670-675, Multnomah County Deed Records; Thence, departing said N. Dolphin Street and running along the southerly right-of-way line of said vacated N. Lagoon Avenue the following five (5) courses: 1) Thence 59.69 feet along the arc of a 38.00-foot radius curve to the left, concave west, through a central angle of 90°00'00" (the long chord bears north 07°30'00" west, 53.74 feet); 2) Thence north 52°30'00" west, 654.91 feet; 3)Thence north 37°30'00" east, 10.00 feet; 4) Thence north 52°20'00" west, 323.19 feet to a point-of-curvature; 5) Thence, 158.44 feet along the arc of a 788.51-foot radius curve to the left, concave to the south, through a central angle of 11°30'47" (the long chord bears north 58°15'23" west, 158.18 feet) to a point-of-non-tangency; Thence, departing said vacated right-of-way line and running along the westerly line of that tract of land described in deed Northwest Marine Ironworks, Inc., recorded December 13, 1982, Deed Book 1633, Page 543, Multnomah County Deed Records, south 15°32'47" west, 948.46 feet to the northerly right-of-way line of N. Channel Avenue the following five (5) courses: 1) Thence north 75°18'23" west, 147.62 feet; 2) Thence south 14°41.37" west, 80.00 feet to a point-of-non-tangency; 3) Thence 144.21 feet along the arc of a 58.00 foot non-tangent radius curve to the left, concave to the north, through a central angle of 142°27'26" (the long chord bears south 67°58'56" east, 109.83 feet) to a point of reverse curvature; 4) Thence 27.88 feet along the arc of a 25.00-foot radius curve to the right, concave to the south, through a central angle of 63°54'10" (the long chord bears north 72°44'39" east, 26.46 feet) to a point-of-tangency; 5) Thence south 75°18'23" east, 206.81 feet to a point-of-intersection with the south right-of-way line of N. Channel Avenue and the northerly projection of the

southeasterly end of the existing concrete dock at Berth 314; Thence, departing said N. Channel Avenue right-of-way line and running along said northerly projection, south 36°31'18" west, 271.29 feet more or less to a point on the ordinary high water line of the Willamette River (established at NGVD 29/47 elevation 17.00 feet above mean sea level); Thence, along the ordinary high water line, north 12°47'00" east, 4.13 feet to the riverside face of an existing concrete retaining wall; Thence, along said retaining wall, north 53°28'42" west, 1843.21 feet to the end of said retaining wall; Thence continuing along said high water line the following eleven (11) courses: 1) Thence north 20°38'22" west, 30.58 feet; 2) Thence north 27°24'49" east, 65.83 feet; 3) Thence north 37°39'44" east, 73.19 feet; 4) Thence north 25°27'22" east, 84.57 feet; 5) Thence north 03°40'06" west, 80.02 feet; 6) Thence north 03°08'50" east, 88.88 feet; 7) Thence north 18°33'02" east, 97.19 feet; 8)Thence north 42°50'55" east; 34.66 feet; 9) Thence north 81°50'18" east, 53.67 feet; 10) Thence south 74°56'21" east, 414.25 feet; 11) Thence north 45°23'27" east, 34.05 feet to a retaining wall/cell line; Thence, along said cell line following eleven (11) courses: 1) Thence north 15°21'35" east, 201.00 feet; 2) Thence south 74°38'25" east, 57.98 feet; 3) Thence north 60°21'35 east, 38.14 feet; 4) Thence north 15°21'35" east, 43.50 feet; 5) Thence north 29°38'25" east, 33.27 feet; 6) Thence north 74°38'25" west, 62.28 feet; 7) Thence north 16°29'56" east, 409.89 feet; 8) Thence south 75°31'20" east, 200.46 feet to a point-of-non-tangency (the radial bearing being south 13°22'07" west); 9) Thence 84.45 feet along the arc of a 205.00 non-tangent radius curve to the right, concave to the southwest, through a central angle of 23°36'12" (the long chord bears south 64°49'47" east, 83.85 feet) to a point of non-tangency (the radial bearing being south 36°58'19" west); 10) Thence south 53°08'15" east, 56.69 feet; 11) Thence south 36°48'33" west, 50.81 feet to a point on the lagoon side face of a concrete retaining wall; Thence, along said ordinary high water line the following six (6) courses: 1) South 18°13'01" west, 9.64 feet; 2) Thence south 55°59'25" east, 228.49 feet; 3) Thence south 47°33'08" east, 207.85 feet; 4) Thence south 66°22'48" east, 69.65 feet; 5) Thence south 51°51'06" east, 329.79 feet; 6) Thence south 52°55'19" east, 606.49 feet; Thence, departing said ordinary high water line, south 37°30'00" west 59.01 beginning, containing 56.61 acres more or less.

Subject to those easements recorded in Deed Book 1633, page 456 and 458, Book 2007, Page 122, Book 2048, page 408, Book 2129, page 524, Book 91, page 407, Book 1055, page 479, Book 1183, page 1202, Book 1214, page 713, Book 1308, page 792, and Book 1832, page 670 Multnomah County Deed Records.

The bearings in this description are based upon Private Survey No. 56596 (W.B. Wells & Associates, Inc. Survey), Multnomah County Survey Records.

Cascade General, Inc.
2001

Tenant	Square Footage & Type	Use	Term
Allied Security, Inc.	Bldg. 4 Annex, 654 sf Office	Security Office	MTM
	Utilities		
	Shared facility fee		
American Bureau of Shipping	800 sf Office B72	Offices	MTM
Columbia Wire & Iron Works, Inc.	Bldg. 4, Bay 1 - 24,995 sf	Steel Fabrication	31-Dec-02
	Bldg. 4 Annex, 3,244 sf Office		
	Bldg. 4 Annex, 1884 sf Shop		
	Bldg. 4 Annex, 266 sf Storage		
	Lay Down Area - Bldg. 4, 22,500 sf		
	Parking - 55 spaces		
	Utilities - Non Metered, 570 sf		
	Utilities - Metered		
Columbia Wire & Iron Works, Inc.	Bldg. 4, Bay 4 - 24,955 sf	Steel Fabrication	MTM
	Utilities - Metered		
Farr West Marine, Inc.	Bldg. 10, 580 sf Office	Naval Arch. Office	MTM
	Parking - 2 spaces		
	Utilities - Non Metered, 580 sf		
	Shared Facility Fee		
Industrial Marine, Inc.	Bldg. 10, 400 sf office	Blast/Coat Business	MTM
	Lay Down Area, 5,750 sf		
	Parking - 1 space		
	Office Equipment - 2 sets		
International Paint (Note: Vacates Aug. 31)	Bldg. 80, 546 sf office	Reps Office	MTM
	Parking - 2 spaces		
	Utilities - Non Metered, 546 sf		
	Shared Facility Fee		
John C. Murdoch, Inc.	Bldg. 10, 230 sf office	Architect Office	MTM
	Parking - 1 space		
	Utilities - Non Metered, 230 sf		
	Shared Facility Fee		
Kleen Blast	Lay Down Area	Grit Hopper Storage	MTM
John Crane - Lips, Inc.	Lay Down Area, 5000 sf	Propeller Repair	MTM
	Parking - 1 space		
	Utilities - Metered		
	Shared Facility Fee		
Marine Propulsion Services, Inc.	Bldg. 50, Bay 4 3310 sf shop	Machine Shop	MTM
	Blast Shed, 1500 sf		
	Utilities - Metered		
	Electricity - Bldg. 50		
	Electricity - Blast Shed		
	Water		
	Water/Sewer		
	Parking - 1 space		
	Shared Facility Fee		
Cube Management	Bldg. 10, 252 sf office	Consulting Business	MTM
	Parking - 1 space		
	Office Equipment - 2 sets		
	Internet Access		
Nozl-Tech, Inc.	Bldg. 10, 240 sf office	Water Blasting	MTM
	Bldg. 10, 1600 sf shop/warehouse		
	Bldg. 10, 3883 sf outside storage		
	Lay Down Area, 1600 sf		
	Utilities - Non Metered, 1840 sf		
	Parking - 3 spaces		
	Shared Facility Fee		

Performance Contracting (TSI)	Bldg. 10, 3560 sf office/shop	Insulation Installation	MTM
	Utilities - Non Metered, 3560 sf		
	Parking - 4 spaces		
	Shared Facility Fee		
Steelhead Construction	Berth 305 - 1500 lf layberth space	Boat House Construction	MTM
	Bldg. 6, 480 sf office		
	Covered Shed, 1440 sf		
	Lay Down Area, 5000 sf		
	Utilities - Metered		
	Utilities - Non Metered, 480 sf		
	Parking - 7 spaces		
	Shared Facility Fee		
TyCom US, Inc.	Berth 305, 497 ft	Ship Berthage Pier Spac	31-Dec-05
	Bldg. 4, Bay 2 - 24,955 sf storage		
	Lay Down Areas:		
	Berth 305, 44,384 sf		
	Berth 304/305, 6689 sf		
	Utilities - Metered:		
	Berth 305		
	Bay 2		
	Parking - 20 spaces		
	Manpower/Equipment Assist		
U.S. Coast Guard	Bldg. 10, 300 sf office	Office Space	MTM
W & O Supply, Inc.	Bldg. 10, 480 sf office	Office	MTM
	Utilities - Non Metered, 480 sf		
	Parking - 1 space		
	Shared Facility Fee		
West Coast Marine Cleaning, Inc.	Bldg. 80, 221 sf office	Office	MTM
	Utilities - Non Metered, 221 sf		
	Parking - 6 spaces		
	Shared Facility Fee		
Sub Total			
Warehousing/Storage			
(Storage, labor, freight costs)	.35/sf Inside Storage, .15/sf Outside		
Alaska Tanker Company/BP oil			
American Classic Cruises			
Arco			
Holland America Line			
Keystone Shipping Co.			
Maersk Line, Ltd.			
Marine Transport Corp.			
Marine Transport Lines/ATC			
Matson Navigation			
MOC - Alaska Tanker Co.			
Mormac			
OSG Ship Management, Inc.			
Polar Tankers			
Princess Cruises			
Sea Land Service, Inc.			
Sea River Maritime			
Sub Total			
Employee Tenants			
Michael Cage		RV Storage	MTM
Bob Churchill		Car Parts/Misc. Storage	MTM
Brian Clark		Car Storage	MTM
Ntan Meyer		Truck Storage	MTM
Dennis Morgan		Boat Storage	MTM
Nick Peters		Boat Storage/Work	MTM
Sub Total			

2002

Job No.	TENANT
592-300	Columbia Wire & Iron
592-301	Columbia Wire & Iron
592-302	Allied Security, Inc.
592-303	Far West Marine
592-304	Industrial Marine, Inc.
592-306	John Crane - Lips Inc.
592-307	Kleen Blast
592-308	Marine Propulsion Svs.
592-310	John C. Murdoch
592-311	Nozl-Tech, Inc.
592-312	Steelhead Construction
592-314	Tyco Telecommunications
592-315	Tyco Telecommunications
592-347	Tyco Telecommunications
592-316	W & O Supply, Inc.
592-317	West Coast Marine Cleaning
592-318	Bob Churchill
592-319	Dennis Morgan
592-321	Nick Peters
592-322	Brian Clark
592-324	Cube Management(Maven)
592-340	Performance Contracting
592-348	The Marine Group, LLC
–	City of Portland
	QUARTERLY BILLING
592-225	Marine Transport Corp.
592-227	Polar Tankers, Inc.
592-226	American Classic Cruises
592-229	Holland America Line
592-228	Alaska Tanker Co./BP Oil
592-231	Maresk Line, Ltd.
592-233	Matson Navigation
592-232	MOC-AK Tanker Co.
592-234	Princess Cruises
592-235	SeaRiver Maritime
592-236	Marine Transport Lines/ATC
592-237	OSG Ship Management Inc
592-349	Maritime Power Corp
552-822	Global Sentinel
552-837	Tycom Reliance
	Responder

2003

JOB NO	JOB/ITEM DESCRIPTION
592-402	Allied Security
592-428	Alaska Tanker Co/BP Oil
592-426	American Classic Cruises
592-425	Attransco Marine
592-418	Bob Churchill
592-450	City of Portland
592-400	Columbia Wire & Iron
592-401	Columbia Wire & Iron
592-424	Cube Management
592-403	Farr West Marine
592-419	Harris Thermal Transfer Products
592-429	Holland America
592-435	Ideal Services
592-404	Industrial Marine
592-407	Kleen Blast
592-431	Maersk Lines
592-408	Marine Propulsion Services
592-449	Maritime Power Corporation
592-433	Matson Navigation
592-421	Nick Peters
592-411	Nozl-Tech, Inc.
592-410	OSG Ship Management
592-451	Pacific Dynamics Corp.
592-440	Performance Contracting
592-434	PIMMS
592-427	Polar Tankers/Arco
592-405	Princess Cruises
592-413	Q. E. D. Systems, Inc.
592-409	Seariver Maritime
592-420	Specialty Finishes
592-432	Specialty Finishes
592-412	Steelhead Construction
592-448	The Marine Group
592-414	Tyco Telecommunications
592-415	Tyco Telecommunications
592-447	Tyco Telecommunications
552-881	Tyco - Global Sentinel
552-880	Tyco - Berth 304
592-430	USACOE
592-416	W & O Supply
592-406	Wartsila Lips, Inc.
592-417	West Coast Marine Cleaning
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COPY

LEASE

PORTLAND SHIP YARD

THE PORT OF PORTLAND

(the "Port")

AND

CASCADE GENERAL, INC.

("Lessee")

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LEASE
PORTLAND SHIP YARD

THIS LEASE is entered into effective August 10, 1995 ("Effective Date"), between THE PORT OF PORTLAND, a port district of the State of Oregon (the "Port"), and CASCADE GENERAL, INC. an Oregon corporation ("Lessee").

In consideration of the mutual covenants contained in this Lease, and subject to the terms and conditions set forth in this Lease and the Transition Agreement and Amendment to Facility Agreement executed concurrently with this Lease (the "Transition Agreement,") the Port and Lessee agree as follows:

SECTION 1 LEASE; PREMISES

1.1 Description of Premises. The Port leases to Lessee, and Lessee leases from the Port, the Portland Ship Yard located at 5555 N. Channel Avenue, Portland, Oregon (the "Premises"), consisting of:

1.1.1 Land and Improvements. Approximately 94 acres of land, as shown more particularly on Port Drawing Nos. YA 95-5 1/3 & 2/3 and YA 95-4 attached as Exhibit A (the "Land"), improved with paving, fencing, buildings, docks, piers, wharves, roadways, tracks, tanks, pipelines, utilities, parking areas, landscaping, and other structures, fixtures, appurtenances, and enhancements to the Land, as described more particularly on Exhibit B (the "Improvements");

1.1.2 Submerged Lands. Approximately 84 acres of submerged and submersible lands, as shown more particularly on Port Drawing Nos. YA 95-5 3/3 and YA 95-4 attached as Exhibit C (together with the Division of State Lands submerged and submersible lands referred to in Section 1.6.1, the "Submerged Lands");

1.1.3 Dry Docks. Two floating dry docks, one approximately 982 feet x 185 feet ("Dry Dock #4") and one approximately 661 feet x 114 feet ("Dry Dock #3") (together with the leased dry dock referred to in Section 1.6.2, the "Dry Docks"); and

1.1.4 Equipment. Seventeen whirley cranes and other machinery and equipment, as described more particularly on Exhibit D (the "Equipment"). The list of Equipment shall be updated immediately prior to the Commencement Date as provided in Section 1.9.

1.2 Permitted Uses. The parties acknowledge that Lessee intends to develop and implement a strategic plan to improve the operational efficiency of, utilization of and economic return from the Premises, which plan will include using and subleasing portions of the Premises for ship repair, industrial and commercial purposes. Except with consent of the Port, Lessee shall not use or permit use of the Premises for any activity which, alone or in combination with other activities on the Premises, would materially increase the environmental or liability risks to the Port, expose the Premises to risk of substantial damage or diminution in value, or otherwise be unacceptable to the Port's insurance carrier. Subject to the foregoing, and subject to the limits set out in Section 1.4, Lessee shall use the Premises only for the purposes of:

1.2.1 Repairing and performing maintenance of ships;

1.2.2 Ship conversion, new ship construction, and lay-berthing of ships;

1.2.3 Operation of machine shops, carpentry shops, metal fabrication facilities, electrical and electronic repair shops, paint shops, furniture and upholstery shops, plumbing and pipefitting shops, heating, ventilation and air conditioning shops, boiler repair shops, and support services and offices related thereto; and

1.2.4 Other industrial or commercial activities upon consent of the Port, which consent shall not be unreasonably withheld, and which may be given either in conjunction with an Operating Plan or in conjunction with specific proposed activities or transactions. In considering whether to grant consent, the Port may consider any factors it deems relevant, including but not limited to environmental risks, insurance requirements, potential harm or damage to the Premises, suitability of the Improvements and Equipment, and compatibility with ship repair activities. The Port may impose reasonable conditions prior to granting consent, including but not limited to requiring Lessee to provide additional insurance coverage, provide additional financial security, upgrade facilities, and agree to additional environmental conditions and restrictions. If Lessee requests the Port's consent for a specific proposed transaction, the Port shall respond within ten (10) business days. If the Port requests additional information concerning the specific proposed transaction, the Port shall grant or deny consent within ten (10) business days after receiving the information requested.

1.3 Compliance with Laws. All use of the Premises shall be in compliance with all applicable laws, ordinances, permit conditions, and rules and regulations of state, federal or local governmental entities. Lessee shall promptly provide to the Port copies of all communications to or from governmental entities which relate to Lessee's noncompliance or alleged noncompliance with laws, ordinances, permit conditions, or rules and regulations.

1.4 Limits on Use.

1.4.1 Bond-Financed Facilities. Lessee acknowledges that the construction and improvement of certain portions of the Premises and purchase of certain Equipment, as specified more particularly on Exhibits A and D (the "Bond Financed Facilities"), were financed with the proceeds of tax-exempt bonds pursuant to the Internal Revenue Code, 26 U.S.C. § 103. Lessee agrees to maintain the Bond Financed Facilities available for the repair of common carrier and charter carrier vessels which serve the general public, pursuant to 26 CFR ¶ 1.103-8(e). Lessee further agrees that, notwithstanding any other provision of this Lease, Lessee will not use or permit to be used any portion of the Bond Financed Facilities for construction or conversion of vessels, or for any other purposes whatsoever which would cause the bonds issued to finance the Bond Financed Facilities to lose their tax-exempt status.

1.4.2 Cargo. Except as provided by this Section, Lessee shall not, without the express written consent of the Port, use or permit the use of any portion of the Premises for the loading or unloading of cargo, whether or not incidental to Lessee's ship repair business. Lessee may permit cargo to be unloaded from vessels at the Premises if incidental to the emergency repair of such vessels, provided that such cargo is re-loaded onto the same vessel upon completion of repairs and is not transported out of the Premises by any other means. At the Port's request, Lessee shall permit the use of the Premises' cranes and yard space for the loading or unloading of cargo on behalf of the Port, provided that Lessee may make reasonable charges for such use reflecting Lessee's actual costs incurred. For purposes of this Section, "cargo" means any goods, merchandise or freight transported by ship or barge over intra- or international waters, other than items classified as the gear, equipment or stores of the ship or barge engaged in the transport.

1.4.3 Load Restrictions. Lessee shall use the Premises and its Improvements, Equipment and Dry Docks only in accordance with applicable design capacities and load limits, including limits as marked on Equipment and Dry Docks and limits as specified on Port Drawing No. YA 95-9 attached as Exhibit E.

1.4.4 Spray Painting, Sandblasting, and Flammable Liquids. No sandblasting or spray painting shall be permitted on the Premises, nor shall paints, thinners, solvents or other flammable liquids be stored on the Premises, except in areas designated by Lessee through an Operating Plan pursuant to Section 4.1.1, which areas shall comply with all applicable laws, regulatory standards, Factory Mutual Engineering requirements (or other such other similar requirements as may be used by the Port's insurance carrier), and fire safety requirements.

1.4.5 Tankship Guidelines. Lessee's use of the Premises for the repair of oil tankers, oil barges, and all other vessels transporting petroleum products other than as fuel for the vessel, shall be in compliance with the Port's Tankship Guidelines (Gas Free Policy) attached as Exhibit F.

1.4.6 Ship Scrapping. Lessee may not use the Premises for ship scrapping or dismantling without the express consent of the Port.

1.5 Transfer of Permits. The Port agrees to transfer to Lessee, exclusively for use in connection with Lessee's permitted uses of the Premises, the permits, certifications, notifications, memberships, and pending applications for permits and permit modifications specified on Exhibit G (the "Transferable Permits"), to the extent transfer is permitted by law and by the terms of the Transferable Permits. Lessee shall, at its own cost and expense, take all actions necessary to complete the processing and granting of those pending applications for permits or permit modifications specified on Exhibit G, unless otherwise agreed to in the Transition Agreement. Lessee shall comply with all conditions and requirements of the Transferable Permits and shall, at its own cost and expense, but subject to Section 4.10, take all actions necessary to maintain the Transferable Permits in full force and effect during the Lease Term and to obtain any extensions, renewals, supplements, modifications, or replacements to the Transferable Permits as may be needed to allow the Premises to remain in full operation as a ship repair yard, including without limitation performance of the full range of activities permitted on the Premises as of the Commencement Date. Lessee shall not transfer or assign the Transferable Permits or any rights thereunder, or any extensions, renewals, supplements, modifications or replacements thereto, to any other person or entity without the express written consent of the Port.

1.6 Other Leases and Agreements. The parties acknowledge that the Premises are associated with certain facilities essential for shipyard operations which are not owned by the Port, but which are intended to be provided by the Port to Lessee pursuant to this Lease, as follows:

1.6.1 Submerged Lands. The parties acknowledge that the Submerged Lands to the east of the Land, as shown on Exhibit C, are owned by the Oregon Division of State Lands ("DSL"), and have previously been used for ship repair purposes without the necessity of a lease with DSL. In the event DSL requires a lease as a condition of further use of the DSL Submerged Lands, the Port agrees to use its best efforts to obtain a lease of said Submerged Lands, and to sublease or assign said lease of the Submerged Lands to Lessee. In the event the Port obtains a lease of said Submerged Lands, Lessee agrees to assume, as of the later of the Commencement Date or the effective date of the DSL lease, all responsibilities of the Port pursuant to the DSL lease. Lessee agrees to pay any assignment fee required to be paid by DSL, to pay all rent required under the DSL lease, to perform at Lessee's expense all other obligations of the Port pursuant to the DSL lease, and to abide by all other terms and conditions of the DSL lease. Lessee's use of the DSL Submerged Lands shall be subject to all terms

and conditions of this Lease, and upon sublease or assignment, the DSL Submerged Lands shall become part of the Premises for purposes of this Lease.

1.6.2 Dry Dock #1. The parties acknowledge that the Port is the lessee of a dry dock owned by the United States Government, Department of the Navy, known as Port Dry Dock No. 1 (U.S. Navy Dry Dock No. YFD-69), located within the Premises (the "Navy Dry Dock"), pursuant to a lease which terminates January 31, 2000. The Port and Lessee agree to enter into a management agreement in the form attached as Exhibit H (the "Management Agreement"), pursuant to which Lessee will manage the Navy Dry Dock on behalf of the Port for the remaining term of the Navy Dry Dock lease. The parties acknowledge that the Navy Dry Dock lease may not be assigned or subleased without the consent of the Department of the Navy, and nothing in this Lease or the Management Agreement shall be construed as a sublease or assignment of the Navy Dry Dock or the Port's rights under the Navy Dry Dock lease. If the Port is unable to permit Lessee's continued management of the Navy Dry Dock, the parties shall negotiate an equitable adjustment in Rent but the Port shall have no liability for failure to make the Navy Dry Dock available. Lessee's use of the Navy Dry Dock shall be subject to all terms and conditions of this Lease and the Management Agreement, and subject to the Management Agreement the Navy Dry Dock shall be deemed part of the Premises for purposes of this Lease. In the event the United States Government offers or makes available the Navy Dry Dock after termination of the existing Navy Dry Dock lease, the Port and Lessee will cooperate in obtaining a new or renewed lease of the Navy Dry Dock, upon such terms as the parties may mutually agree; provided, however, that any new or renewed lease of the Navy Dry Dock shall be at Lessee's sole cost and expense.

1.6.3 Foss Lease. The Port hereby assigns to Lessee the Port's interest as Lessor in that certain lease between the Port and Crosby & Overton, Inc. dated March 14, 1979, and assigned to Foss Environmental Services Company, attached as Exhibit I (the "Foss Lease"). Lessee hereby assumes, as of the Commencement Date, all rights and responsibilities of the Port as Lessor under the Foss Lease, and agrees to perform at Lessee's expense all obligations of the Port pursuant to the Foss lease, and agrees to abide by all terms and conditions of said lease.

1.6.4 General. Lessee's failure to abide by the terms and conditions of any of the leases referenced in this Section 1.6 or the contract referenced in Section 5.3 (the "PSY Contracts"), or failure to perform the obligations imposed by this Section 1.6 or any subleases, assignments or management agreements referenced in this Section 1.6, if not cured within any cure period provided in the applicable agreement, may be declared an Event of Default (as defined in Section 12.1) in the sole discretion of the Port. Lessee agrees to indemnify, defend and hold harmless the Port, pursuant to Sections 9.1 and 9.2, against any and all claims by any party resulting from the assignment of any of the PSY Contracts, or from Lessee's actions or inactions as assignee or sublessee of or manager under any of the PSY Contracts. Lessee shall promptly provide to the Port copies of any notices or communications relating to any noncompliance or alleged noncompliance with any of the PSY Contracts, together with an explanation of how Lessee intends to cure such noncompliance.

1.6.5 Port Warranties. The Port represents and warrants to Lessee, effective as of the Effective Date and as of the Commencement Date, that it has provided Lessee with true, accurate and complete copies of the Navy Dry Dock lease and the Foss Lease, as amended. The Port further represents and warrants to Lessee, effective as of the Effective Date, that the Port has no knowledge of any material default or breach (or event which, with the giving of notice or passage of time, or both, would constitute such a default or breach) under any provision of any PSY Contract, and that the Port shall promptly notify Lessee in writing if it obtains knowledge of any material default or breach (or event which, with the giving of notice or passage of time, or both, would constitute such a default or breach) prior to the Commencement Date.

1.7 Appurtenant Rights.

1.7.1 Track Access. The Port grants to Lessee a nonexclusive right of access, in common with other users, over rail track owned by the Port adjacent to the Premises and connecting to rail track located within the Premises. Lessee shall be solely responsible for obtaining rights to use rail track owned or controlled by other parties, which may be necessary to provide rail access to the Premises. The Port makes no representations or warranties regarding the availability of such rail access, or the condition or usability for any purpose of track within or adjacent to the Premises.

1.7.2 River Water. To the extent permitted by law, and subject to the terms of the Port's water right permit No. 51547, issued October 5, 1994, the Port grants to Lessee the right to use water from the Willamette River, not to exceed 6.682 cubic feet per second. Lessee shall read meters for such river water usage at least monthly, and shall report usage to the Port in a form satisfactory to the Port. Lessee shall comply with all terms and conditions of the Port's water right permit, and such additional terms and conditions as the Port may impose in its sole discretion. For the use of the river water system, Lessee shall pay the sum of seventy-five thousand dollars ($75,000) per year as Additional Rent, payable in equal monthly installments of six thousand two hundred fifty dollars ($6,250), commencing upon the Port's notice of completion of a river water system servicing Berths 312, 313 and 314, and continuing through the tenth anniversary of the first such payment. Lessee shall have no obligation to pay Additional Rent for use of the river water system after this tenth anniversary.

1.8 Trade Names. The Port grants to Lessee the right to utilize the trade names "Portland Ship Yard," "Portland Ship Repair Yard," "PSY," and "PSRY" (the "Trade Names") during the Lease Term, in conjunction with Lessee's permitted uses of the Premises. The Trade Names are and shall remain, during the Lease Term and thereafter, the sole and exclusive property of the Port, and Lessee shall in no event use or authorize use of the Trade Names in connection with any other business, business location, or other purpose whatsoever. Lessee agrees that Lessee shall not register or attempt to register any of the Trade Names with state or federal authorities as a trade name, trademark, or service mark, and will not contest or aid in contesting the Port's ownership of the Trade Names. All goodwill associated with the Trade Names, including goodwill arising through Lessee's activities, shall inure directly and exclusively to the Port.

1.9 Inventory. The Port hereby transfers to Lessee, for use in conjunction with the Premises, those spare parts and supplies listed on the inventory attached as Exhibit J (the "Inventory"). Immediately prior to the Commencement Date, the parties shall jointly survey and count the items listed on the Inventory, and shall prepare a revised Inventory together with a revised list of Equipment as referenced in Section 1.1.4, showing the Equipment and Inventory on the Premises as of the Commencement Date. No adjustment in Rent shall be made as a result of any discrepancies between the initial and revised Inventory or the initial and revised list of Equipment. All items listed on the revised Inventory, together with all replacement items, shall remain the property of the Port. During the Lease Term, Lessee shall be permitted to use items on the revised Inventory in conjunction with the Premises but shall replenish all such items with similar items of at least equivalent quality within a reasonable time following use, unless otherwise agreed by the Port. **ALL ITEMS LISTED ON THE INVENTORY ARE PROVIDED "AS IS," WITHOUT WARRANTIES OF ANY KIND** (other than manufacturers' warranties, if any, and if transferable), and the limitations and conditions set forth in Section 6.3.1 shall apply.

SECTION 2 TERM

2.1 Lease Term. The term of this Lease shall commence on January 1, 1996, or such later date as may be determined pursuant to the Transition Agreement ("Commencement Date"), and shall continue through December 31, 2000, unless extended or sooner terminated pursuant to this Lease. As used in this Lease, the "Initial Lease Term" shall consist of the period from the Commencement Date through December 31, 2000; the "Lease Term" shall consist of the Initial Lease Term and any Extension Terms for which Lessee properly exercises Extension Options pursuant to Section 2.2; and the Expiration Date shall be the last day of the Lease Term.

2.2 Extension Options. Subject to the conditions set forth in this Section, Lessee shall have options to extend the Lease Term (each, an "Extension Option") for two (2) successive terms of five years each followed by an additional term of fifteen (15) years (each, an "Extension Term").

2.2.1 Conditions of Exercise. Lessee shall be entitled to exercise an Extension Option only if, on the date of notice of exercise of the option and continuously from the date of notice through the last date of the Lease Term, no Event of Default exists, and if, on the date of notice of exercise and the last date of the Lease Term, no event or condition exists or has occurred or failed to occur which, if not cured, would ripen into an Event of Default. Lessee shall be entitled to exercise its Extension Option for the fifteen-year Extension Term only if, during the three (3) full Calendar Years prior to notice of exercise of said Extension Option, Lessee's annual Gross Revenues (as defined in Section 3.6.1) averaged not less than ninety-five million dollars ($95 million) and Lessee's annual Gross Revenues for each such year were not less than ninety million dollars ($90 million).

2.2.2 Method of Exercise. To exercise any Extension Option, Lessee must give the Port written notice, not less than one hundred eighty (180) days nor more than two hundred seventy (270) days prior to the last day of the preceding Lease Term. Lessee's failure to so exercise an Extension Option shall automatically extinguish that Extension Option and all future Extension Options. Lessee's failure to obtain average annual Gross Revenues as required for exercise of the Extension Option for the fifteen-year Extension Term shall automatically extinguish that Extension Option.

2.2.3 Option Terms. The terms and conditions of the Lease for each Extension Term shall be identical with those for the Initial Lease Term, except that (a) upon exercise of any Extension Option, the Port shall provide Lessee with a revised Exhibit M, establishing a schedule of Capital Projects (as defined in Section 4.7.1) for the Extension Term; (b) amounts and types of insurance required for any Extension Term may be adjusted by the Port in its sole discretion, taking into account insurance market conditions, changes in Lessee's business and operations, changes in Lessee's financial condition, and applicable underwriting criteria; (c) Basic Rent shall be payable under Section 3.3 for the Calendar Years 2008, 2009 and 2010; and (d) Basic Rent for the fifteen-year Extension Term shall be as set out in Section 3.4.

SECTION 3 RENT

3.1 Basic Rent and Rent. Lessee shall pay to the Port as "Basic Rent" the sums specified in Section 3.2, Section 3.3, or Section 3.4, as applicable, as Basic Rent. All other sums which become payable by Lessee to the Port shall be considered "Additional Rent" due under this Lease. Basic Rent and Additional Rent shall together be referred to as "Rent."

3.2 Amount of Basic Rent: Through 2007. Except as provided by Sections 3.3 and 3.4, Basic Rent shall consist of:

3.2.1 Minimum Annual Guarantee. Minimum rent ("Minimum Annual Guarantee") equal to five million eight hundred thirty-three thousand dollars ($5,833,000), payable in equal monthly installments, plus

3.2.2 Percentage Rent. Volume-based rent ("Percentage Rent") equal to four percent (4%) of annual Gross Revenues in excess of one hundred million dollars but not exceeding one hundred twenty-five million dollars ($100-125 million); plus three percent (3%) of annual Gross Revenues in excess of one hundred twenty-five million dollars but not exceeding one hundred fifty million dollars ($125-150 million); plus one percent (1%) of annual Gross Revenues in excess of one hundred fifty million dollars ($150 million); payable in accordance with Section 3.6.

3.3 Amount of Basic Rent: 2008, 2009, 2010. If Lessee exercises its second five-year Extension Option pursuant to Section 2.2, Basic Rent for the Calendar Years 2008, 2009 and 2010 shall consist of:

3.3.1 Minimum Annual Guarantee. A Minimum Annual Guarantee equal to three million dollars ($3 million), payable in equal monthly installments of two hundred fifty thousand dollars ($250,000), plus

3.3.2 Percentage Rent. Percentage Rent equal to four percent (4%) of annual Gross Revenues in excess of eighty million dollars ($80 million), payable in accordance with Section 3.6.

3.4 Amount of Basic Rent: Fifteen-Year Extension. If Lessee exercises its Extension Option for a fifteen-year Extension Term pursuant to Section 2.2, Basic Rent during the fifteen-year Extension Term shall consist of:

3.4.1 Minimum Annual Guarantee. A Minimum Annual Guarantee equal to three million six hundred thousand dollars ($3,600,000), payable in equal monthly installments, plus

3.4.2 Percentage Rent. Percentage Rent equal to four percent (4%) of annual Gross Revenues in excess of ninety-five million dollars ($95 million), payable in accordance with Section 3.6.

3.5 Common Area Assessment. Lessee shall pay a common area fee ("Common Area Assessment"), which is paid by all Swan Island tenants on an annual basis. The Common Area Assessment shall be based on Lessee's proportionate share of operating, repairing, servicing, maintaining and improving the common areas of the Swan Island Industrial Park. Common Area Assessments may include all common area water charges; connection, maintenance, and other fees relating to connection and use of drainage and sewage systems; litter control; electricity for street lights and maintenance of street lights; fire protection; signage; landscaping; cleaning and maintenance supplies and services; repair and replacement of common area facilities; equipment and tools; administration costs and management fees; superintendent fees; security services; and insurance premiums. "Lessee's Proportionate Share" shall mean the total acreage of the Premises, divided by the total acreage of the Swan Island Industrial Park, whether or not occupied. The Common Area Assessment shall be calculated in accordance with the Port's standard real estate accounting practices. The Common Area Assessment may include any costs attributable to support services provided by the Port to administer the Port's obligations relating to the common areas, and costs incurred by the Port in connection with the accounting of the Common Area Assessment. Lessee shall receive an annual billing for its share of the Common Area Assessment.

3.6 Calculation of Annual Gross Revenues and Percentage Rent.

3.6.1 Definition. For purposes of this Lease, "Gross Revenues" shall mean all amounts, calculated in accordance with generally accepted accounting principles, net of consolidating elimination entries, derived or earned by Lessee or any parent, subsidiary, affiliate, or entity with ownership, management or control in common with Lessee in whole or in part, derived or earned from the management, operation, sublease, assignment, license or use of the Premises, or from ship repair, conversion, maintenance or construction work performed within 300 nautical miles of the Premises.

3.6.2 Estimated Percentage Rent. Lessee shall make estimated quarterly payments of Percentage Rent for any calendar quarter in which cumulative Gross Revenues for the Calendar Year exceed the following percentages of the lowest level of annual Gross Revenues at which Percentage Rent would be payable pursuant to this Lease: first quarter, twenty-five percent (25%); second quarter, fifty percent (50%); third quarter, seventy-five percent (75%); fourth quarter, one hundred percent (100%). Estimated payments shall be calculated by applying the percentages set out in Section 3.2, Section 3.3, or Section 3.4, as applicable, to the amount by which Lessee's cumulative Gross Revenues exceed the applicable percentages of the levels of annual Gross Revenues at which Percentage Rent would be payable, and subtracting prior estimated payments for the Calendar Year. Quarterly estimated payments shall be due on the first day of the month, one month following the end of each calendar quarter (May 1, August 1, November 1, and February 1). If Lessee's cumulative Gross Revenues for the second, third or fourth quarter during any Calendar Year are below the percentages specified above at which estimated payments of Percentage Rent would be made, and Lessee has previously made estimated payments of Percentage Rent for the Calendar Year, such excess estimated payments of Percentage Rent shall be credited against future payments of Rent.

3.6.3 Reconciliation of Percentage Rent. Not more than thirty (30) days after receipt of Lessee's annual audited financial statements pursuant to Section 8.4.1, the Port shall calculate the Percentage Rent owed by Lessee for the previous fiscal year. If Lessee's estimated quarterly payments for the year total less than the amount of Percentage Rent owed, the Port shall invoice Lessee for the difference, which shall not bear interest if paid when due. If Lessee's estimated quarterly payments for the year total more than the amount of Percentage Rent owed, the Port shall credit Lessee for the difference, without interest.

3.7 Payment of Rent. Lessee shall make payment of all Rent on or before the first day of each calendar month ("Due Date") without offset, abatement or deduction. The Due Date for all amounts invoiced by the Port as Additional Rent shall be the first day of the calendar month following invoice. Rent shall be paid to the Port at the following address or such other place as the Port may later designate:

The Port of Portland
P.O. Box 5095
Portland, Oregon 97208-5095

3.8 Delinquency and Administrative Charges. All amounts not paid by Lessee within seven (7) days of the Due Date shall bear a delinquency charge of eighteen percent (18%) per annum or, if less, the maximum rate of interest allowed by law, from the date of delinquency until paid. The delinquency charge on overdue amounts shall be subject to periodic change in the sole discretion of the Port. In addition to the delinquency charge, the Port may, at its option, also impose an administrative charge of five cents ($.05) for each one dollar ($1) of Rent payments more than seven (7) days delinquent. The Port's failure to impose an administrative charge in any instance shall not be a waiver of the Port's other rights and remedies for such delinquent payment, nor of the Port's

right to later charge and collect an administrative charge for such delinquency or any other delinquency. Acceptance of any delinquency or administrative charge by the Port shall in no event constitute a waiver of Lessee's default with respect to the overdue amount in question, nor prevent the Port from exercising any of the other rights and remedies granted under this Lease or by law.

3.9 Acceptance of Rent. The Port's acceptance of a late or partial payment of Rent shall not constitute a waiver of any Event of Default. Endorsements or statements on checks of waiver, compromise, payment in full or the like shall have no legal effect. Lessee shall nonetheless remain in default and shall also remain obligated to pay all Rent due even if the Port has accepted such partial or late payment.

SECTION 4 OPERATION, MAINTENANCE AND IMPROVEMENTS

4.1 Operating Plans.

4.1.1 Submission of Plans. Lessee shall at all times during the Lease Term operate in compliance with Port-approved operating plans (each, an "Operating Plan") for each of the following PSY functions:

4.1.1.1 Utilities. Operation of the Central Utility Building and utility systems, including compressed air, oxygen, natural gas, storm and sanitary sewers, steam, potable water, fire system water, river water, telephone, and electricity.

4.1.1.2 Ballast Water Treatment Plant. Operation of Ballast Water Treatment Plant, including pollution response and disposal of oil.

4.1.1.3 Dry Docks. Operation of the Dry Docks, including block building and line handling, sand cleaning and removal, lift planning and operation, certification, and employment of dockmasters.

4.1.1.4 Cranes. Operation of whirley cranes, bridge cranes and travelling stages.

4.1.1.5 Environmental and Safety. Environmental compliance, including OSHA compliance and permitting.

4.1.1.6 Maintenance. Compliance with maintenance obligations as specified in this Lease.

4.1.2 Contents of Operating Plans. Each Operating Plan shall describe in detail Lessee's proposed method of operation; staffing plan (including names and qualifications of key personnel); recordkeeping plan; the status of required permits, licenses or certifications; and such other information as the Port may reasonably require. Any Operating Plan that addresses environmental issues shall be consistent with the Environmental Permitting and Management Agreement ("Environmental Agreement") entered into between the parties in accordance with the Transition Agreement.

4.1.3 Port Approval. Not later than December 1 of each year, Lessee shall submit proposed Operating Plans as specified above for the following Calendar Year. Within thirty (30) days after receipt of each Operating Plan, the Port shall notify Lessee whether the Operating Plan is approved or disapproved. In the event an Operating Plan is disapproved, the Port shall specify in writing its reasons for disapproval. Lessee shall within thirty (30) days make such changes as the Port shall specify in order to obtain approval. If Lessee needs to operate in a manner not in compliance with a then-approved Operating Plan, Lessee shall apply to the Port and obtain advance written consent to operate in such a manner for a specified limited period.

4.2 Maintenance.

4.2.1 General. Lessee shall at all times during the Lease Term keep and maintain the Premises, including all Improvements, Equipment, and Dry Docks, in good repair and in a clean, orderly and safe operating condition. Lessee shall additionally comply with the Port's schedule for preventive maintenance, repairs, and replacements of the Improvements, Equipment and Dry Docks, as contained in the Port's computerized and manual maintenance management systems for the Premises as summarized in Exhibit K, or shall provide and comply with an alternative schedule acceptable to the Port, and shall additionally make such repairs and take such preventive maintenance actions as shall maximize the useful lives of the Improvements, Equipment and Dry Docks.

4.2.2 Specific Maintenance Requirements. Without in any way limiting the generality of the foregoing, Lessee specifically agrees to maintain the Premises as follows:

4.2.2.1 All cranes shall be maintained so as to be continuously in compliance with the requirements for OR-OSHA and United States Department of Labor (OSHA) certification, pursuant to 29 C.F.R. parts 1917 to 1919 and applicable state standards, as they may be amended or supplemented from time to time. Lessee shall obtain annual certification of all cranes through an OSHA-accredited agent approved by the Port.

4.2.2.2 All Dry Docks shall be maintained so as to be continuously in compliance with the requirements for United States Navy safety certification pursuant to MIL STD 1625C, as they may be amended or supplemented from time to time. The Dry Dock water containment and treatment system shall be maintained in accordance with the operation and maintenance plan developed as part of the design of that system.

4.2.2.3 All tanks, including but not limited to all pressure vessels, inground storage tanks, and above ground tanks, shall be maintained to applicable American Petroleum Institute and State of Oregon standards. All structural repairs shall be in compliance with American Petroleum Institute and State of Oregon standards, and all tanks shall be inspected periodically in accordance with the applicable inspection schedule recommended by the American Petroleum Institute and the State of Oregon. Lessee shall meet and maintain compliance with applicable federal and state financial assurance requirements pertaining to underground storage tanks.

4.2.2.4 All Ballast Water Treatment Plant transfer hoses and pipelines shall be maintained and tested not less than annually in accordance with the Port's Operation Manual for Oil Transfer, as approved by the United States Coast Guard. All other piping shall be inspected not less than twice yearly. The flare on the Ballast Water Treatment Plant horizontal tanks shall be maintained so as to operate in compliance with all applicable clean air requirements and permits. The Ballast Water Treatment Plant and the sensor in the piping system preceding the rainwater tank shall be maintained so as to ensure compliance with applicable discharge standards and permits.

4.2.2.5 All track and rail right-of-way shall be maintained so as to be continuously in compliance with the applicable inspection standards of the Oregon Public Utilities Commission.

4.2.2.6 All Improvements and Equipment shall be maintained in compliance with all applicable manufacturer's recommended maintenance standards.

4.2.2.7 All Improvements and Equipment shall be upgraded and maintained to be in compliance with all applicable legal and regulatory standards, as they may be modified from time to time. All

Improvements and Equipment shall be maintained in compliance with Factory Mutual Engineering standards, or such other similar standards as may be used from time to time by the Port's insurance carriers, and Lessee shall comply with all recommendations for maintenance and operation made by the Port's insurance carriers unless compliance is specifically waived in writing by the Port.

4.2.2.8 All river banks and landscaping within the Premises shall be maintained in at least their condition as of the Commencement Date, including replacement of vegetation if necessary, or in any upgraded condition which may be required by any governmental permitting or regulatory agency.

4.3 Ballast Water Treatment Plant. Lessee shall, at all times during the Lease Term, maintain the Ballast Water Treatment Plant open and available, on reasonable notice, to accept marine generated oily waste (ballast water and bilge cleaning) from vessels in the Columbia/Snake River system in compliance with United States Coast Guard regulations and procedures. Lessee shall not permit the Ballast Water Treatment Plant to be used for the processing of non-marine generated waste. Lessee shall maintain the Ballast Water Treatment plant in accordance with the maintenance standards set forth in Section 4.2, and shall maintain the berm and paving associated with the Ballast Water Treatment Plant in their present condition or better. Lessee shall require all generators and transporters of marine generated oily waste accepted by the Ballast Water Treatment Plant to enter into contracts with Lessee in substantially the form attached as Exhibit L.

4.4 Autoclave. Lessee shall, at all times during the Lease Term, maintain the Autoclave open and available, on reasonable notice, for the sterilization of marine generated garbage in compliance with MARPOL Annex V. In addition to the maintenance standards set forth in Section 4.2, Lessee shall maintain the autoclave in accordance with the standards of the Animal and Plant Health Inspection Service of the United States Department of Agriculture.

4.5 Utilities. Lessee shall, at all times during the Lease Term, maintain the Premises' utility systems (including compressed air, oxygen, natural gas, storm and sanitary sewers, steam, potable water, fire system water, river water, ballast water, telephone, and electricity) fully available and operational, and shall maintain said utility systems in accordance with the maintenance standards set forth in Section 4.2.

4.6 Fire Suppression Systems. Lessee shall exercise reasonable care and caution to prevent and control fire on the Premises and shall provide and maintain such fire suppression and other fire protection systems and equipment as may be required by law, by the Port's insurance carriers, or by the maintenance schedule referred to in Section 4.2.1.

4.7 Capital Projects.

4.7.1 Lessee's Obligations. Subject to the limits set out in Section 4.7.4, Lessee shall, at its sole expense, perform the Capital Projects (as defined in Section 4.7.6) specified in Exhibit M, on the schedule established in Exhibit M, and such additional Capital Projects as may be specified on any revised Exhibit M provided by the Port for any Extension Term pursuant to Section 2.2.3. The schedule of Capital Projects established by Exhibit M may be modified only upon the express written consent of the Port. Submission of Work Schedules and reports pursuant to Section 4.7.2 shall not under any circumstances be deemed to modify the schedule of Capital Projects established by Exhibit M or Lessee's obligation to perform such Capital Projects.

4.7.2 Annual Work Schedule. Not later than the Commencement Date, and not later than July 1 of each year during the Lease Term, Lessee shall submit to the Port for approval a proposed schedule (each, a "Work Schedule") of

Capital Projects to be performed during the subsequent four Calendar Years. Each Work Schedule shall include all Capital Projects required to be performed during the subsequent four Calendar Years pursuant to Exhibit M, and may include such other Capital Projects as Lessee believes necessary and appropriate. The Work Schedule shall include the anticipated cost of each Capital Project and such other detail as the Port may require. The Work Schedule shall be deemed approved by the Port unless the Port notifies Lessee in writing of its disapproval within sixty (60) days after receipt of the Work Schedule.

4.7.3 Annual Expenditure Minimum. During every Calendar Year, Lessee shall be required to expend for Capital Projects not less than an amount of Capital Costs (the "Annual Expenditure Minimum") which shall be two million dollars ($2,000,000) annually during the Initial Lease Term, and shall be adjusted upward as specified in Section 4.7.5. Each Work Schedule submitted by Lessee shall include sufficient Capital Projects for each Calendar Year to meet the Annual Expenditure Minimum.

4.7.4 Annual Expenditure Cap. Notwithstanding Section 4.7.1, during any Calendar Year Lessee shall not be required to expend for Capital Projects more than an amount of Capital Costs (the "Annual Expenditure Cap)" which shall be four million dollars ($4,000,000) annually during the Initial Lease Term, and shall be adjusted upward as specified in Section 4.7.5. In the event Lessee's Work Schedule for any Calendar Year includes Capital Projects estimated by Lessee to require Capital Costs in excess of the Annual Expenditure Cap, Lessee may, at its option, include in its Work Schedule a recommended adjustment to the Work Schedule which would result in Capital Costs below the Annual Expenditure Cap. The Port shall review Lessee's recommendation, and shall make such adjustments to Lessee's Work Schedule and the schedule of Capital Projects established by Exhibit M as the Port, in its sole discretion, determines appropriate.

4.7.5 Adjustment of Expenditure Amounts. If Lessee exercises any Extension Options pursuant to Section 2.2, dollar amounts subject to adjustment under this Section 4.7.5 shall be adjusted at the commencement of each Extension Term and every five years during the fifteen-year Extension Term (each, an "Adjustment Date"). Adjustment shall be based on the percentage increase of the "Consumer Price Index - Seasonally Adjusted U.S. City Average for all Items for All Urban Consumers (1982-84=100)" published by the Bureau of Labor Statistics for the United States Department of Labor (the "CPI-U"). The adjustment shall be determined by multiplying the previous dollar amount by a fraction, the numerator of which is the CPI-U for the month immediately prior to the Adjustment Date, and the denominator of which is the CPI-U for the first month of the Lease Term (or the month immediately prior to the previous Adjustment Date, if an adjustment has previously been made); provided, however, that in no event shall the dollar amounts to be adjusted ever be reduced below the levels applicable to the Initial Lease Term.

4.7.6 Capital Projects Defined; Cost Allocation. For purposes of this Lease, a "Capital Project" shall mean a major maintenance project, facility upgrade project, environmental remediation project or regulatory compliance project the costs of which can be capitalized in accordance with generally accepted accounting principles, and shall additionally mean Environmental Costs incurred pursuant to Section 7.8.2, but shall not include maintenance pursuant to Section 4.2. Costs of Capital Projects ("Capital Costs") shall mean direct labor and materials and other direct costs, and may include Lessee's allocated costs, including overhead and general and administrative costs, if reasonably calculated and allocated in accordance with an established and consistent methodology acceptable to the Port. Capital Costs shall not include any amounts reimbursed or paid with the proceeds of insurance. Prior to the Commencement Date, Lessee shall submit to the Port for approval its methodology for calculating and allocating its Capital Costs.

4.8 Annual Report and Audit. Not later than March 1 of each year following the first year of the Lease Term, Lessee shall submit to the Port a report of all maintenance performed during the past Calendar Year and all work on Capital Projects performed during the past Calendar Year. The report shall include the labor hours expended, the cost of each Capital Project and such other detail as the Port may require. The Port may conduct an annual maintenance audit to evaluate maintenance and Capital Projects performed and to determine compliance with this Lease and Lessee's Work Schedule.

4.9 Construction of Improvements.

4.9.1 Port Approval. Except as part of an approved Work Schedule or Operating Plan, Lessee shall undertake no Capital Projects or other construction, alteration, or changes ("Work") on or to the Premises without the prior written consent of the Port. In connection with any Capital Project or other Work, whether or not included on a Work Schedule or Operating Plan, the Port may require Lessee to submit to the Port for approval any of the following: the name of the proposed contractor; final plans and specifications meeting Port standards; a site-use plan; and architectural renderings. Approval must be obtained prior to application for any building or similar permit. The Port may condition its approval on Lessee's obtaining and delivering to the Port a performance bond and a labor and materials payment bond (each issued by a corporate surety satisfactory to the Port and licensed to do business in Oregon), each in an amount equal to the estimated cost of the construction and in a form satisfactory to the Port.

4.9.2 Permits and Licenses. No Work may commence until Lessee obtains and delivers to the Port copies of all necessary governmental permits, environmental or regulatory agency written consents, and licenses.

4.9.3 Port Consultants and Contractors. In the event Lessee proposes a Capital Project not included on Exhibit M, and the Port determines in its sole discretion that review and analysis of the proposed Capital Project will necessitate the use of outside contractors or consultants prior to the Port granting approval, the Port shall so notify Lessee and shall provide Lessee with an estimate of the costs of using such outside contractors or consultants. If Lessee notifies the Port that it wishes to proceed toward approval of the proposed Capital Project, the Port shall contract with such outside contractors or consultants to assist in the review and analysis of the proposed Capital Project. Lessee shall reimburse the Port for its actual costs incurred in contracting with such outside contractors or consultants, whether or not the proposed Capital Project is approved.

4.9.4 Other Requirements. All Work shall be performed in a good and workmanlike manner, in conformance with all code, statutory and permit requirements, and in conformance with the Port's Swan Island Development Standards. To the extent applicable, all Work shall comply with ORS Chapter 279 and all Work on the Dry Docks shall comply with ORS 778.105. All Work shall be completed with reasonable dispatch. All materials used shall be in compliance with code and statutory requirements, and all electrical and safety equipment used shall meet Factory Mutual and Underwriters Laboratory requirements (or such other similar requirements as may be used by the Port's insurance carriers). Within ninety (90) days of the completion of any Work, Lessee shall deliver to the Port complete and fully detailed as-built drawings of all completed Work, prepared by an engineer (or architect, for buildings) licensed by the State of Oregon. Drawings shall be reproducible on mylar bases, unless otherwise approved by the Port, and shall be accompanied by shop drawings, operating and maintenance manuals, and related submittals.

4.10 Permits and Certifications. Lessee shall notify the Port prior to applying for any permit, certification, notification, license or membership relating to the Premises, or any modification, renewal or extension of the same

(the "Permits"), including without limitation environmental, operating, and land use Permits, but excluding routine renewals and extensions that do not modify existing Permit terms. The Port in its sole discretion may require that Port planning, environmental or other staff be utilized to perform certain tasks in conjunction with such Permit applications, and may require Lessee to accept or reject such Permit conditions as the Port in its sole discretion deems appropriate. In the event the Port requires the utilization of Port staff in connection with any Permit, Lessee shall reimburse the Port for the time of Port staff at the Port's then-current third-party billing rates.

SECTION 5 LESSEE'S OTHER OBLIGATIONS

5.1 Security of Premises. Lessee shall provide 24-hour perimeter security for the Premises, and shall maintain all fences and gates in good condition.

5.2 Payment of Taxes and Fees. Lessee shall pay all taxes, fees and assessments of any public authority levied against the Premises, or upon any taxable interest of Lessee or any sublessee or assignee acquired pursuant to this Lease or any sublease or assignment, or upon any taxable possessory right Lessee or any sublessee or assignee may have in or to the Premises, as well as all taxes on all taxable property, real or personal, owned by Lessee or any sublessee or assignee in or about the Premises, including any other tax or charge levied wholly or partly in lieu thereof. Lessee shall make all payments on or before the date payment is due, and shall supply the Port with proof that payments have been timely made. Lessee shall be permitted to pay taxes in installments, as allowed by the assessing authority, and shall be allowed to contest the validity of any tax assessment so long as taxes are paid when due in accordance with law. Lessee understands that should this Lease expire prior to the end of any given tax year, Lessee will nonetheless be responsible to pay taxes assessed for the entire tax year (currently, July 1 through June 30). Lessee agrees that Multnomah County, Oregon is an intended third-party beneficiary of Lessee's obligation under this Lease to pay taxes owed to Multnomah County, and that Multnomah County may enforce such obligation directly, by an action for a money judgment, without affecting any other right or remedy available under this Lease or otherwise.

5.3 Payment for Utilities. Lessee shall promptly pay all charges for sewer, water, gas, electricity, telephone, and other utilities which may be furnished to the Premises at the request of Lessee or for Lessee's use, including any and all connection fees, impervious surface fees, drainage fees, and other fees relating to the provision of utilities. Unless terminated by the Port and Northwest Natural Gas prior to the Commencement Date, the Port agrees to assign to Lessee, and Lessee agrees to assume, that certain Service Agreement between the Port and Northwest Natural Gas attached as Exhibit N.

5.4 No Liens. Lessee agrees to pay, when due, all sums for labor, services, materials, supplies, utilities, furnishings, machinery, or equipment which have been provided or ordered with Lessee's consent to the Premises. If any lien is filed against the Premises which Lessee wishes to protest, then Lessee shall immediately deposit cash with the Port, or procure a bond acceptable to the Port, in an amount sufficient to cover the cost of removing the lien from the Premises. Failure to remove the lien or furnish the cash or bond acceptable to the Port within ten (10) days shall constitute an Event of Default under this Lease and the Port shall automatically have the right, but not the obligation, to pay the lien off with no notice to Lessee and Lessee shall immediately reimburse the Port for any sums so paid to remove any such lien.

5.5 Removal of Logo. Not later than one year following the Commencement Date, Lessee shall remove the Port logo and all signage naming or

identifying the Port from all buildings, equipment and other locations within the Premises.

SECTION 6 PORT AUTHORITY AND OBLIGATIONS

6.1 Delivery of Premises. Lessee shall have the right to possession of the Premises pursuant to this Lease as of the Commencement Date. Early or delayed possession shall not advance or defer the Expiration Date of this Lease.

6.2 Quiet Enjoyment. Subject to Lessee performing all of Lessee's obligations under this Lease and subject to the Port's rights under this Lease and the Transition Agreement and its rights of condemnation under Oregon law, Lessee's possession of the Premises will otherwise not be disturbed by the Port.

6.3 Condition of Property.

6.3.1 No Warranty. The Port makes **NO WARRANTIES OR REPRESENTATIONS REGARDING THE CONDITION OF THE PREMISES**, including, without limitation, the suitability of PSY for Lessee's intended uses, the availability of utilities or access needed for Lessee's intended purposes, or the condition of the Improvements, Dry Docks and Equipment. Lessee has inspected and accepts the Premises in "**AS IS**" condition upon taking possession. The Port shall have no liability to Lessee, and Lessee shall have no claim against the Port, for any damage or injury or loss of use caused by the condition of the Premises. The Port shall have no responsibility to bring the Premises into compliance with any laws, including, without limitation, any building or occupancy codes, permit conditions, or certification requirements. Lessee shall be solely responsible for thoroughly inspecting the Premises and ensuring that it is in compliance with all laws. Lessee shall also be solely responsible for ensuring that the Premises meets all requirements of the Americans With Disabilities Act ("ADA").

6.3.2 Condition Survey. Prior to the Commencement Date, the Port and Lessee shall cooperate in making a general survey of the visual condition of the Premises, by videotape or other photographic means, with the cost to be shared equally by both parties and a copy to be provided to each.

6.4 Port Access and Inspection Rights. The Port reserves the right to inspect for compliance with maintenance and operational requirements at the Premises at any time and from time to time upon reasonable notice to Lessee. The Port shall additionally have access to the Premises on reasonable notice to Lessee to perform any actions which the Port is obligated or entitled to perform under the terms of this Lease or the Transition Agreement. Lessee shall make all inspection and maintenance records and certifications available for the Port's inspection during normal business hours upon the Port's reasonable request. Lessee shall also make the Premises and all inspection and maintenance records and certifications available for inspection by the Port's insurance carriers upon reasonable notice.

6.5 Port Construction and Repair Obligations. The Port shall have no responsibility for the repair or maintenance of any portion of the Premises. Lessee shall, at its sole expense, promptly repair any damage to the Premises and its Dry Docks, Equipment and Improvements occurring during the term of this Lease.

6.6 Amortization of Improvements. The parties understand that during the Lease Term, Lessee may wish to make one or more significant capital improvements to the Premises, the useful life of which would extend beyond the Lease Term, and the financing for which would require assurances from the Port with respect to compensation for and utility of such improvements following termination of this Lease. The Port agrees to consider any proposals by Lessee regarding such capital improvements; provided, however, that the Port shall have

no obligation whatsoever to grant any such assurances or agree to any proposals made by Lessee, and may accept, reject or modify any such proposals in its sole discretion.

SECTION 7 ENVIRONMENTAL MATTERS

7.1 Definitions. As used in this Lease:

7.1.1 "Environmental Laws" shall be interpreted in the broadest sense to include any and all federal, state, and local statutes, regulations, rules, and ordinances now or hereafter in effect, as the same may be amended from time to time, which in any way govern materials or substances or relate to the protection of health, safety or the environment.

7.1.2 "Hazardous Substances" shall be interpreted in the broadest sense to include any substance, material or product defined or designated as hazardous, toxic, radioactive, dangerous, wastes, or any other similar term in or under any Environmental Laws.

7.1.3 "Environmental Costs" shall be interpreted in the broadest sense to include: (i) costs or expenses relating to any actual or claimed violation of or noncompliance with any Environmental Law; (ii) all claims of third parties, including governmental agencies, for damages, response costs, natural resources damages or other relief; (iii) the cost, expense or loss to the Port as a result of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the Premises; (iv) all expenses of evaluation, testing, analysis, remediation, removal, and disposal relating to Hazardous Substances, including fees of attorneys, engineers, consultants, paralegals and experts; (v) all expenses of reporting the existence of Hazardous Substances or the violation of Environmental Laws to any agency of the State of Oregon, the United States, or any unit of local government as may be required by applicable Environmental Laws; (vi) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before, and after any trial or appeal therefrom or any administrative proceeding or appeal therefrom whether or not taxable as costs, including, without limitation, attorneys' and paralegal fees, witness fees (expert and otherwise), consultant fees, deposition costs, copying and telephone charges and other expenses; and (vii) any damages, costs, liabilities and expenses which are claimed to be owed by any federal, state or local regulating or administrative agency.

7.2 Environmental Audit. The parties acknowledge that prior to the Effective Date of this Lease the Port has conducted, at the Port's sole cost and expense, an environmental audit ("Initial Audit") of the Premises, including the contents of tanks and sumps at the Ballast Water Treatment Plant and including Submerged Lands under the Dry Docks, but excluding all other Submerged Lands. The Port and Lessee have each received a signed and certified copy of the Initial Audit report. If the parties mutually agree in writing, prior to the Commencement Date, to supplement the Initial Audit, any such agreed supplement shall become part of the Initial Audit. The Initial Audit shall then be used as a baseline for determination of potential future environmental liability. The parties acknowledge and agree that each party has conducted operations on the Premises prior to the Commencement Date of this Lease, and that conditions may exist on the Premises as of the Commencement Date which are not disclosed in the Initial Audit.

7.3 Presumptions. If contamination not shown in the Initial Audit is later found, whether at the time of the Exit Audit described below or at any other time, then the following presumptions shall exist:

7.3.1 Presumption of Lessee's Remediation. If the contamination is located on or adjacent to any portion of the Premises other than

that portion of the Submerged Lands not included within the Initial Audit, a rebuttable presumption shall exist that such contamination occurred during the Lease Term and that Lessee is obligated to remediate.

7.3.2 Remediation Not Presumed. If the contamination is located on that portion of the Submerged Lands not included within the Initial Audit, a rebuttable presumption shall exist that the contamination did not occur during the Lease Term and that Lessee is not obligated to remediate.

7.4 Limited Business Use of Hazardous Substances. Except as specifically provided in this Section, the use, handling, storage, disposal, generation, creation, transportation, treatment or discharge of Hazardous Substances in, on, about or from the Premises is prohibited. Lessee may, in the normal course of Lessee's business and to the extent necessary for Lessee's permitted use of the Premises, use Hazardous Substances on the Premises if use of such Hazardous Substances is in compliance with all Environmental Laws.

7.5 Environmental Inspection. The Port reserves the right to inspect for Hazardous Substances, for Lessee's management of Hazardous Substances, and for compliance with all applicable Environmental Laws on the Premises at any time and from time to time upon reasonable notice to Lessee. Lessee shall make all environmental records available for the Port's inspection during normal business hours upon the Port's request. If the Port at any time during the term of this Lease has reason to believe that Lessee is handling Hazardous Substances contrary to the requirements of this Lease, in violation of any Environmental Law, or in any manner that may allow contamination of the Premises, the Port may, without limiting its other rights and remedies, cause to be conducted, at the Port's expense, an environmental audit or environmental assessment with respect to the matters of concern to the Port. Lessee shall cooperate with all such audits or assessments. If the audit or assessment reveals that contamination or violation of this Lease or any Environmental Law has occurred, then Lessee shall reimburse the Port the cost of the audit or assessment in addition to its other obligations under this Lease.

7.6 Disposal of Hazardous Substances. Except as allowed by state or federal discharge permits, Lessee shall not dispose of any Hazardous Substance, regardless of the quantity or concentration, within the storm or sanitary sewer drains and plumbing facilities within the Premises, or on any other property of the Port.

7.7 Notice to Port. Lessee shall immediately notify the Port upon becoming aware of (1) any violation or alleged violation of or noncompliance or alleged noncompliance with any Environmental Law; (2) any leak, spill, release or disposal of a Hazardous Substance on, under, or adjacent to the Premises or threat of, or reasonable suspicion of, any of the same; or (3) any notice or communication from a governmental agency or any other person directed to or received by Lessee relating to Hazardous Substances on, under, or adjacent to the Premises or any violation or alleged violation of any Environmental Law with respect to the Premises.

7.8 Environmental Remediation.

7.8.1 Contamination During Lease Term. In the event of a leak, spill or release of a Hazardous Substance, or any other substance in violation of Environmental Laws, on the Premises or in any adjacent or nearby waterways or on adjacent properties, in whole or in part during the Lease Term or during Lessee's use or occupancy of any portion of the Premises, Lessee shall immediately undertake all acts necessary or appropriate to contain, clean-up and remove the Hazardous Substance or other substance. Lessee shall also undertake, within a reasonable time, all investigatory, remedial and/or removal actions necessary or appropriate to ensure that any contamination is cleaned to meet all

state and federal standards and any violation of any Environmental Law is stopped.

7.8.2 Pre-Existing Contamination. In the event any environmental or regulatory agency, during the Lease Term, orders or requires that contamination, no part of which occurred during the Lease Term, be cleaned up and removed, Lessee shall promptly undertake and carry out all acts necessary or appropriate to contain, clean-up and remove the contamination and ensure the contamination is cleaned to meet all state and federal standards, subject to the following limits, and provided that Lessee shall have no obligation under this Section 7.8.2 for that portion of any cleanup which cannot reasonably be completed during the Lease Term:

7.8.2.1 Lessee's Environmental Costs incurred for containment, cleanup and removal pursuant to this Section 7.8.2 (including any insurance premium increases directly attributable to such containment, cleanup and removal) shall be limited to a maximum of (1) five hundred thousand dollars ($500,000) during any Calendar Year, in addition to any applicable insurance proceeds, which amount shall be adjusted upwards pursuant to Section 4.7.5; (2) one million five hundred thousand dollars ($1,500,000) during the Initial Lease Term; (3) three million five hundred thousand dollars ($3,500,000) during the first ten years of the Lease Term if an Extension Option is exercised; and (4) ten million dollars ($10,000,000) during the Lease Term; all of which amounts shall be in addition to any applicable insurance proceeds.

7.8.2.2 If Environmental Costs pursuant to this Section 7.8.2 exceed the amounts specified in Section 7.8.2.1, the parties will negotiate in good faith for a basis to share revenues from continued operation of the Premises in order to satisfy such costs.

7.8.2.3 Notwithstanding the foregoing, nothing in this Lease shall in any way limit or relieve Lessee from any cleanup, removal or remediation obligations it may have pursuant to any prior leases or agreements between the Port and Lessee or pursuant to law.

7.8.3 Remediation Procedures. The Port shall have the right to approve all investigatory, remedial and removal procedures and the company(ies) or individuals conducting such procedures. Lessee shall notify the Port prior to any negotiations or discussions with any regulatory agency relating to such investigatory, remedial or removal procedures, and the Port shall have the option to participate in such negotiations or discussions. Within thirty (30) days following completion of such investigatory, remedial and/or removal action, Lessee shall provide the Port with a report outlining in detail the actions taken. Any Environmental Costs incurred by or assessed against the Port shall be promptly paid by Lessee.

7.9 Annual Certification. Not later than thirty (30) days after the end of each anniversary of the Effective Date, Lessee shall provide a written certification to the Port which certifies that Lessee has not received any notice from any governmental agency regarding a violation of any Environmental Law; or, if such notice was received, Lessee shall explain the reason for the notice and what has been done to remedy the condition or respond to the notice, and shall attach a copy of the notice. Lessee shall also certify that Lessee has obtained and has in force all permits required under all Environmental Laws. Copies of all such permits shall be made available to the Port upon request.

7.10 Exit Audit and Final Remediation.

7.10.1 Exit Audit. Lessee shall, at Lessee's sole cost and expense, not sooner than six (6) months prior to the Expiration Date or otherwise scheduled termination date of this Lease, and not later than two (2) months prior to the Expiration Date or otherwise scheduled termination date of this Lease,

conduct an exit environmental audit (the "Exit Audit") of the Premises to determine whether there are any Hazardous Substances on or within the Premises. The Exit Audit shall include all matters addressed in the Initial Audit, but shall not address issues beyond the scope of the Initial Audit except as related to Lessee's operations and activities during the Lease Term. The Port shall have the right to approve the Exit Audit procedures and scope and the company or individual conducting the audit. The Port shall be given a certified copy of the audit results. Lessee shall provide to the Port a supplemental update report as of the last day of the Lease Term, which shall be considered part of the Exit Audit. In the event this Lease terminates unexpectedly for any reason, Lessee shall cause the Exit Audit to be completed, in a manner acceptable to the Port as described above, within thirty (30) days of the actual termination of this Lease. Until such time as Lessee has completed the Exit Audit, the Port may, at the Port's option, treat Lessee as a holdover tenant. If Lessee does not conduct the Exit Audit as required by this Section, the Port may, at its sole option and without notice to Lessee, complete the Exit Audit at Lessee's expense.

7.10.2 Audit Results; Final Remediation. Lessee shall promptly undertake all investigatory, remedial and/or removal actions (the "Final Remediation") necessary or appropriate to remedy any contamination revealed by the Exit Audit for which Lessee is responsible under the terms of this Lease or any prior agreement between the parties. The Final Remediation shall be performed in accordance with then applicable Environmental Laws, and contamination shall be cleaned to meet all state and federal standards. The Port shall have the right to approve all Final Remediation procedures and the company(ies) or individuals conducting such procedures. Final Remediation shall be completed prior to the expiration of the Lease Term. Within thirty (30) days following completion of the Final Remediation, Lessee shall provide the Port with a report outlining in detail the actions taken. In the event Lessee fails to perform the Final Remediation promptly, the Port shall have the right to perform the Final Remediation at Lessee's expense. The Port shall give Lessee at least seven (7) days prior written notice of its intention to perform the Final Remediation. Lessee agrees to pay any Environmental Costs incurred by or assessed against the Port, within thirty (30) days after receipt of invoice from the Port, in addition to any other remedy available to the Port under this Lease, at law, or by equity.

7.11 Air Emission Reduction Credits. If air emission reduction credits are created through the cooperation of Lessee during the Lease Term, then such credits shall be jointly owned by the Port and Lessee. Lessee shall have the first option to purchase at a reasonable negotiated price the Port's half interest in the credits, for use within the Premises. The Port shall have the second option to purchase at a reasonable negotiated price Lessee's half interest, for any use allowed by law. If Lessee and the Port agree to market and sell the credits to a third party, then Lessee and the Port will share equally in the expense of marketing and share equally in any proceeds of the sale. If either party desires to bank the credits, such party shall bear the cost of such banking. If Lessee and the Port both desire to bank the credits, the parties shall share equally in the cost of banking. Air emission reduction credits created by means other than through the cooperation of Lessee shall be owned solely by the Port.

7.12 Other Environmental Obligations. The parties' other environmental obligations shall be as described and agreed to in the Transition Agreement and the Environmental Agreement referenced therein.

SECTION 8 SECURITY; FINANCIAL RECORDS

8.1 Letter of Credit. Pursuant to its credit policies, the Port may require Lessee to maintain in effect, at all times during the Lease Term and any Extension Terms, and for so long thereafter as any Rent remains unpaid or any

other obligations of Lessee remain unsatisfied, an irrevocable standby letter of credit in favor of the Port, in an amount established by the Port, to secure Lessee's obligations under this Lease. The letter of credit shall be in a form acceptable to the Port, drawn on a bank acceptable to the Port, with payment on the letter of credit conditioned solely on receipt by the issuing bank of notice from the Port of a payment demand. In the event the Port draws on the letter of credit, Lessee shall promptly replenish the amount drawn so that, at all times, the letter of credit will be in the amount required by the Port. The initial amount of the letter of credit shall be five hundred thousand dollars ($500,000). The Port agrees to review the amount of the letter of credit in accordance with its credit policies (a) within thirty (30) days after receipt of Lessee's quarterly financial statements for the quarter ending June 30, 1996, and (b) annually thereafter within thirty (30) days after receipt of Lessee's annual audited financial statements, for so long as Lessee is required to maintain a letter of credit in effect pursuant to this Section. In the event the Port determines that an increase in the letter of credit is required, the Port shall notify Lessee in writing of the changed circumstances resulting in the increased requirement. Lessee shall obtain a letter of credit in such increased amount within ten (10) days after written notice from the Port. In the event the Port determines that a letter of credit is no longer required, the Port shall promptly notify Lessee and the issuing bank of that decision.

8.2 Security Interest. Lessee agrees to pledge to the Port a first priority security interest in all of its real and tangible personal property, including but not limited to all equipment, vehicles, boats and watercraft, furnishings, fixtures, computers, and miscellaneous supplies (but excluding Lessee's inventory and receivables), including all proceeds, whether cash or otherwise, and products and accessions therefrom, now owned or existing or hereinafter acquired, and including property acquired from the Port pursuant to the Transition Agreement or this Lease (collectively, the "Collateral"). Lessee agrees to execute any financing statements or other security devices requested by the Port, including deeds of trust for any real property pledged. Lessee represents and warrants that as of the Effective Date of this Lease, no person or entity has any superior claim to or security interest in the Collateral. Lessee further agrees that it will not grant any security interest in the Collateral to any other person or entity without written consent of the Port, provided, however, that the Port consents to Lessee granting a purchase-money security interest in tangible personal property acquired subsequent to the Effective Date of this Lease, and provided further, that it is the intent of the parties that the Port will subordinate its security interest in the Collateral at such time as Lessee enters into a borrowing relationship with a lender acceptable to the Port, upon terms and for purposes acceptable to the Port, in order that Lessee can provide such lender with a first priority security interest in the Collateral.

8.3 Financial Covenants. Lessee covenants that not later than January 1, 1998, and at the end of each fiscal quarter thereafter, Lessee shall be in compliance with the financial conditions set out in Exhibit O. The parties acknowledge that the contents of Exhibit O constitute trade secrets of Lessee, and the Port agrees to keep the contents of Exhibit O confidential to the extent permitted by law.

8.4 Submission of Financial Information. Lessee shall furnish to the Port the following financial information throughout the Lease Term and continuing thereafter until Lessee has satisfied all financial obligations under this Lease:

8.4.1 Annual Audited Financial Statements. Not later than ninety (90) days after the end of each of Lessee's fiscal years, an audited financial statement prepared in accordance with generally accepted accounting principles, by an independent certified public accountant firm acceptable to the Port, reflecting Lessee's year-end financial condition, results of operations during the fiscal year, and changes in cash position from the prior year. The

audited financial statement shall include a schedule of annual Gross Revenues in a form acceptable to the Port.

8.4.2 Quarterly Financial Statements. Not later than sixty (60) days after the end of each of Lessee's fiscal quarters, a quarterly balance sheet and income statement prepared in accordance with generally accepted accounting principles.

8.4.3 Quarterly Gross Revenues Reports. Within the first twenty (20) calendar days of each of Lessee's fiscal quarters, a schedule of Gross Revenues for the previous fiscal quarters in a form acceptable to the Port, including a list of all subleases, assignments, licenses, permits and other agreements for use of the Premises or any part thereof entered into during the previous fiscal quarter, with such supporting information as the Port may reasonably request, including such information as will enable the Port to determine the portion of Gross Revenues attributable to the Bond Financed Facilities.

8.4.4 Confidentiality. The parties acknowledge that the information submitted by Lessee pursuant to this Section 8.4 constitute trade secrets of Lessee, and the Port agrees to keep such information confidential to the extent permitted by law.

8.5 Maintenance of Records. Lessee shall at all times during the Lease Term keep and maintain books, ledgers, accounts and other records at a location within the greater Portland, Oregon metropolitan area, accurately reflecting Lessee's Gross Revenues in accordance with generally accepted accounting principles. Such records shall include all supporting materials, including without limitation contracts, bills, invoices, credit and adjustment memoranda, billing correspondence and billing records. Such records shall be kept for a minimum of three years after the end of the Calendar Year to which they pertain.

8.6 Audit and Inspection Rights. The Port shall have the right to inspect all books, ledgers, accounts and other records of Lessee relating to any of Lessee's financial obligations and covenants under this Lease, upon reasonable notice to Lessee. The Port shall have the further right to conduct or obtain an audit of Lessee's records. Such audit shall be at the Port's expense, provided that Lessee shall bear its own expenses in making its records available. If an audit establishes that additional Percentage Rent is owed, Lessee shall pay the additional amount owed within ten (10) days after invoice by the Port.

8.7 Fiscal Year. Lessee shall maintain its fiscal year beginning January 1 and ending December 31, unless otherwise agreed to by the Port.

SECTION 9 INDEMNITY, INSURANCE

9.1 General Indemnity. As of the Effective Date of this Lease, Lessee agrees to defend (using legal counsel acceptable to the Port), indemnify, and hold harmless the Port from and against any and all actual or alleged claims, damages, expenses, costs, fees (including, but not limited to, attorney, accountant, paralegal, expert, and escrow fees), fines, and/or penalties (collectively "Costs") which may be imposed upon or claimed against the Port and which, in whole or in part, directly or indirectly, arise from or are in any way connected with: (a) any act, omission or negligence of Lessee or Lessee's partners, officers, directors, agents, employees, invitees or contractors; (b) any use, occupation, management or control of the Premises by Lessee, whether or not due to Lessee's own act or omission and whether or not occurring on the Premises; (c) any condition created in or about the Premises by any party, other than the Port or an agent of the Port, including any accident, injury or damage occurring on or about the Premises after the Effective Date; (d) any breach,

violation or nonperformance of any of Lessee's obligations under this Lease; (e) any damage caused any Lessee on or to the Premises; (f) any violation of or non-compliance with any Assigned Permit or PSY Contract; or (g) Lessee's management of the Navy Dry Dock pursuant to the Management Agreement. For purposes of all indemnity and insurance coverages in this Lease, acts or omissions of "Lessee" shall be deemed to include acts or omissions of Lessee and Lessee's sublessees, subcontractors, and licensees, and the partners, officers, directors, agents, employees, invitees and contractors of any of them.

9.2 Environmental Indemnity. Without in any way limiting the generality of the foregoing General Indemnity, Lessee shall be solely responsible for and agrees to defend (using legal counsel acceptable to the Port), indemnify and hold harmless the Port from and against all Environmental Costs claimed against or assessed against the Port arising, in whole or in part, directly or indirectly, from acts or omissions of any person or entity at or about the Premises after the Effective Date of this Lease or earlier if caused by Lessee or Lessee's agents or invitees. This indemnification shall additionally require Lessee to reimburse the Port for any diminution in value of the Premises or other adjacent or nearby Port property, caused by Hazardous Substances, including damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or any other Port property, including damages arising from any adverse impact on marketing of space in or near the Premises, including other Port property. Lessee's obligations shall not apply if the Hazardous Substances were deposited on the Premises by the Port or the Port's agents. Lessee shall be solely responsible to assure that no person brings any Hazardous Substances onto the Premises.

9.3 General Insurance Requirements. All insurance required by Lessee under this Lease shall meet the following minimum requirements; provided, that the insurance requirements set forth in this Lease do not in any way limit the amount or scope of liability of Lessee under this Lease:

9.3.1 Certificates. Prior to the Commencement Date, Lessee shall provide the Port with certificates of insurance establishing the existence of the policies required under this Lease. Lessee shall also provide the Port with certified copies of Lessee's policies of insurance, if the Port so requests.

9.3.2 Notice of Cancellation. All policies shall provide that the Port shall receive notice of expiration, cancellation, non-renewal or revision of any insurance policy at least thirty (30) days prior to the expiration, cancellation, non-renewal or revision date. Insurance must be maintained without any lapse in coverage during the entire Lease Term.

9.3.3 Additional Insured. The Port, and other parties in interest as specified by the Port, shall be named as additional insureds in each policy. Such insurance shall not be invalidated by any act, neglect or breach of contract by Lessee.

9.3.4 Primary Coverage. All policies shall provide that the coverage is primary, and will not require any contribution from any insurance or self-insurance carried by the Port.

9.3.5 Port Approval. All policies, including self-insured programs, retentions and deductible amounts, shall be subject to prior approval of the Port and must be written by companies having an A.M. Best rating of "A" or better, or the equivalent. The Port may, upon thirty (30) days written notice to Lessee, require Lessee to change any carrier whose rating drops below an A rating.

9.4 Insurance Policies Required. At all times during the Lease Term, Lessee shall provide and maintain, through any combination of primary and excess policies, the following types and limits of coverage:

9.4.1 General Liability Insurance. An occurrence form commercial general liability policy (including coverage for contractual liability and personal injury liability) for the protection of Lessee and the Port, insuring Lessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of Lessee. Coverage shall be in an amount of not less than twenty million dollars ($20,000,000) combined single limit per occurrence.

9.4.2 Ship Repairer's Legal Liability. An occurrence form Ship Repairer's Legal Liability policy, for the protection of Lessee and the Port, insuring Lessee and the Port against liability for damages because of damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of Lessee. Coverage shall be in an amount of not less than twenty million dollars ($20,000,000) combined single limit per occurrence.

9.4.3 Marine Liabilities. An occurrence form Marine Liabilities policy, including Stevedore's Liability, Charterer's Legal Liability and Wharfinger's Liability, as needed, for the protection of Lessee and the Port, insuring Lessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of Lessee. Coverage shall be in an amount of not less than twenty million dollars ($20,000,000) combined single limit per occurrence.

9.4.4 Pollution Liability. A pollution liability policy (occurrence or claims made, with extended reporting and retroactive date acceptable to the Port), including on-site clean-up and third party liability, for the protection of Lessee and the Port, insuring Lessee and the Port against liability for damages because of sudden and accidental, or non-sudden and gradual, pollution releases occurring on water or land or in any way related to the Premises or occasioned by reason of the operations of Lessee, to the extent such coverage is generally available through standard forms of insurance with extended endorsements. Such insurance shall include liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and for fines, penalties, natural resources damages, and costs of clean-up expenses as required by any Environmental Law. Coverage shall be in an amount of not less than TWENTY-FIVE MILLION DOLLARS ($25,000,000) combined single limit per occurrence. Such insurance shall be extended for first party protection. The Port shall waive or reduce the requirements of this Section 9.4.4 if the Port determines, in its sole discretion, that the coverage required by this Section 9.4.4 cannot be obtained at commercially reasonable rates.

9.4.5 Asbestos Abatement Liability. An Asbestos Abatement Liability policy (occurrence or claims made, with extended reporting and retroactive date acceptable to the Port), with coverage in an amount of not less than FIVE MILLION DOLLARS ($5,000,000) combined single limit per occurrence. The insurance required by this Section 9.4.5 shall be provided by Lessee or by any and all subcontractors performing asbestos-related work on or about the Premises.

9.4.6 Fire Legal Liability Insurance. Fire Legal Liability insurance coverage in an amount of not less than ONE HUNDRED THOUSAND DOLLARS ($100,000).

9.4.7 Oil Pollution Liability. Pollution Liability coverage, including sudden and accidental pollution, for liability arising out of the ownership or operation of vessels, crafts and Dry Docks, in an amount of not less than FOURTEEN MILLION DOLLARS ($14,000,000) combined single limit per occurrence, or such higher amount as may be required by the Oil Pollution Act of 1990, for injury to or death of any persons, for property damage, fines, penalties, natural

resources damages, and other costs of clean-up expenses as may be required under any Environmental Law. Lessee shall be responsible for meeting all financial responsibility requirements for the Premises pursuant to the Oil Pollution Act of 1990.

9.4.8 Automobile Liability Insurance. An occurrence form automobile liability policy, covering "any auto" or "owned, non-owned and hired autos," insuring Lessee and the Port against liability for damage because of bodily injury, death, or damage to property, including loss of use thereof, and occurring or in any way related to the use, loading or unloading of Lessee's owned, hired and non-owned motor vehicles on and around the Premises. Coverage shall include sudden and accidental pollution liability insurance. Coverage shall be in an amount of not less than FIVE MILLION DOLLARS ($5,000,000) combined single limit per occurrence.

9.4.9 Workers' Compensation Insurance. Workers' Compensation insurance with statutory limits covering all of Lessee's state and longshore employees, and Employers Liability and Jones Act insurance, as applicable, with a limit of at least FIVE MILLION DOLLARS ($5,000,000) each accident or each employee for disease. Lessee may maintain a self-insurance program approved by the State of Oregon and the U.S. Department of Labor, provided that Lessee maintains an Excess Workers' Compensation policy with a limit of at least FIVE MILLION DOLLARS ($5,000,000) each accident, or each employee for disease.

9.4.10 Builders Risk Insurance. In the event Lessee performs new ship construction or conversion, "All Risks" Builder's Risk insurance covering vessels while under construction and/or conversion, including the risks of launching, collision liability and protection and indemnity. Coverage shall be in an amount not less than the vessel value for physical damage unless otherwise agreed by the Port, and for third party liabilities not less than FIFTY MILLION DOLLARS ($50,000,000) combined single limit.

9.5 Port Provided Insurance. The Port agrees to provide the following insurance, on which Lessee shall be named as an additional insured, subject to the conditions set forth in this Section:

9.5.1 Property Insurance. A standard "All Risk" property insurance policy (including flood and earthquake/earth movement coverage), covering all paving, fencing, buildings, fixtures, wharves, roadways, tracks, utilities, underground piping, tanks, cranes, and other equipment, structures and improvements located on the Premises. Coverage shall be in an amount equal to the replacement value thereof, with such exclusions and deductibles as the Port in its sole discretion determines appropriate consistent with prudent risk management practices. The parties acknowledge that this insurance will be provided as part of a policy insuring other properties belonging to the Port. The Port shall allocate to Lessee that portion of the premiums attributable to the Premises, based on property values and the premium rate applicable to the Premises, and Lessee shall pay the portion so allocated upon receipt of an invoice and a statement of values evidencing the allocation. The parties acknowledge that the portion of the premiums allocated to the Premises for July 1, 1994 through June 30, 1995 is approximately $89,770. Lessee shall have the option, at its own cost, to provide property insurance coverage in lieu of the coverage provided by the Port pursuant to this Section 9.5.1, provided that such insurance complies with Section 9.3 and is in amounts and upon terms satisfactory to the Port. Lessee shall notify the Port not less than one hundred twenty (120) days prior to the Port's annual insurance renewal date of its intent to provide the foregoing coverage, and shall provide the Port with evidence of such coverage, in a form satisfactory to the Port, not later than thirty (30) days prior to such annual insurance renewal date.

9.5.2 Hull and Machinery. A Hull and Machinery policy covering the Dry Docks. Coverage shall be in an amount determined by the Port, with such

exclusions and deductibles as the Port in its sole discretion determines appropriate consistent with prudent risk management practices. Premiums for this insurance shall be paid by the Port, provided, however, that Lessee shall pay any increase in premiums attributable to Lessee's operations, as evidenced by documentation provided by the Port's underwriter or broker.

9.5.3 Protection and Indemnity. An occurrence form Protection and Indemnity policy applicable to the Dry Docks and other Port-owned vessels operated by Lessee, for the protection of Lessee and the Port, excluding crew coverage and collision liability, in an amount of not less than TWENTY-FIVE MILLION DOLLARS ($25,000,000) combined single limit per occurrence, with such exclusions and deductibles as the Port in its sole discretion determines appropriate consistent with prudent risk management practices. Premiums for this insurance shall be paid by the Port, provided, however, that Lessee shall pay any increase in premiums attributable to Lessee's operations, as evidenced by documentation provided by the Port's underwriter or broker.

9.5.4 General Conditions. Prior to the Commencement Date, the Port shall provide Lessee with certificates of insurance establishing the existence of the policies required by this Section 9.5. All policies required by this Section 9.5 shall name Lessee as an additional insured as its interest may appear, and it is the intent of the parties that Lessee shall be entitled to participate in the resolution of any claims against such policies to the extent of its interest. All such policies shall be written by companies having an A.M. Best rating of "A" or better, or the equivalent. The Port shall notify Lessee of any expiration, cancellation, non-renewal or revision of any insurance policy required by this Section 9.5 at least thirty (30) days prior to the expiration, cancellation, non-renewal or revision date.

9.6 Underwriting Information. Lessee agrees to provide any and all underwriting information requested by the Port's insurance carriers.

9.7 Waiver of Subrogation. Except as limited by this Section, the Port and Lessee agree to waive any right of action that one may have against the other for loss or damage, to the extent that such loss or damage is covered by any insurance policy or policies and to the extent that proceeds (which proceeds are free and clear of any interest of third parties) are received by the party claiming the loss or damage. This waiver of subrogation shall not extend to any applicable deductibles under such policy or policies.

SECTION 10 DAMAGE OR DESTRUCTION

10.1 General. Lessee shall immediately notify the Port of damage or destruction to or failure of any portion of the Premises in excess of five thousand dollars ($5,000) (a "Casualty").

10.2 Major Casualty.

10.2.1 Definition. For purposes of this Lease a "Major Casualty" shall be a Casualty that involves damage to or destruction of any of the following portions of the Premises, to the extent specified in this Section:

10.2.1.1 Damage to or destruction of Dry Dock #4, if in the opinion of a qualified marine surveyor selected jointly by the Port and Lessee, Dry Dock #4 cannot reasonably be restored to substantial use within six (6) months following the occurrence of the Casualty; or

10.2.1.2 Damage to or destruction of Dry Dock #3, if in the opinion of a qualified marine surveyor selected jointly by the Port and Lessee, Dry Dock #3 cannot reasonably be restored to substantial use within nine (9) months following the occurrence of the Casualty; or

10.2.1.3 Damage to or destruction of Crane #12 and Crane #14, if in the opinion of a qualified professional engineer or adjuster selected jointly by the Port and Lessee, neither Crane #12 nor Crane #14 can reasonably be restored to substantial use nor can a reasonable replacement be obtained within twelve (12) months following the occurrence of the Casualty; or

10.2.1.4 Damage to or destruction of Crane #10 and Crane #18, if in the opinion of a qualified professional engineer or adjuster selected jointly by the Port and Lessee, neither Crane #10 nor Crane #18 can reasonably be restored to substantial use nor can a reasonable replacement be obtained within eighteen (18) months following the occurrence of the Casualty.

10.2.1.5 Damage to or destruction of the Premises which, in the opinion of the Port's insurance carrier, is equal to or greater than seventy-five percent (75%) of the total insured value of the Premises at replacement cost.

10.2.2 Effect of Major Casualty: Lessee's Election. If a Major Casualty shall occur, Lessee shall be entitled to terminate this Lease upon the giving of notice to the Port, within sixty (60) days following the occurrence of the Major Casualty. If such notice is given, this Lease shall terminate sixty (60) days following the giving of notice unless otherwise agreed to by the parties in writing. In the event of termination, all proceeds of insurance, other than insurance applicable to property owned by Lessee, shall be paid to the Port.

10.2.3 Effect of Major Casualty: Port's Election. If the Major Casualty involves damage to Dry Dock #4, and the cost of restoration, repair or replacement exceeds twenty-five million dollars ($25,000,000), or Dry Dock #4 is declared a total loss or total constructive loss by the Port's insurance carrier, the Port may at its option elect not to restore, repair or replace, by giving Lessee notice of such election within sixty (60) days following the occurrence of the Major Casualty. If the Port makes such election and Lessee opts not to terminate the Lease, the Lease shall continue and the parties shall negotiate in good faith to adjust the amount of Basic Rent payable by Lessee, taking into account the diminution in value of the Premises. In the event of such election by the Port, all proceeds of insurance, other than insurance applicable to property owned by Lessee, shall be paid to the Port.

10.3 Restoration after Casualty. In the event of a Casualty that is not a Major Casualty, or in the event neither party elects to terminate following a Major Casualty, Lessee shall fully restore the Premises and repair or replace any damaged Improvements, Equipment and Dry Docks within one (1) year after the occurrence of the Casualty. Restoration, repair and replacement shall, at a minimum, restore the Premises and all Improvements, Equipment and Dry Docks to their condition and value prior to the occurrence of the Casualty. All Rent shall continue to be paid during any period of restoration, repair and replacement. The Port shall reimburse Lessee its actual and reasonable costs in restoration, repair and replacement as required by this Section, to the extent of insurance proceeds actually received by the Port for reimbursement of such costs; provided, however, that any excess insurance proceeds shall remain property of the Port, and provided further, that any insufficiency in insurance proceeds shall not relieve Lessee of its obligations to restore, repair and replace as provided by this Section.

SECTION 11 TERMINATION

11.1 General. The provisions of this Section 11 shall apply upon the date of expiration of this Lease or earlier termination for any reason whatsoever (collectively, "Termination").

11.2 Surrender of Premises. Upon Termination, Lessee shall deliver all keys to the Port and surrender the Premises and all Improvements, Equipment and Dry Docks in good and clean condition, at least equivalent to the condition as of the Commencement Date. Improvements constructed by Lessee with permission from the Port shall, at the Port's option, become Port property (including any buildings constructed on the Premises) and shall not be removed unless the Port directs Lessee to remove such Improvements, in which case Lessee must remove the Improvements and then repair any damage to the Premises. All repair for which Lessee is responsible shall be completed prior to termination and surrender.

11.3 Lessee's Personal Property.

11.3.1 Removal Requirement. Furniture, decorations, detached floor covering, curtains, blinds, furnishings and removable trade fixtures shall remain the property of Lessee, if placed on the Premises by Lessee at Lessee's expense. As provided by Section 11.3.2, Lessee, at Lessee's expense, shall remove from the Premises any and all of Lessee's removable personal property and shall repair any damage to the Premises resulting from the installation or removal of such personal property. Title to any items of Lessee's trade fixtures and other personal property which remain on the Premises after Termination may, at the option of the Port, be automatically taken by the Port, and the Port shall have the option, in its sole discretion, of: (a) retaining any or all of such trade fixtures and other personal property without any requirement to account to Lessee therefor, or (b) removing and disposing of any or all of such trade fixtures and other personal property and recovering the cost thereof.

11.3.2 Time for Removal. The time for removal of any property which Lessee is required to remove from the Premises upon Termination shall be as follows: (1) if the property to be removed is an Improvement which Lessee is not required to remove except after election or notice by the Port, removal shall occur within thirty (30) days after notice from the Port requiring such removal; or (2) if Termination occurs unexpectedly due to a Casualty, a Taking, an uncured Event of Default, or for any other reason prior to the Expiration Date, removal shall occur within thirty (30) days after Termination and Lessee shall continue to pay all Rent during the period prior to removal; or (3) in any other circumstance, on or before Termination.

11.4 Replenishment of Inventory. Lessee shall return to the Port spare parts and supplies at least equivalent in quantity and quality to those listed on the revised Inventory prepared pursuant to Section 1.9. In the event any such items are not present on the Premises as of Termination, Lessee shall promptly replenish all such items with similar items of at least equivalent quality, or shall pay the Port the replacement value of such items at the Port's option.

11.5 Orderly Transfer. In order to facilitate a smooth and orderly transition, Lessee shall take the following steps, at its own cost and expense, on or before Termination:

11.5.1 Transfer of Records. Lessee shall transfer to the Port all records pertaining to the Premises and Lessee's operation and use thereof, including without limitation all maintenance records; all records relating to compliance or noncompliance with any law, regulation, permit, license or certification affecting the Premises; all communications with or notifications from regulatory, licensing or permitting agencies or governmental bodies; all subleases, assignments, permits, licenses or other contracts relating to use of the Premises; all books, billing records, accounts, and communications relating to such contracts; and all other records relating to the Premises or this Lease which the Port may request.

11.5.2 Transfer of Permits. To the extent permitted by law, Lessee shall upon request of the Port convey and transfer to the Port any Transferable Permits (as defined in Section 1.5) or other Permits (as defined in

Section 4.10), and any pending applications for such Permits, including without limitation any Permits as have come into existence or been modified subsequent to the Commencement Date of this Lease.

11.5.3 Transfer of Leases and Agreements. In the event of Termination prior to the Expiration Date, Lessee shall, upon request of the Port, assign to the Port any unexpired Subleases (as defined in Section 13.2), transfer to the Port any security deposits paid by sublessees pursuant to such Subleases, and pay to the Port all prepaid rent pursuant to such Subleases (including any portion of monthly rent) attributable to periods following Termination.

11.5.4 Other Steps. Lessee shall take all other steps as the Port may reasonably request to facilitate a smooth and orderly transition.

11.6 Holding Over. If Lessee holds over after Termination, Lessee shall be deemed a month-to-month holdover tenant or a tenant at sufferance, at the Port's sole discretion. In the event the Port deems Lessee as a month-to-month holdover tenant, Lessee shall remain bound by this Lease, except that the tenancy shall be from month-to-month, subject to the payment of all Rent in advance, with the monthly Basic Rent being one hundred fifty percent (150%) of the Basic Rent in effect immediately prior to the holding over. Such a tenancy may be terminated at any time by written notice from the Port to Lessee. In the event the Port deems Lessee as a tenant at sufferance, the Port shall be entitled to evict Lessee but the Port may still collect a charge for use of the Premises at the rate stated in this Section.

11.7 Reconciliation of Rent. If this Lease terminates prior to the Expiration Date for reasons other than Lessee's default, all Rent and other amounts payable by Lessee under this Lease shall be paid up to the date of Termination. Percentage Rent for the year in which Termination occurs shall be determined by calculating the percentage of the Calendar Year prior to Termination; applying that percentage to the levels of Gross Revenues at which Percentage Rent would otherwise be paid; and applying the appropriate rent percentage to the amount by which actual Gross Revenues prior to Termination exceed that amount. The Port shall, within thirty (30) days after receipt of Lessee's audited financial statements, promptly reconcile Percentage Rent owed by Lessee. Upon completion of Lessee's obligations as set forth in this Section 11, the Port shall promptly repay Lessee any Rent in excess of the amount of Rent owed.

SECTION 12 DEFAULT

12.1 Event of Default. The occurrence of any of the following shall constitute an Event of Default:

12.1.1 Default in Rent. Failure of Lessee to pay any Rent or other amount payable to the Port as required by this Lease within ten (10) days of the Due Date. No notice by the Port that Rent or such other amount is past due shall be required.

12.1.2 Failure to Abide by Laws. Failure of Lessee to comply with any applicable statutes, ordinances, rules or regulations, when such failure constitutes a criminal act or an act of fraud, whether or not prosecuted as such. If the default is not of a serious nature, which determination shall be in the sole discretion of the Port, and the default can be cured, then the Port shall give Lessee notice of such default and Lessee shall be permitted to cure in accordance with Section 12.1.3. If the violation is of a serious nature, to be determined in the sole discretion of the Port, then an Event of Default will have occurred immediately and no opportunity to cure the default will be allowed.

12.2.5 Reletting. The Port, at its option, may relet the whole or any part of the Premises from time to time, either in the name of the Port or otherwise, to such tenants, for such terms ending before, on or after the Expiration Date of this Lease, at such rentals and upon such conditions (including concessions and free rent periods) as the Port, in its sole discretion, may determine to be appropriate. To the extent allowed under Oregon law, the Port shall not be liable for refusal to relet the Premises, or, in the event of any such reletting, for failure to collect any rent due upon such reletting; and no such failure shall operate to relieve Lessee of any liability under this Lease or otherwise affect any such liability. The Port may make such physical changes to the Premises as the Port, in its sole discretion, considers advisable or necessary in connection with any such reletting or proposed reletting, without relieving Lessee of any liability under this Lease or otherwise affecting Lessee's liability. The Port shall have no obligation to attempt to relet the Premises prior to leasing other property the Port may have available for lease.

12.2.6 Rent Recovery. Whether or not the Port retakes possession or relets the Premises, the Port shall have the right to recover unpaid Rents and all damages caused by the default. Damages shall include, without limitation: all Rents lost; all legal expenses and other related costs incurred by the Port as a result of Lessee's default; all costs incurred by the Port in restoring the Premises to good order and condition, or in remodeling, renovating or otherwise preparing the Premises for reletting; and all costs incurred by the Port in reletting the Premises, including, without limitation, any brokerage commissions and the value of the Port's staff time expended as a result of the default.

12.2.7 Recovery of Damages. To the extent permitted under Oregon law, the Port may sue periodically for damages as they accrue without barring a later action for further damages. Nothing in this Lease shall be deemed to require the Port to await the date on which the Lease Term expires to bring or maintain any suit or action respecting this Lease. The Port may in one action recover accrued damages plus damages attributable to the remaining Lease Term equal to the difference between the Rents reserved in this Lease for the balance of the Lease Term after the time of award, and the fair rental value of the Premises for the same period, taking into account any period of vacancy reasonably likely to occur prior to reletting, discounted to the time of award at the rate of nine percent (9%) per annum. If the Port has relet all or any part of the Premises for the period which otherwise would have constituted all or any part of the unexpired portion of the Lease Term, the amount of rent reserved upon such reletting shall be deemed, prima facie, to be the fair rental value for the part or the whole of the Premises so relet during the term of the reletting.

12.3 Remedies Cumulative and Nonexclusive. Each right and remedy provided by this Lease shall be cumulative and in addition to every other right or remedy in this Lease or existing at law or in equity, including, without limitation, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by the Port of any rights or remedies will not preclude the simultaneous or later exercise by the Port of any other such rights or remedies. All such rights and remedies are nonexclusive.

12.4 Termination. Even though Lessee has breached this Lease, this Lease shall continue for so long as the Port does not terminate Lessee's right to possession, and the Port may enforce all of its rights and remedies under this Lease, including the right to recover the Rents as they become due under this Lease. Acts of maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon initiative of the Port to protect the Port's interest under this Lease shall not constitute a termination of Lessee's rights to possession unless written notice of termination is given by the Port to

Lessee. Any notice to terminate may be given before or within the cure period for default and may be included in a notice of default.

12.5 Curing Lessee's Defaults. If Lessee shall fail to perform any of Lessee's obligations under this Lease, the Port, without waiving such default, may (but shall not be obligated to) perform the same for the account of and at the expense of Lessee, without notice in a case of emergency, and in any other case if such default remains uncured after the expiration of any applicable cure period. The Port shall not be liable to Lessee for any claim for damages resulting from such action by the Port. Lessee agrees to reimburse the Port upon demand, as additional Rent, any amounts the Port may spend performing Lessee's obligations on behalf of Lessee.

12.6 Default by Port. In the event of any default by the Port, Lessee's exclusive remedy shall be an action for injunctive relief, except for an action to recover Rent as provided by Section 11.7. Prior to being entitled to maintain any such action, Lessee shall give the Port written notice specifying such default with particularity, and the Port shall have thirty (30) days within which to cure any such default, or if such default cannot reasonably be cured within thirty (30) days, the Port shall then have thirty (30) days to commence cure and shall diligently prosecute cure to completion. Unless and until the Port fails to so cure such default after such notice, Lessee shall not have any remedy or cause of action by reason thereof. All obligations of the Port hereunder shall be construed as covenants, not conditions, and all such obligations shall be binding upon the Port only during the period of its ownership of the Premises and not thereafter.

SECTION 13 ASSIGNMENT, SUBLEASE AND TRANSFER

13.1 Prohibition. This Lease is personal to Lessee. Except as otherwise provided in this Lease, no part of the Premises, nor any interest in this Lease, may be assigned, pledged, transferred, mortgaged, or subleased by Lessee, nor may a right of use of any portion of the Premises be conveyed or conferred on any third party by Lessee by any other means, without the prior written consent of the Port. Whether to deny or grant any such request shall be in the Port's sole discretion. Any assignment or attempted assignment without the Port's prior written consent shall be void. This provision shall apply to all transfers, including any that may occur by operation of law. If Lessee is a corporation or other entity, any change in ownership of the controlling interest in the stock of the corporation or ownership interest in such other entity, through sale, exchange, merger, consolidation or other transfer, shall be deemed an assignment of this Lease requiring the Port's consent.

13.2 Permitted Subleases. The Port hereby consents to Lessee's entering into subleases, permits and use agreements granting the right to use portions of the Premises ("Subleases") as follows:

13.2.1 Pre-Existing Leases. Lessee may enter into Subleases with those tenants listed on Exhibit P, for the premises and uses specified on Exhibit P.

13.2.2 Additional Leases. Lessee may enter into Subleases for uses permitted under Section 1.2 of this Lease; provided, however, that no portion of the Dry Docks, the Equipment, the Ballast Water Treatment Plant or the utilities forming part of the Premises may be subleased or assigned.

13.3 Required Contract Terms. All Subleases shall contain the contract terms specified in Exhibit Q.

13.4 Effect of Consent. No assignment or subletting by Lessee shall relieve Lessee of any obligation under this Lease. Any attempted assignment or

sublease by Lessee in violation of this Section 13 shall be void. Any consent by the Port to a particular assignment or sublease shall not constitute the Port's consent to any other or subsequent assignment or sublease. If consent is granted, Lessee shall upon the Port's request provide a copy of the signed assignment or sublease document to the Port promptly after execution. The sublease or assignment document shall contain a provision requiring the subtenant or assignee to comply with and observe all terms and conditions of this Lease and shall provide that the Port shall have the right to enforce such terms and conditions directly against such assignee or subtenant.

13.5 Transfer by the Port. At any time after the Commencement Date of this Lease, the Port shall have the right to transfer its interest in the Premises or in this Lease. In the event of such a transfer, the Lessee shall attorn to said transferee and recognize transferee as the new Lessor under the Lease. Thereafter, the Port shall be relieved, upon notification to Lessee of the name and address of the Port's successor, of any obligations accruing from and after the date of the transfer so long as the transferee agrees to assume all obligations of the Port under this Lease.

13.6 Estoppel Certificates. Lessee agrees to execute and deliver to Port, at any time and within ten (10) days after the Port's written request, a statement certifying, among other things: (1) that this Lease is unmodified and is in full force and effect (or if there have been modifications, stating the modifications); (2) the dates to which Rent has been paid; (3) whether or not the Port is in default in performance of any of its obligations under this Lease and, if so, specifying the nature of each such default; and (4) whether or not any event has occurred which, with the giving of notice, the passage of time, or both, would constitute such a default by the Port and, if so, specifying the nature of each such event. Lessee shall also include in any such statement such other information concerning this Lease as the Port reasonably requests. The parties agree that any statement delivered pursuant to this section shall be deemed a representation and warranty by Lessee which may be relied upon by the Port and by potential or actual purchasers and lenders with whom the Port may be dealing, regardless of independent investigation. If Lessee fails to provide such statement within ten (10) days after the Port's written request therefor, Lessee shall be deemed to have given such statement and shall be deemed to have admitted the accuracy of any information contained in the request for such statement. The Port shall be deemed to be appointed as Lessee's attorney in fact with full authority to make such an estoppel certificate on Lessee's behalf.

SECTION 14 EMINENT DOMAIN

14.1 General. In the event any public or private entity, having the power of eminent domain exercises its right or power of eminent domain, the parties' rights and obligations shall be governed by the common law of the State of Oregon, the applicable Oregon statutes, and this Lease. In the event of conflict between the statute, common law, and this Lease as to distribution of proceeds, this Lease shall prevail to the extent permitted by law.

14.2 Definitions. As used in this Section 14, the following terms shall have the following meanings:

14.2.1 "Date of Taking" means the date on which the condemning authority takes actual physical possession or such earlier date as the condemning authority gives notice that it is deemed to have taken possession or is granted possession by a court.

14.2.2 "Partial Taking" means the taking of only a portion of the Premises which does not constitute a Total Taking.

14.2.3 "Total Taking" means the taking of the fee title by right of eminent domain or other authority of law, or a voluntary transfer under the threat of the exercise of the right of eminent domain or other authority, of so much of the Premises as is necessary for Lessee's occupancy, that the Premises, after the taking, are no longer suitable for Lessee's intended use. Any taking of fifty percent (50%) or more of the area of the Premises shall be conclusively deemed a Total Taking.

14.3 Total Taking. If a Total Taking occurs during the Lease Term, this Lease will terminate as of the Date of Taking.

14.4 Partial Taking. If a Partial Taking occurs during the Lease Term, this Lease will continue in full force and effect as to the remainder of the Premises. The Basic Rent payable by Lessee shall remain unchanged. In the event of such continuation, Lessee shall make all necessary repairs or alterations to make the remaining Premises a complete architectural unit.

14.5 Award. All compensation and damages awarded for the taking of the Premises or any portion of the Premises will belong to the Port. Lessee may make Lessee's own claim for any separate award that may be made by the condemning authority for Lessee's loss of business; for the value of Lessee's unexpired leasehold interest; for the value of any improvements or alterations to the Premises which Lessee would have had the right to remove from the Premises under this Lease; for any cost or loss Lessee may sustain in moving or in the removal of Lessee's trade fixtures, equipment, and furnishings which Lessee is authorized to remove under this Lease; or as a result of any alterations, modifications, or repairs which may be reasonably required by Lessee in order to place the remaining portion of the Premises not so condemned in a suitable condition for the continuance of Lessee's occupancy.

14.6 Effect of Termination. If this Lease is terminated due to a Total Taking, all Rent and other amounts payable by Lessee under this Lease shall be paid up to the Date of Taking. Percentage Rent for the year in which the Date of Taking occurs shall be determined in accordance with Section 11.7. The Port and Lessee will then be released from all further liability under this Lease, except such liability which expressly or by its nature survives termination or for obligations which either party failed to perform when due prior to termination.

SECTION 15 GENERAL PROVISIONS

15.1 Governing Law. This Lease shall be governed and construed according to the laws of the State of Oregon.

15.2 Covenants, Conditions, and Restrictions. This Lease is subject and subordinate to the effect of any covenants, conditions, restrictions, easements, mortgages, deeds of trust, ground leases, rights of way, and any other matters of record now or hereafter imposed upon the Premises and to any applicable land use or zoning laws or regulations.

15.3 No Benefit to Third Parties. The Port and Lessee are the only parties to this Lease and as such are the only parties entitled to enforce its terms, except as otherwise provided in Section 5.2. Nothing in this Lease gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

15.4 Port Consent. If Lessee requests the Port's consent or approval pursuant to any provision of the Lease and the Port fails or refuses to give such consent or approval, Lessee shall not be entitled to damages as a result of such failure or refusal, whether or not unreasonable. Lessee's sole remedy shall be

an action for specific performance or injunction, and such remedy shall be available only if the Port has expressly agreed, in writing, not to act unreasonably in withholding its consent, or if the Port may not unreasonably withhold its consent as a matter of law, and the Port has in fact acted unreasonably.

15.5 "Port" Defined. As used in this Lease, the term "Port" shall include the Port of Portland and its officers, directors, Commissioners, employees and agents when acting on behalf of the Port, provided, however, that when consent, approval, or other action by the Port is required under this Lease, such consent, approval or other action shall be considered the action of the Port only if performed by an individual with express authority to act for the Port on the matter.

15.6 No Implied Warranty. In no event shall any review, inspection, consent, approval, acquiescence, or authorization by the Port, or provision of information or imposition of requirements by the Port, be deemed a warranty, representation, or covenant by the Port that the matter reviewed, inspected, approved, consented to, acquiesced in, authorized, provided, or required is appropriate, suitable, practical, safe or in compliance with any applicable law or this Lease.

15.7 Relationship of Parties. The relationship of the parties created by this Lease is that of lessor and lessee. This Lease does not create a partnership, joint venture, or principal/agent relationship between the parties.

15.8 Notices. All notices required or desired to be given under this Lease, all documents and information required to be submitted, and all requests for Port consent or approval, shall be in writing and may be delivered by hand delivery or by certified mail, postage prepaid, return receipt requested, addressed as follows:

If mailed:	If hand delivered:
if to the Port:	
The Port of Portland Attn: Manager, Property & Development Services P.O. Box 3529 Portland, Oregon 97208-3529	The Port of Portland Attn: Manager, Property & Development Services 700 N.E. Multnomah, 13th Floor Portland, Oregon 97232
and if to Lessee:	
Cascade General, Inc. P. O. Box 4367 Portland, Oregon 97217	Cascade General, Inc. 5555 N. Channel Avenue, Building 71 Portland, Oregon 97208

and if a notice concerns a default or noncompliance with this Lease, an additional copy addressed as follows:

if to the Port:	
The Port of Portland Attn: Legal Department P.O. Box 3529 Portland, Oregon 97208-3529	The Port of Portland Attn: Legal Department 700 N.E. Multnomah, 13th Floor Portland, Oregon 97232

and if to Lessee:

Ater, Wynne, Hewitt, Dodson & Skerritt
Attn: Jonathan Ater
222 S. W. Columbia Street, Suite 1800
Portland, Oregon 97201-6618

Any notice delivered by hand delivery shall be conclusively deemed received by the addressee upon actual delivery. Any notice delivered by certified mail shall be conclusively deemed received by the addressee on the third business day after mailing. The addresses to which notices are to be delivered may be changed by giving notice of such change in accordance with this notice provision.

15.9 Time of the Essence. Time is of the essence in the performance of and adherence to each and every covenant and condition of this Lease.

15.10 Nonwaiver. Waiver by the Port of strict performance of any provision of this Lease shall not be deemed a waiver of or prejudice the Port's right to require strict performance of the same provision in the future or of any other provision.

15.11 Survival. Any covenant or condition (including, but not limited to, environmental and land use obligations and indemnification agreements), set forth in this Lease, the Transition Agreement, or the Environmental Agreement, the full performance of which is not specifically required prior to the expiration or earlier termination of this Lease, and any covenant or condition which by its terms is to survive, shall survive the expiration or earlier termination of this Lease and shall remain fully enforceable thereafter.

15.12 Partial Invalidity. If any provision of this Lease is held to be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

15.13 Lease and Public Contract Laws. To the extent applicable, the contract provisions required by ORS Chapter 279 to be included in public contracts are hereby incorporated by reference and shall become a part of this Lease as if fully set forth herein and shall control in the event of conflict with any provision of this Lease.

15.14 Limitation on Port Liability. The Port shall have no liability to Lessee for loss or damage suffered by Lessee on account of theft or any act of a third party including other tenants. The Port shall be liable only for its wilful misconduct or gross negligence and then only to the extent of actual and not consequential damages. The Port shall not be liable for the consequence of admitting by passkey or refusing to admit to the Premises, Lessee or any of the Lessee's agents or employees or other persons claiming the right of admittance.

15.15 Calculation of Time; Calendar Year. All periods of time referred to in this Lease shall include Saturdays, Sundays, and legal holidays. However, if the last day of any period falls on a Saturday, Sunday, or legal holiday, then the period shall be extended to include the next day which is not a Saturday, Sunday or legal holiday. "Legal Holiday" shall mean any holiday observed by the Federal Government. As used in this Lease, "Calendar Year" shall mean a period commencing January 1 and ending December 31.

15.16 Headings; Sections. The headings and captions in this Lease are for convenience of reference only and are not intended to define or limit the scope of any provisions of this Lease. References to Sections that contain subsections shall be deemed to include all such subsections.

15.17 Exhibits Incorporated by Reference. All Exhibits attached to this Lease are incorporated by this reference.

15.18 Modification. This Lease may not be modified except by a writing signed by the parties hereto.

15.19 Mediation. Should any dispute arise between the parties to this Lease, other than a dispute regarding (1) the failure to pay Rent or make other payments required by this Lease or (2) the right to possession, such dispute will be submitted to mediation prior to any litigation. Prior to submitting the

dispute to mediation, Lessee's chief executive officer and the Port's Executive Director shall meet in an attempt to resolve the dispute. The parties shall exercise good faith efforts to select a mediator, who shall be compensated equally by both parties. Mediation will be conducted in Portland, Oregon. If the parties are unable to agree on a mediator within ten days after a request for mediation by either party, a mediator shall be appointed upon the request of either party by the Arbitration Service of Portland, Inc., and mediation shall be conducted by a single mediator under the rules of that service. Nothing in this Section shall preclude the Port from exercising any of the rights or remedies available under this Lease prior to mediation.

15.20 Attorney Fees. If a suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U.S. Bankruptcy Code), is instituted in connection with any controversy arising out of this Lease or to interpret or enforce any rights or obligations under this Lease, the prevailing party shall be entitled to recover attorney, paralegal, accountant, and other expert fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, at trial, in any administrative proceeding, or on any appeal or review, in addition to all other amounts provided by law.

15.21 Entire Agreement. This Lease, the Transition Agreement, and the Environmental Agreement (collectively, the "Agreements") represent the entire agreement between the Port and Lessee relating to Lessee's leasing of the Premises. To the extent possible, the Agreements shall be construed and interpreted so as to be consistent with each other. In the event of an irreconcilable conflict between the terms of the Agreements, the priority of the Agreements shall be as follows: (i) the Transition Agreement; (ii) this Lease; and (iii) the Environmental Agreement. It is understood and agreed by Lessee that neither the Port nor the Port's agents or employees have made any representations or promises with respect to this Lease or the making or entry into this Lease, except as expressly set forth in the Agreements. No claim for liability or cause for termination shall be asserted by Lessee against the Port for, and the Port shall not be liable by reason of, any claimed breach of any representations or promises not expressly set forth in the Agreements. All oral agreements with the Port are expressly waived by Lessee.

15.22 Successors. The rights, liabilities and remedies provided in this Lease shall extend to the heirs, legal representatives, successors and, so far as the terms of this Lease permit, successors and assigns of the parties. The words "Port" and "Lessee" and their accompanying verbs or pronouns, wherever used in this Lease, shall apply equally to all persons, firms, or corporations which may be or become such parties to this Lease.

15.23 No Limit on Port's Powers. Nothing in this Lease shall limit in any way the power and right of the Port to exercise its governmental rights and powers, including its powers of eminent domain.

SECTION 16 RIGHT OF FIRST OPPORTUNITY/EXCLUSIVE NEGOTIATION

16.1 Right of First Opportunity. If the Port, at any time during the Lease Term, determines that it wishes to sell the Premises, the Port shall so notify Lessee in writing. Unless Lessee notifies the Port that it is not interested in negotiating toward a purchase of the Premises, the parties shall, for a one hundred twenty (120) day period following the date of the Port's notice, negotiate in good faith toward a purchase of the Premises by Lessee. During such one hundred twenty (120) day period, the Port shall not negotiate with any other party concerning a purchase of the Premises, and shall not take steps to sell or offer the Premises for sale to any other party.

16.2 Right of Exclusive Negotiation. If Lessee, at any time during the Lease Term, wishes to negotiate toward a purchase of the Premises, Lessee shall so notify the Port in writing. If Lessee so notifies the Port, the parties shall, for a one hundred twenty (120) day period following the date of the

Lessee's notice, negotiate in good faith toward a purchase of the Premises by Lessee. During such one hundred twenty (120) day period, the Port shall not negotiate with any other party concerning a purchase of the Premises, and shall not take steps to sell or offer the Premises for sale to any other party.

16.3 Parties Need Not Agree. Nothing in this Lease shall be deemed to require the Port to sell the Premises to Lessee, or Lessee to purchase the Premises from the Port, nor shall any provision of this Lease be construed to require either party to agree to any term or terms for sale of the Premises, whether or not reasonable. Lessee understands and acknowledges that any sale of the Premises will require express approval by the Board of Commissioners of the Port.

16.4 Effect of Nonagreement. If no binding agreement for sale of the Premises has been reached at the conclusion of the one hundred twenty (120) day negotiating period, whether under Section 16.1 or Section 16.2, the Port shall be free to negotiate with and enter into an agreement for sale of the Premises to another party. Notwithstanding Sections 16.1 and 16.2, the Port shall not be required to give Lessee a further opportunity to negotiate toward a purchase of the Premises for twenty-four (24) months following the conclusion of the one hundred twenty (120) day negotiating period. If twenty-four (24) months have passed since the conclusion of the one hundred twenty (120) day negotiating period, and the Port has not entered into an agreement for sale of the Premises, Sections 16.1 and 16.2 shall again apply.

LESSEE:

CASCADE GENERAL, INC.

By_____
Name_____
Title_____

LESSOR:

THE PORT OF PORTLAND

By_____
Mike Thorne
Executive Director

APPROVED AS TO LEGAL SUFFICIENCY

_____
Counsel for the Port of Portland

APPROVED BY COMMISSION ON:
AUG 09 1995

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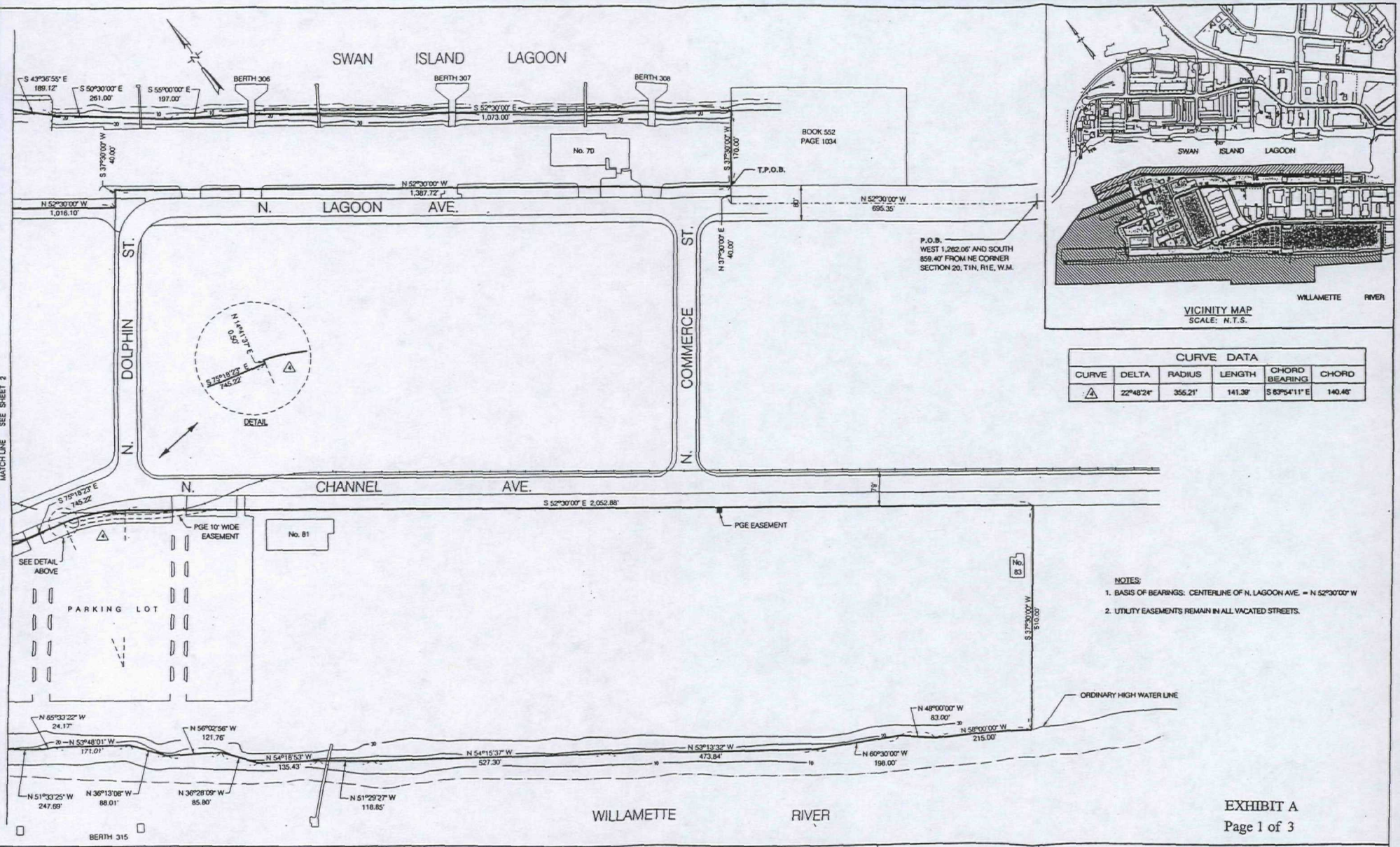


NOTES:

1. BASIS OF BEARINGS: CENTERLINE OF N. LAGOON AVE. = N 52°30'00" W
2. UTILITY EASEMENTS REMAIN IN ALL VACATED STREETS.

CURVE DATA

CURVE	DELTA	RADIUS	LENGTH	CHORD BEARING	CHORD
4	22°48'24"	355.21'	141.39'	S 63°54'11" E	140.46'

EXHIBIT A
Page 1 of 3

PORT OF PORTLAND
PORTLAND, OREGON
PROP. & DEVEL. SERVICES MANAGER
51852

REGISTERED PROFESSIONAL LAND SURVEYOR
OREGON
DONALD L. CONWELL
924

DESIGNED BY
DRAWN BY N. KOEPP
CHECKED BY K. McDONALD
DATE APRIL 1995
SCALE 1" = 100'

PORTLAND SHIP YARD

EXHIBIT PLAT

MAIN FACILITY - UPLANDS - BERTHS 301-308 AND 312-315

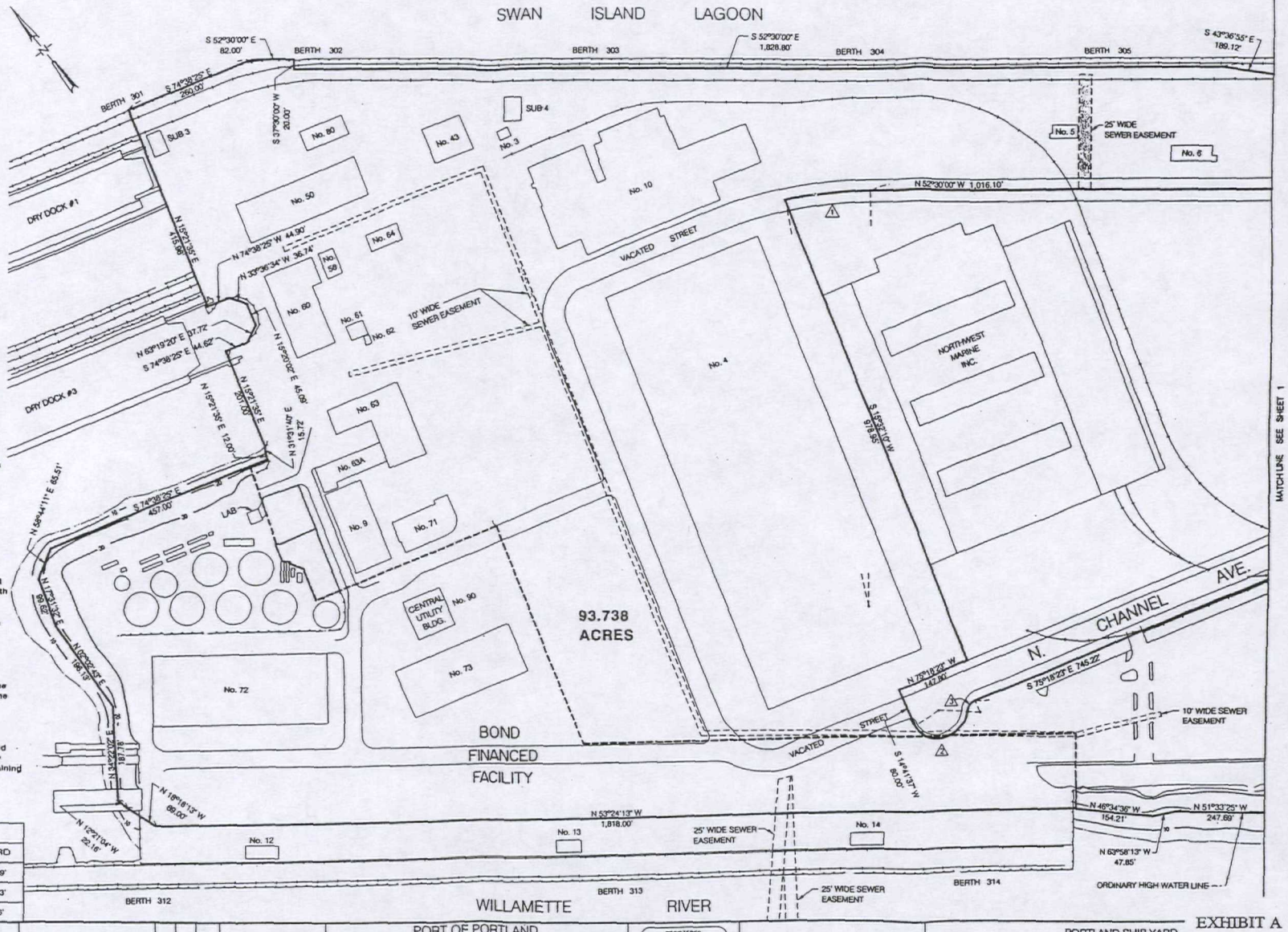
SUBMITTED BY
SUPERVISOR TECHNICAL PRODUCTION

DRAWING NO YA 95-5 1/3 (EP)

UPLANDS DESCRIPTION

A parcel of land located in Sections 17, 18, and 20, Township 1 North, Range 1 East of the Willamette Meridian, in the city of Portland, county of Multnomah and the state of Oregon, described as follows:

Beginning at a point which is 1,262.06 feet West and 859.40 feet South of the northeast corner of said Section 20 which *point is on the centerline of N. Lagoon Ave.; thence North* 52°30'00" West along the centerline of N. Lagoon Ave. a distance of 695.35 feet; thence North 37°30'00" East a distance of 40.00 feet to a point on the northeasterly right-of-way line of N. Lagoon Ave. and the TRUE POINT OF BEGINNING; said point is also the southwesterly corner of that parcel of land recorded March 20, 1967 in Book 552, Page 1034, Multnomah County Deed Records; thence North 52°30'00" West along the northeasterly right-of-way line of N. Lagoon Ave. 1,387.72 feet to a point of intersection with the northeasterly extension of the northwesterly right-of-way line of N. Dolphin St.; *thence South 37°30'00" West along the extension of said right-of-*way line 40.00 feet; thence leaving said right-of-way line North 52°30'00" West 1,016.10 feet along the former centerline of vacated N. Lagoon Ave. as described in Book 1832, Page 870, Multnomah County Deed Records and recorded June 21, 1985; thence along the arc of a 818.51 foot radius curve to the left 170.00 feet through a central angle of 11°53'59" to a point which bears North 58°26'59" West 169.69 feet from the last described point; thence leaving said former centerline South 15°32'10" West 978.95 feet to the northerly right-of-way line of N. Channel Ave.; thence following the right-of-way line of said N. Channel Ave. the following courses and distances; North 75°18'23" West 147.80 feet; South 14°41'37" West 80.00 feet; thence along the arc of a 58.00 foot radius non-tangent curve to the left 144.20 feet through a central angle of 142°26'49" to a point of reverse curvature, said point bears South 67°58'56" East 109.83 feet from the last described point; thence along the arc of a 25.00 foot radius curve to the right 27.88 feet through a central angle of 63°53'56" to a point that bears North 72°44'39" East 26.46 feet from the last described point; South 75°18'23" East 745.22 feet; North 14°41'37" East 0.50 feet; thence along the arc of a 355.21 foot radius curve to the right 141.39 feet through a central angle of 22°48'24" to a point that bears South 83°54'11" East 140.46 feet from the last described point; South 52°30'00" East 2,052.88 feet; thence leaving said N. Channel Ave. right-of-way line South 37°30'00" West 510.00 feet more or less to a point on the Ordinary *High Water Line of the Willamette River; thence northwesterly and* northeasterly along the Ordinary High Water Line the following courses and distances; North 58°00'00" West 215.00 feet; North 48°00'00" West 83.00 feet; North 60°30'00" West 198.00 feet; North 53°13'32" West 473.84 feet; *North 54°15'37" West 527.30 feet; North 51°29'27"* West 118.85 feet; North 54°18'53" West 135.43 feet; North 38°28'09" West 85.80 feet; North 56°02'56" West 121.76 feet; North 36°13'08" West 88.01 feet; North 53°48'01" West 171.01 feet; North 65°33'22" West 24.17 feet; North 51°33'25" West 247.69 feet; North 63°58'13" West 47.85 feet; North 46°34'36" West 154.21 feet; North 53°24'13" West 1,818.00 feet; North 18°18'13" West 69.00 feet; North 12°21'04" *West 22.18 feet; North 34°22'02" East 187.78 feet; North 02°02'43"* East 196.13 feet; North 17°31'32" East 99.82 feet; North 58°44'11" East 65.51 feet; thence continuing along said Ordinary High Water Line South 74°38'25" East 457.00 feet to a retaining wall/cell line; thence along said cell line North 15°21'35" East 12.00 feet; thence North 31°31'40" East 15.72 feet; thence North 15°21'35" East 201.00 feet; thence South 74°38'25" East 44.62 feet; thence North 63°19'20" East 37.72 feet; thence North 15°20'02" East 45.09 feet; thence North 33°36'34" West 36.74 feet; thence North 74°38'25" West 44.90 feet; thence North 15°21'35" East 415.98 feet; thence South 74°38'25" East 260.00 feet; thence South 52°30'00" East 82.00 feet; thence South 37°30'00" West *20.00 feet more or less to a point on the Ordinary High Water Line of the* Swan Island Lagoon; thence along the said Ordinary High Water Line the following courses and distances; South 52°30'00" East 1,828.80 feet; South 43°36'55" East 189.12 feet; South 50°30'00" East 281.00 feet; South 55°00'00" East 197.00 feet; South 52°30'00" East 1,073.00 feet to a point on the northwesterly property line of that aforesaid parcel whose deed being recorded in Book 552 Page 1034; thence leaving said Ordinary High Water Line South 37°30'00" West along the said property line 170.00 feet more or less to the TRUE POINT OF BEGINNING, containing 93.738 acres.



CURVE DATA

CURVE	DELTA	RADIUS	LENGTH	CHORD BEARING	CHORD
1	11°53'59"	818.51'	170.00'	N 58°26'59" W	169.69'
2	142°26'49"	58.00'	144.20'	S 67°58'56" E	109.83'
3	63°53'56"	25.00'	27.88'	N 72°44'39" E	26.46'

PORT OF PORTLAND
PORTLAND, OREGON
PROP. & DEVEL. SERVICES MANAGER

REGISTERED PROFESSIONAL LAND SURVEYOR
OREGON
JULY 9, 1974
DONALD L. CONWELL
924

DESIGNED BY	N. KOEPP
DRAWN BY	K. McDONALD
CHECKED BY	
DATE	APRIL 1995
SCALE	1" = 100'

PORTLAND SHIP YARD

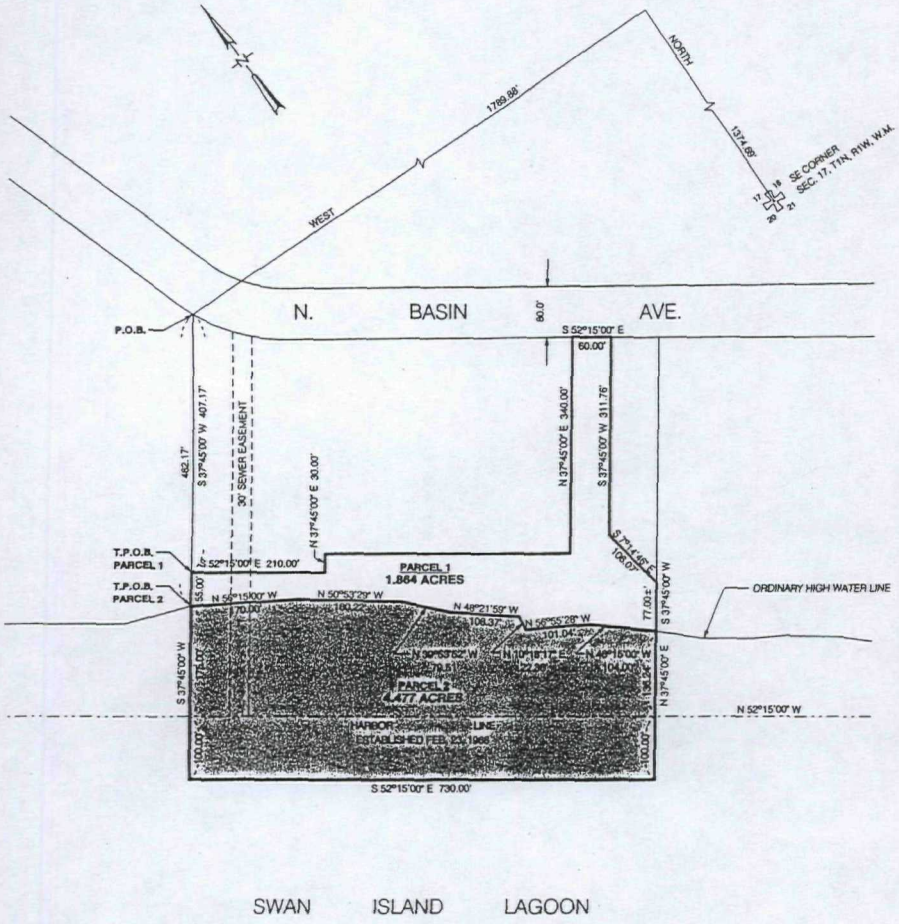
EXHIBIT PLAT

MAIN FACILITY - UPLANDS - BERTHS 301-308 AND 312-315

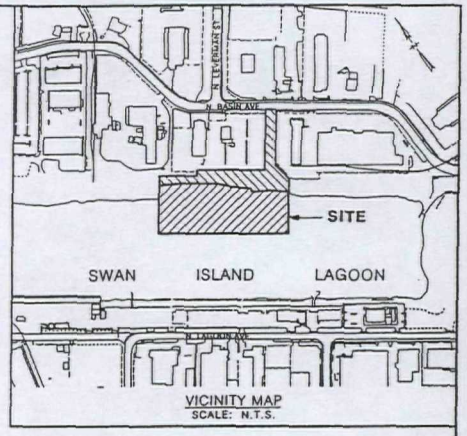
SURVEYED BY Donald L. Conwell

DRAWING NO YA 95-5 2/3 (EP)

EXHIBIT A
Page 2 of 3



SWAN ISLAND LAGOON



VICINITY MAP
SCALE: N.T.S.

PARCEL 1
UPLAND

A parcel of land situated in the Southeast 1/4 of Section 17 Township 1 North, Range 1 East, Willamette Meridian, Multnomah County, Oregon, the said parcel being described as follows:

Beginning at a point on the westerly right-of-way line of North Basin Avenue which is North 1,374.69 feet and West 1,789.88 feet from the southeast corner of Section 17; thence South 37°45'00" West 407.17 feet to the TRUE POINT OF BEGINNING; thence South 52°15'00" East 210.00 feet; thence North 37°45'00" East 30.00 feet; thence South 52°15'00" East 385.00 feet; thence North 37°45'00" East 340.00 feet to the southwesterly right-of-way line of North Basin Avenue; thence along said right-of-way line South 52°15'00" East 60.00 feet; thence leaving said right-of-way line South 37°45'00" West 311.76 feet; thence South 7°14'46" East 106.07 feet; thence South 37°45'00" West 77.00 feet more or less to a point on the ordinary high water line of the Swan Island Lagoon; thence northwesterly and northeasterly along the ordinary high water line the following courses and distances, North 46°15'00" West 104.00 feet; North 56°55'28" West 101.04 feet; North 10°18'17" East 22.36 feet; North 48°21'59" West 108.37 feet; North 39°53'52" West 79.51 feet; North 50°53'29" West 160.22 feet; North 56°15'00" West 170.00 feet; thence leaving said ordinary high water line North 37°45'00" East 55.00 feet more or less to the TRUE POINT OF BEGINNING, containing 1.864 acres. Subject to a 30.00 foot sewer easement.

PARCEL 2
SUBMERGED LAND

A parcel of land situated in the Southeast 1/4 of Section 17 Township 1 North, Range 1 East, Willamette Meridian, Multnomah County, Oregon, the said parcel being described as follows:

Beginning at a point on the westerly right-of-way line of North Basin Avenue which is North 1,374.69 feet and West 1,789.88 feet from the southeast corner of Section 17; thence South 37°45'00" West 462.17 feet more or less to a point on the ordinary high water line of the Swan Island Lagoon and the TRUE POINT OF BEGINNING; thence continuing South 37°45'00" West 175.00 feet more or less to the East Federal Harbor line of said Lagoon as established Feb. 23, 1968; thence continuing South 37°45'00" West 100.00 feet; thence South 52°15'00" East parallel with said Harbor line 730.00 feet; thence North 37°45'00" East 100.00 feet to said Harbor line; thence continuing North 37°45'00" East 136.24 feet more or less to a point on the ordinary high water line; thence northwesterly and northeasterly along the ordinary high water line the following courses and distances, North 46°15'00" West 104.00 feet; North 56°55'28" West 101.04 feet; North 10°18'17" East 22.36 feet; North 48°21'59" West 108.37 feet; North 39°53'52" West 79.51 feet; North 50°53'29" West 160.22 feet; North 56°15'00" West 170.00 feet to the TRUE POINT OF BEGINNING, containing 4.477 acres.

NOTES:

1. REFERENCE DRAWINGS:
   - *MB 59-1* *SI 66-12*
   - MB 60-1
   - MB 63-3
   - MB 63-4
   - *MB 65-5*
   - MB 80-3

2. *BASIS OF BEARINGS: FEDERAL HARBOR LINE – N52°15'00" W.*

LEGEND:

DIVISION OF STATE LANDS SUBMERGED LANDS

EXHIBIT A
Page 3 of 3

PORT OF PORTLAND
PORTLAND, OREGON
PROP. & DEVEL. SERVICES MANAGER

REGISTERED PROFESSIONAL LAND SURVEYOR
OREGON
DONALD L. CONWELL
924

DESIGNED BY
DRAWN BY N. KOEPP
CHECKED BY K. McDONALD
DATE APRIL, 1995
1" = 100'

PORTLAND SHIP YARD

EXHIBIT PLAT

BERTH 311 UPLANDS AND SUBMERGED LAND

SURVEYED BY
DRAWING NO YA 95-4 1/1 (EP)

GENERAL BUILDING INFORMATION

BUILDING 72, SECOND FLOOR OFFICES

Construction:

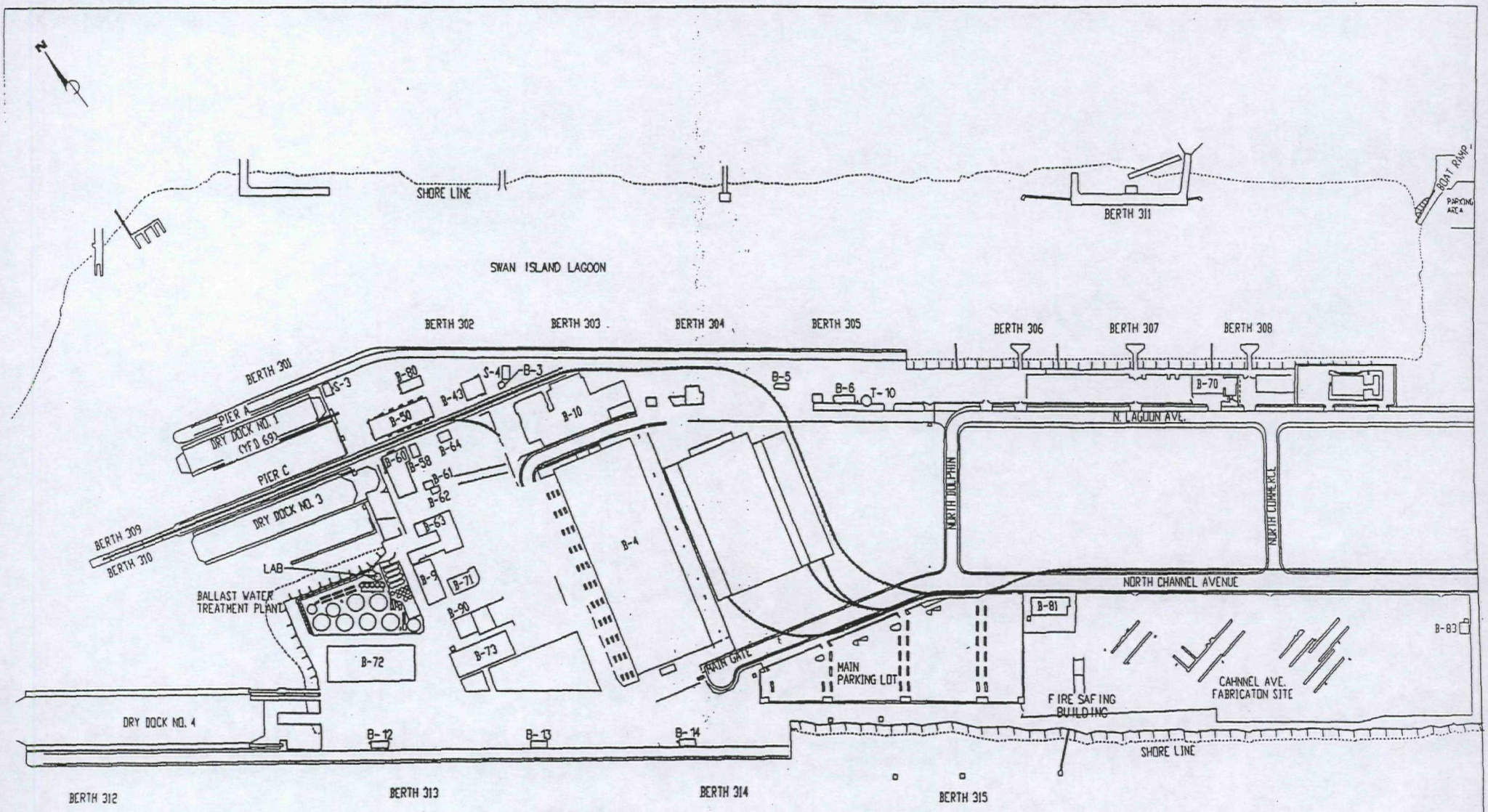
Exterior walls are steel frame with corrugated metal siding.
Roof is steel frame with metal roofing.

Building Space:

West offices equal 5,202 s.f.
East offices equal 7,898 s.f.

Comments:

East office area is unfinished.



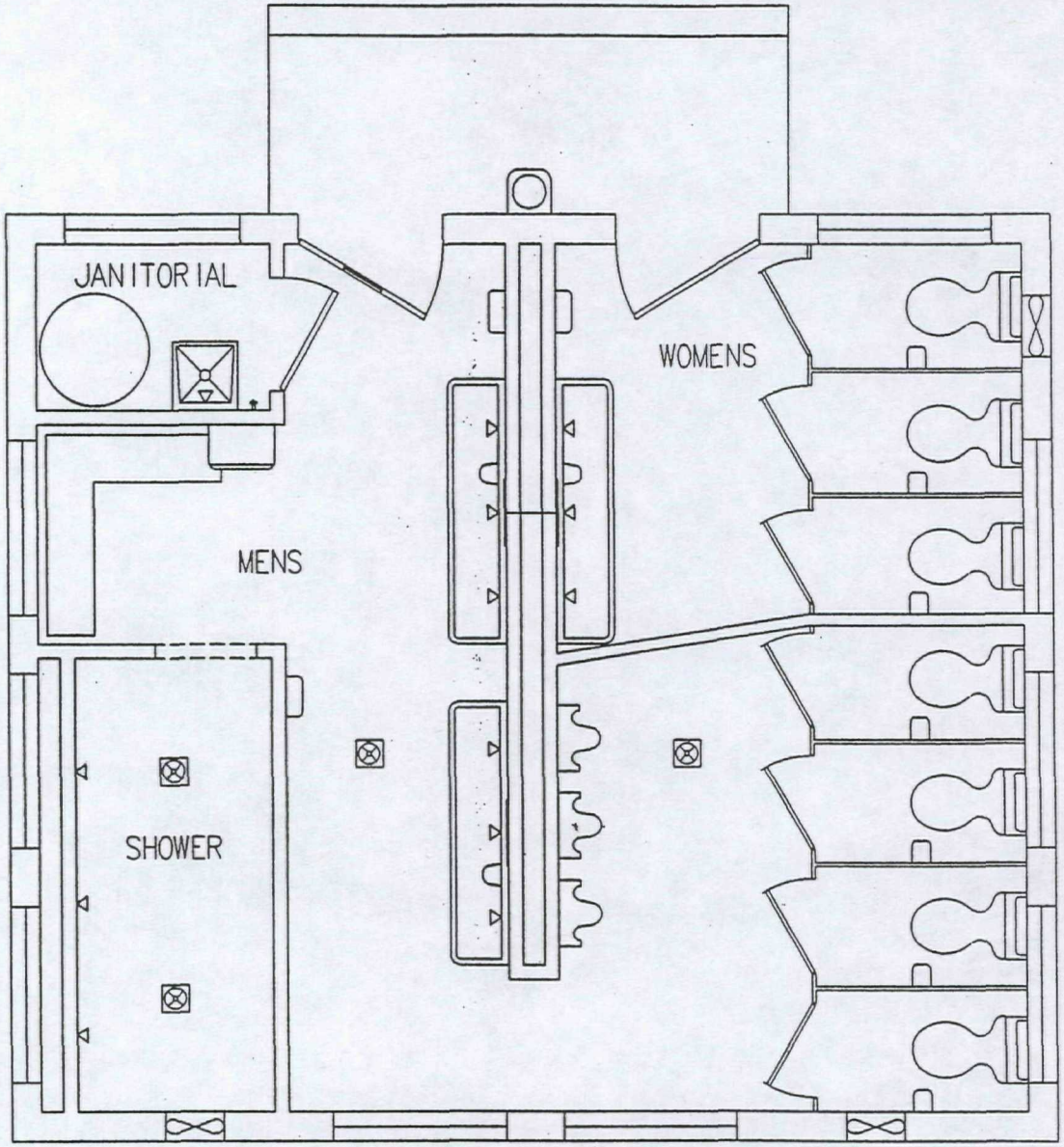
Port of Portland

PORTLAND SHIP YARD
BUILDING LOCATION MAP

2-7-95

PSYBLDGS .CAD 1/1

EXHIBIT B
Page / of 70



Port of Portland

PORTLAND SHIP YARD
BUILDING 3
RESTROOM

2-7-95

BL3.CAD 1/1

EXHIBIT B
Page 2 of 70

GENERAL BUILDING INFORMATION

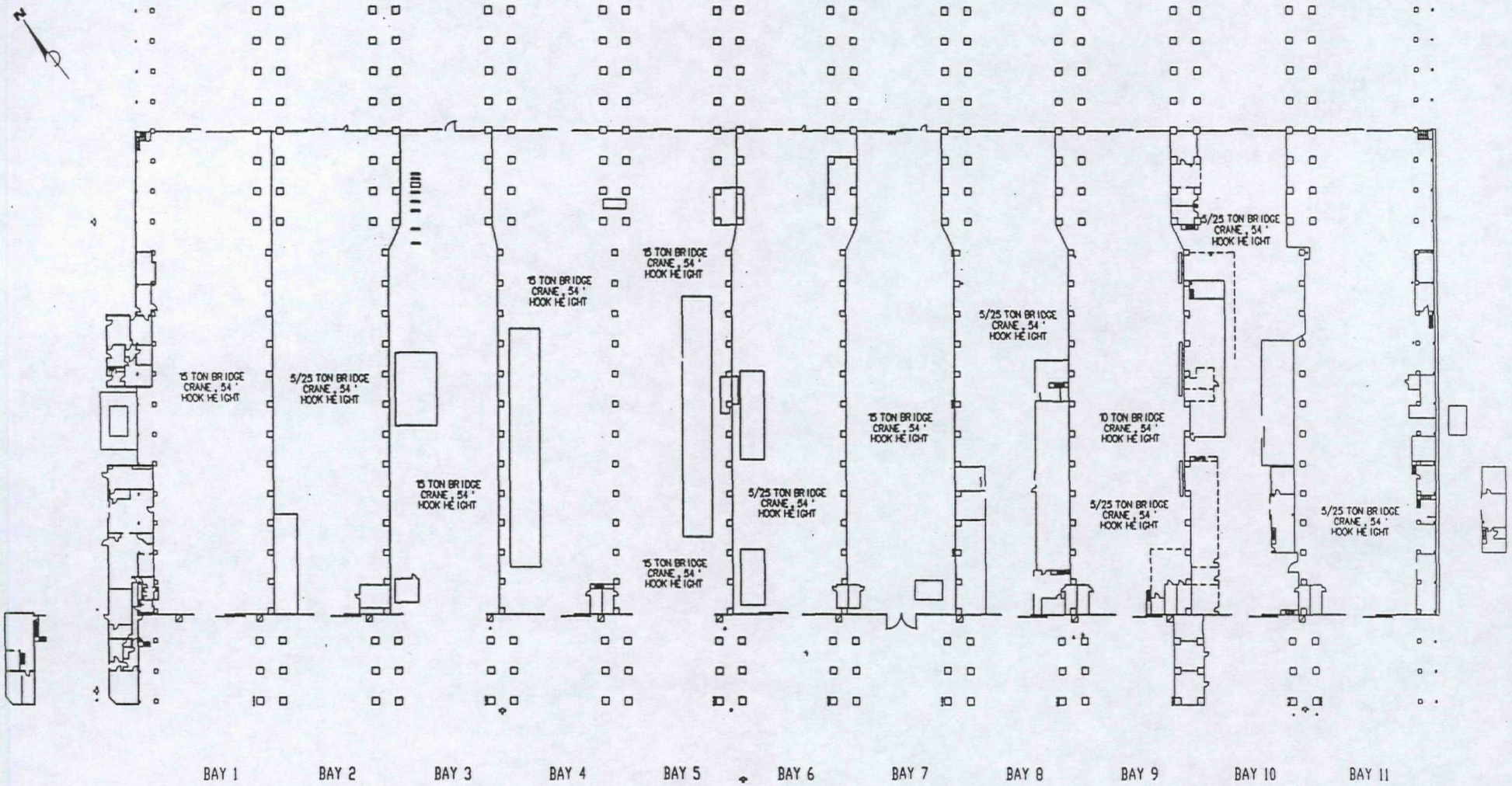
BUILDING 3, RESTROOM FACILITY

Construction:

Walls are 8" concrete block.
Roof is wood deck with built-up asphalt roofing.

Building Space:

Total area equals 504 s.f.



Bay Doors:
Average Size, East & West Ends:
18'W X 20'H, Slider
Exception:
Bay 3 West End Opening: 60'W X 34'H, No Door
Bay 5 West End Opening: 55'W X 34'H, No Door

EXHIBIT B

0 25 50 75 100 125 150 175 200
SCALE IN FEET

Port of Portland

PORTLAND SHIP YARD
BUILDING 4
LEASE PLAN

6-19-95

BL4BAYS.CAD 1/2

GENERAL BUILDING INFORMATION

BUILDING 4, MAIN SHOP STRUCTURE

Construction:

Walls are wood timber frame with corrugated steel sheet siding.
Roof is wood bow-truss design with single membrane, fire retardant roofing.

Building Space:

Total area, not including North office space, equals 274,505 s.f.
Each shop bay has 24,955 s.f.
There are miscellaneous shop offices and restrooms scattered throughout the building.

Bridge Cranes: (Height 60')

Bay 1	15 ton
Bay 2	25 ton with 5 ton auxiliary
Bay 3	15 ton
Bay 4	15 ton
Bay 5	15 ton
Bay 6	25 ton with 5 ton auxiliary
Bay 7	15 ton
Bay 8	25 ton with 5 ton auxiliary
Bay 9	5 ton west crane, 25 ton with 5 ton auxiliary east crane
Bay 10	25 ton with 5 ton auxiliary
Bay 11	25 ton with 5 ton auxiliary

Electrical Utilities:

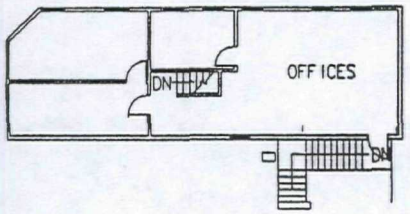
480 volt, 3 phase available
High pressure sodium general lighting.
Emergency lighting system.

Mechanical Utilities:

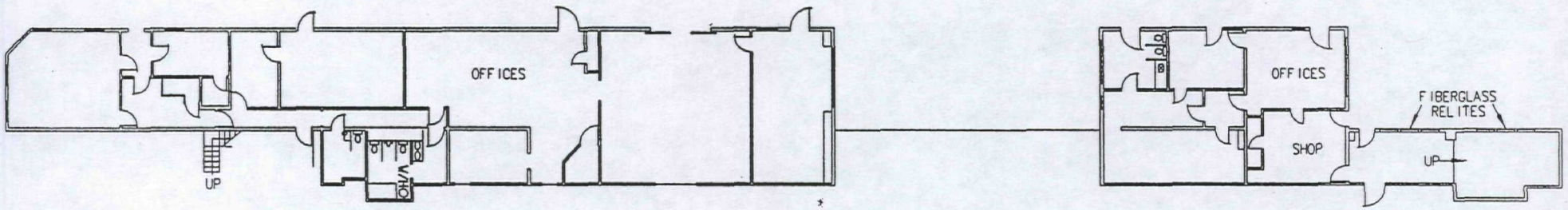
Compressed air
Natural gas
Oxygen
Sewer
Water

Fire System:

Fire sprinkler system - Dry type
Fire hose system - Dry type
Fire extinguishers



SECOND FLOOR



MAIN FLOOR

EXHIBIT B
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Port of Portland

PORTLAND SHIP YARD
BUILDING 4 OFFICES
LEASE PLAN

6-19-95

BL4OFICE.CAD 1/1

GENERAL BUILDING INFORMATION

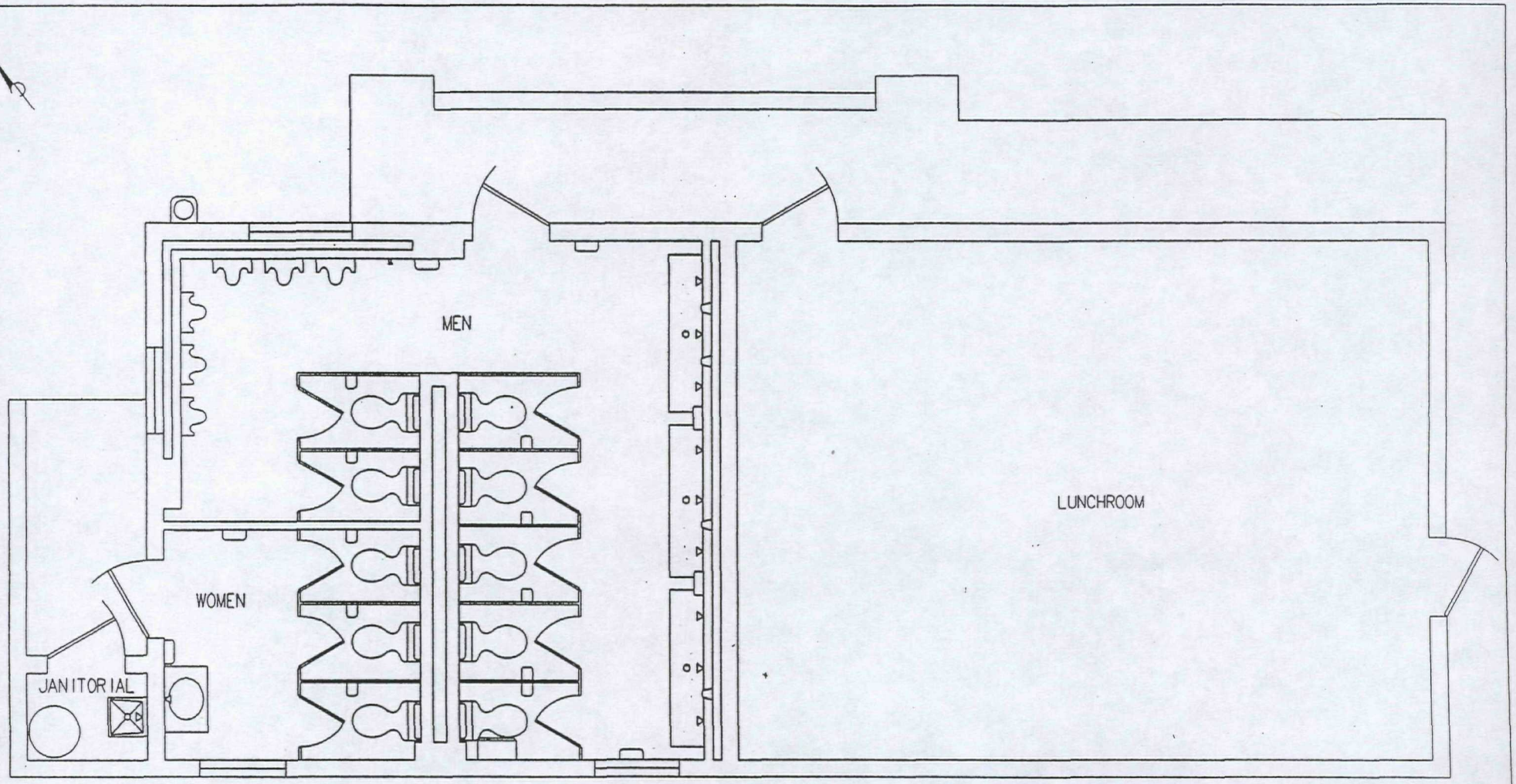
BUILDING 4, NORTH OFFICE SPACE

Construction:

Walls are wood frame with corrugated steel sheet siding.
Roof is wood deck with single membrane roofing.

Building Space:

Northwest offices equal 4,362 s.f.
Northeast offices equal 1,973 s.f.
Second floor offices equal 1212 s.f.



Port of Portland

PORTLAND SHIP YARD
BUILDING 5
RESTROOM & LUNCHROOM

2-7-95 | BL5.CAD 1/1

GENERAL BUILDING INFORMATION

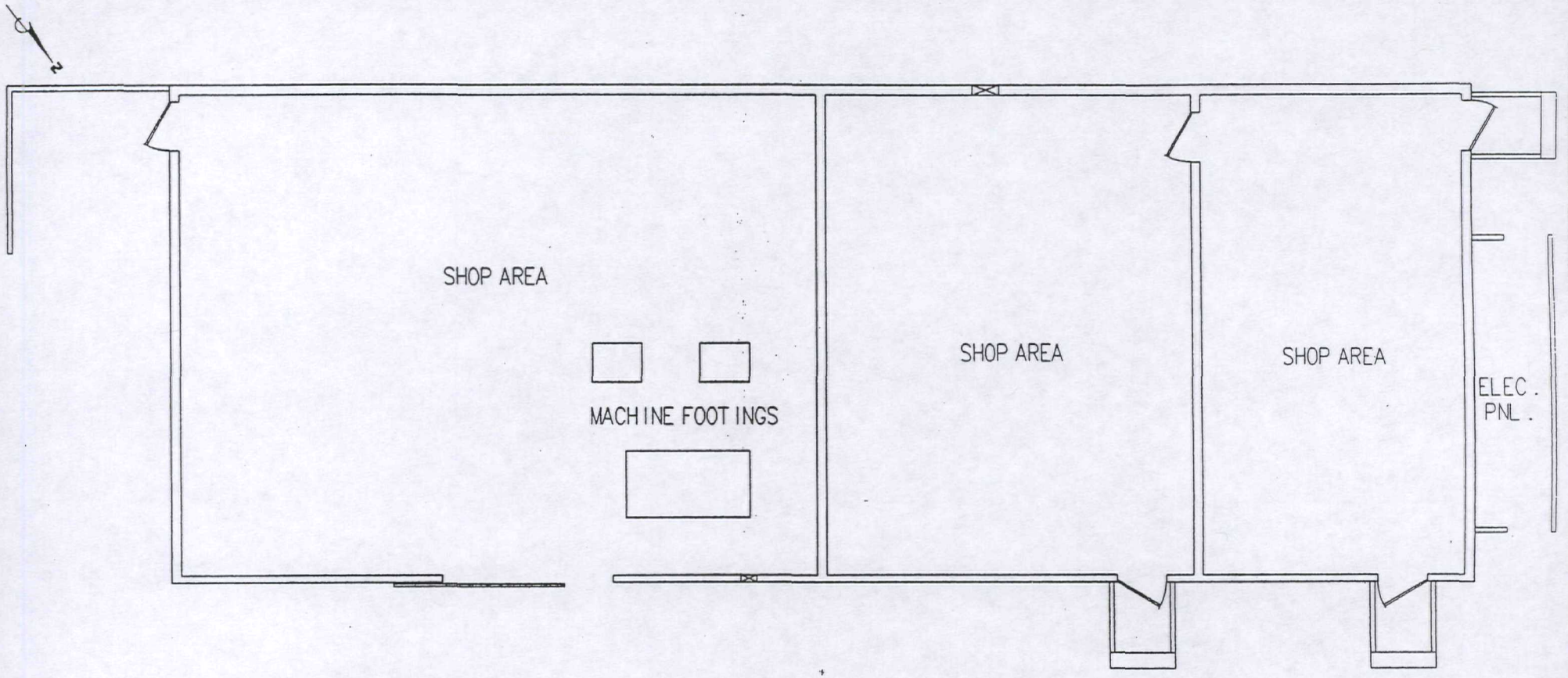
BUILDING 5, RESTROOM & LUNCHROOM FACILITY

Construction:

Exterior walls are 8" concrete block.
Roof is wood deck with built-up asphalt roofing.

Building Space:

Total area equals 1,081 s.f.



Port of Portland

PORTLAND SHIP YARD
BUILDING 6
LEASE PLAN

2-7-95 | BL 6 .CAD 1/1

EXHIBIT B
Page 10 of 70

GENERAL BUILDING INFORMATION

BUILDING 6, SHOP BUILDING

Construction:

Exterior walls are wood frame with plywood siding.
Roof is wood deck with built-up asphalt roofing.

Building Space:

3 shop areas total 2,400 s.f.

Electrical Utilities:

240 volt, 3 phase available.

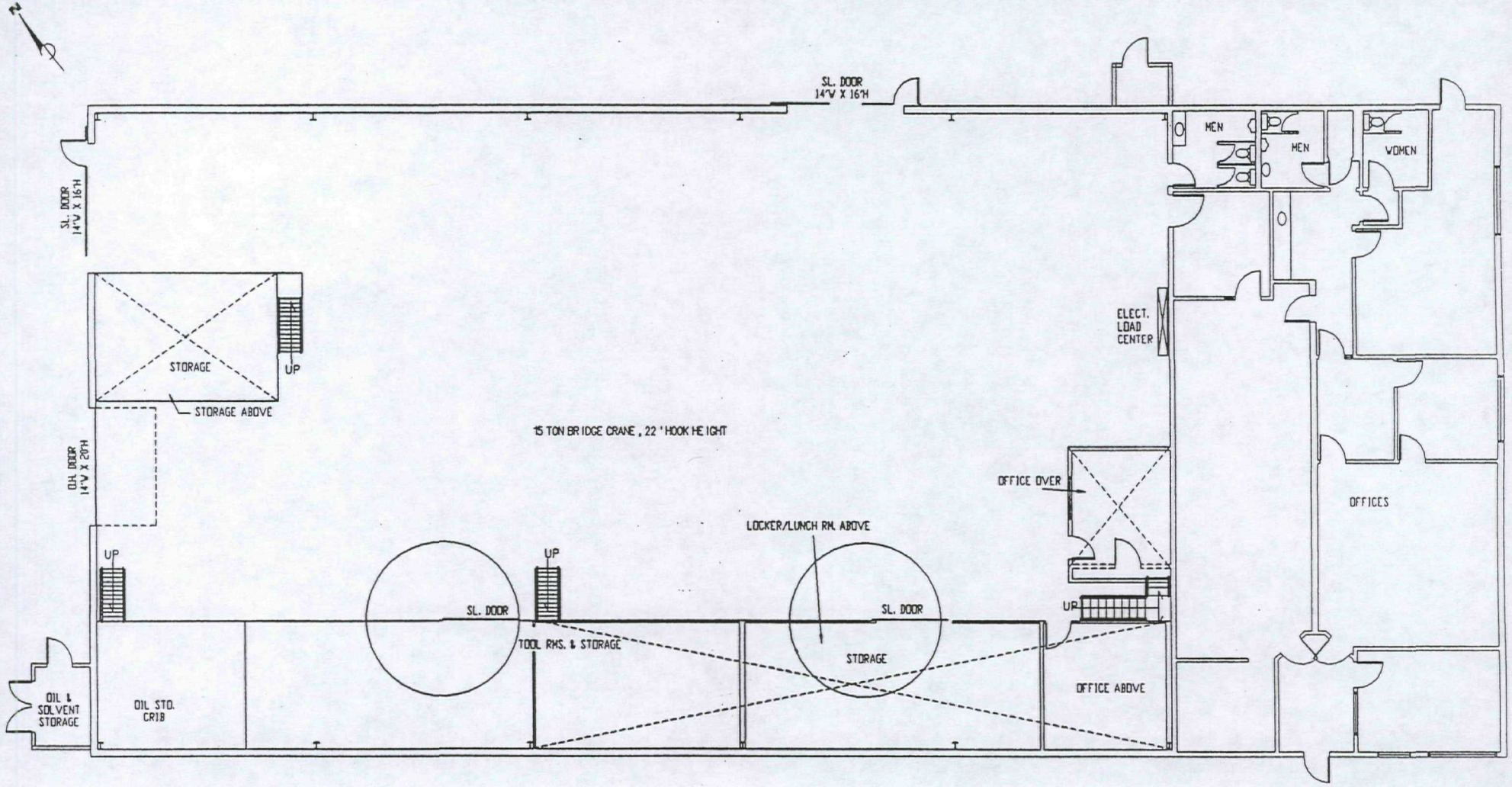


EXHIBIT B
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Port of Portland

PORTLAND SHIP YARD
BUILDING 9
LEASE PLAN

6-19-95

BL 9.CAD 1/1

GENERAL BUILDING INFORMATION

BUILDING 9, FABRICATION & MACHINE SHOP

Construction:
Exterior walls are wood timber frame with corrugated steel sheet siding.
Roof is wood bow-truss design with sheet metal roofing.

Building Space:
Total area equals 12,585 s.f.
Office area equals 2,536 s.f..

Bridge Cranes:
15 ton

Electrical Utilities:
480 volt, 3 phase

Mechanical Utilities:
Compressed air
Natural gas
Oxygen
Sewer
Water

Fire System:
Fire sprinkler system - Dry type
Fire hose system - Dry type

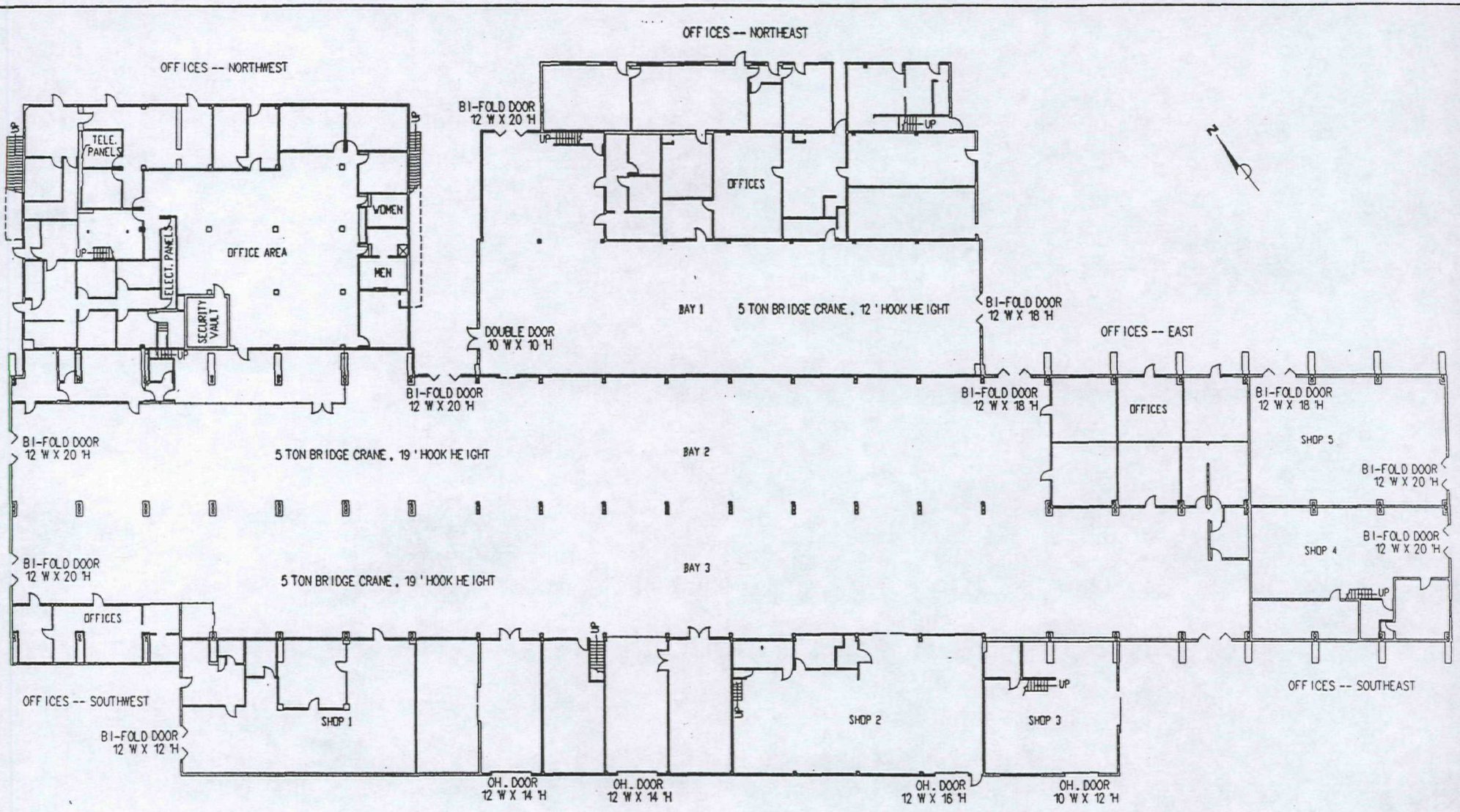

EXHIBIT B
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Port of Portland

PORTLAND SHIP YARD
BUILDING 10
FIRST FLOOR LEASE PLAN

6-19-95 | BL10FF.CAD 1/1

GENERAL BUILDING INFORMATION

BUILDING 10, FIRST FLOOR FABRICATION SHOPS & OFFICES

Construction:
Exterior walls are wood timber frame with corrugated steel sheet siding.

Building Space:
Total area equals 70,046 s.f.
Northwest offices equal 9,272 s.f.
Has large walk-in vault.
Northeast offices equal 5,056 s.f.
East offices equal 1,242 s.f.
Southwest offices equal 1,362 s.f.
Southeast offices equal 889 s.f.
There are miscellaneous shop offices in the bays.

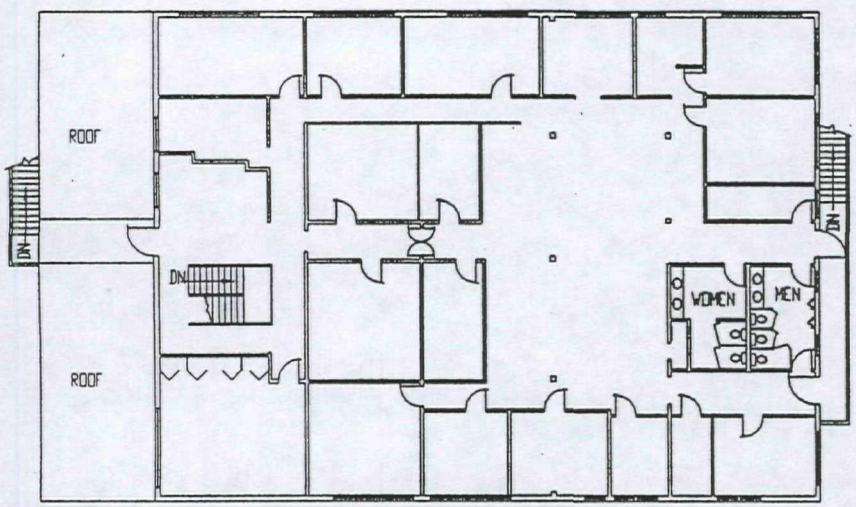
Bridge Cranes:

Bay 1	5 ton
Bay 2	5 ton
Bay 3	5 ton

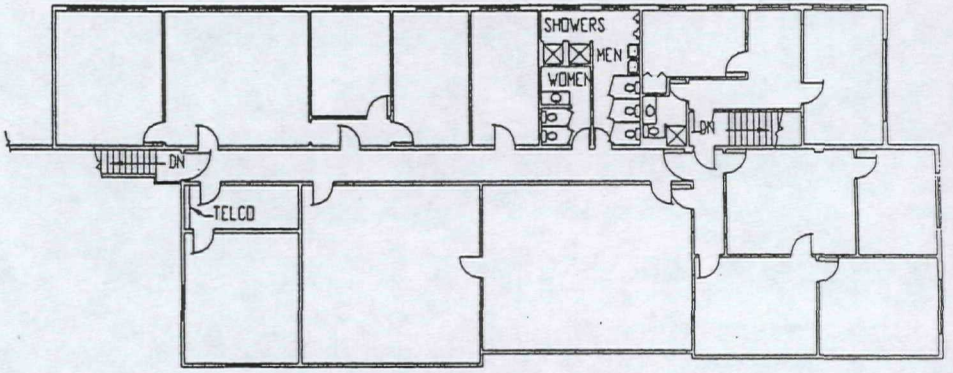
Electrical Utilities:
480 volt, 3 phase

Mechanical Utilities:
Compressed air
Natural gas
Oxygen
Sewer
Water

Fire System:
Fire sprinkler system - Dry type
Fire extinguishers



OFFICES -- NORTHWEST



OFFICES -- NORTHEAST

EXHIBIT B
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Port of Portland

PORTLAND SHIP YARD
BUILDING 10
SECOND FLOOR LEASE PLANS

6-19-95

BL 10SF .CAD 1/2

GENERAL BUILDING INFORMATION

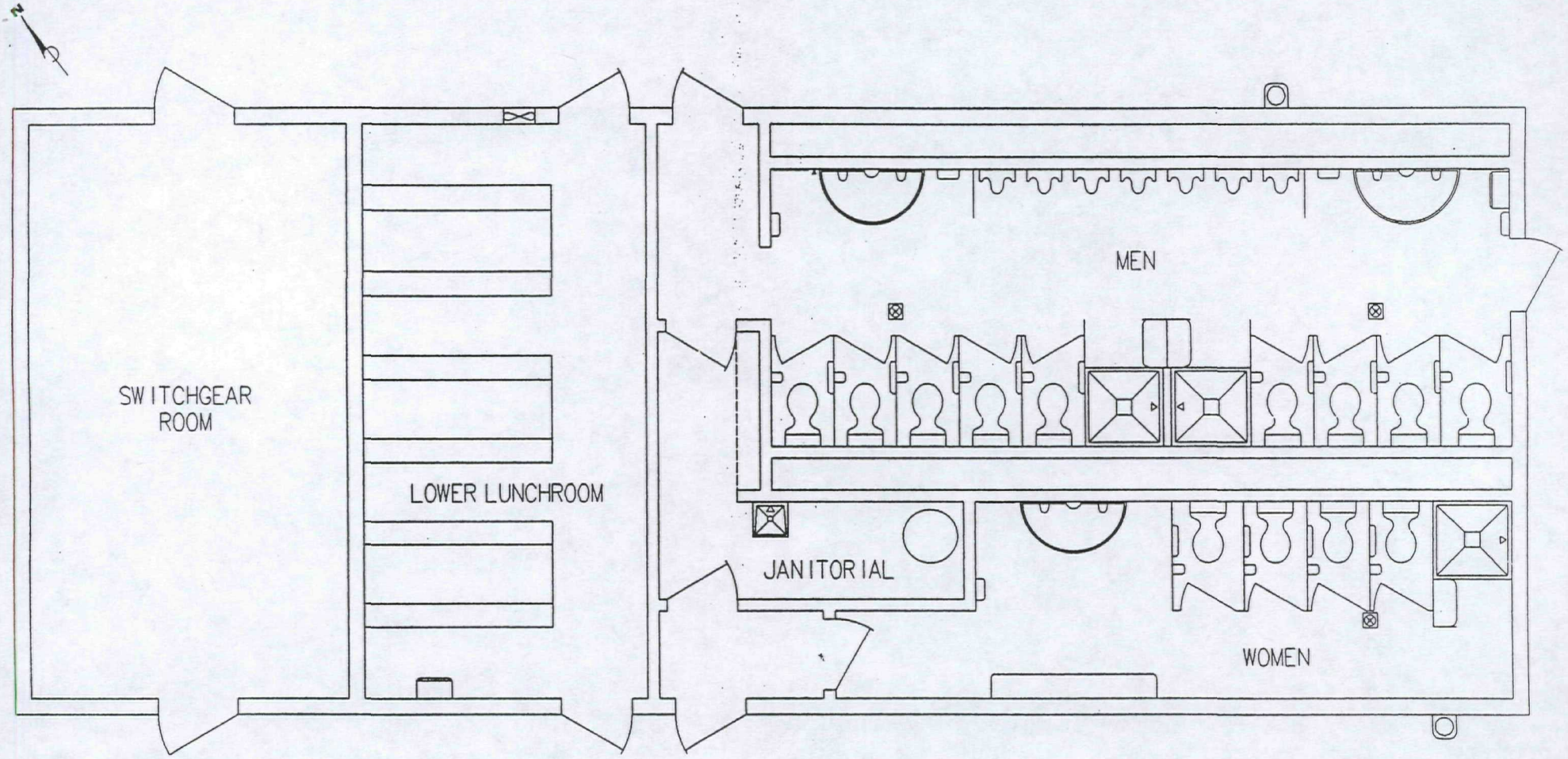
BUILDING 10, SECOND FLOOR OFFICES

Construction:

Exterior walls are wood frame with corrugated steel sheet siding.
Roof is wood deck design with new (1994) built-up asphalt roofing.

Building Space:

Northwest offices equal 7,209 s.f.
Northeast offices equal 6,200 s.f.



Port of Portland

PORTLAND SHIP YARD
BUILDINGS 12, 13 AND 14
FIRST FLOOR PLAN

2-7-95 | BL 12 13 14 .CAD 1/1

EXHIBIT B
Page 18 of 70

GENERAL BUILDING INFORMATION

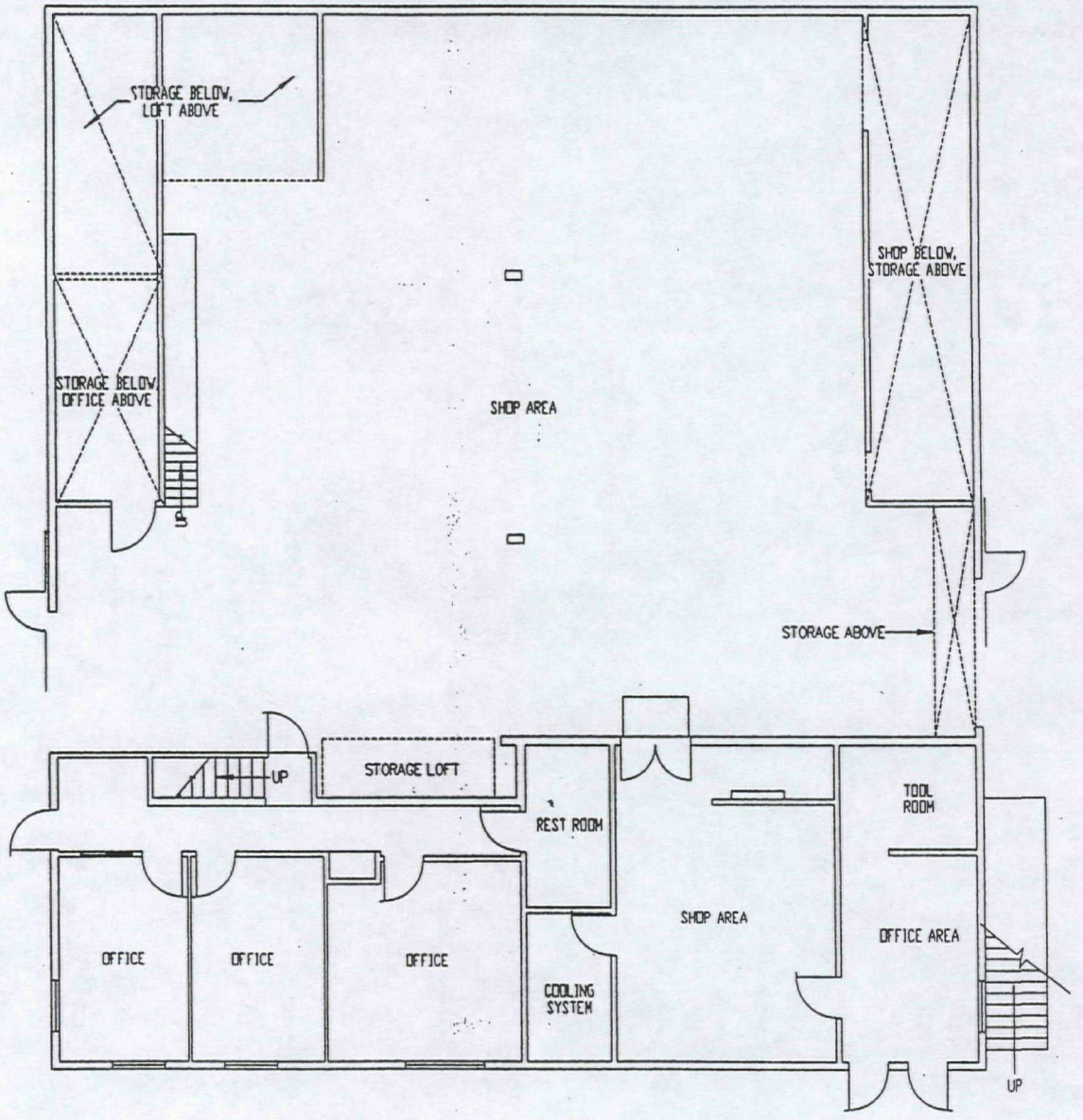
BUILDINGS 12, 13, & 14,
RESTROOM AND LUNCHROOM FACILITIES
(SECOND FLOOR LUNCHROOM NOT SHOWN)

Construction:

Exterior walls are 8" concrete block.
Roof is wood deck design with built-up asphalt roofing.

Building Space:

Each facility is identical to one another.
Total area both floors equals 3,242 s.f.



0 5' 10' 15' 20' 25'

Port of Portland

PORTLAND SHIP YARD
BUILDING 43
FIRST FLOOR LEASE PLAN

2-7-95 | BL43FF .CAD 1/2

EXHIBIT B
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GENERAL BUILDING INFORMATION

BUILDING 43, FIRST FLOOR SHOP AND OFFICES

Construction:

Walls are wood timber frame with corrugated steel sheet siding.
Roof is wood deck design with single membrane roofing.

Building Space:

Total area equals 5,601 s.f.
Offices equal 1,667 s.f..

Electrical Utilities:

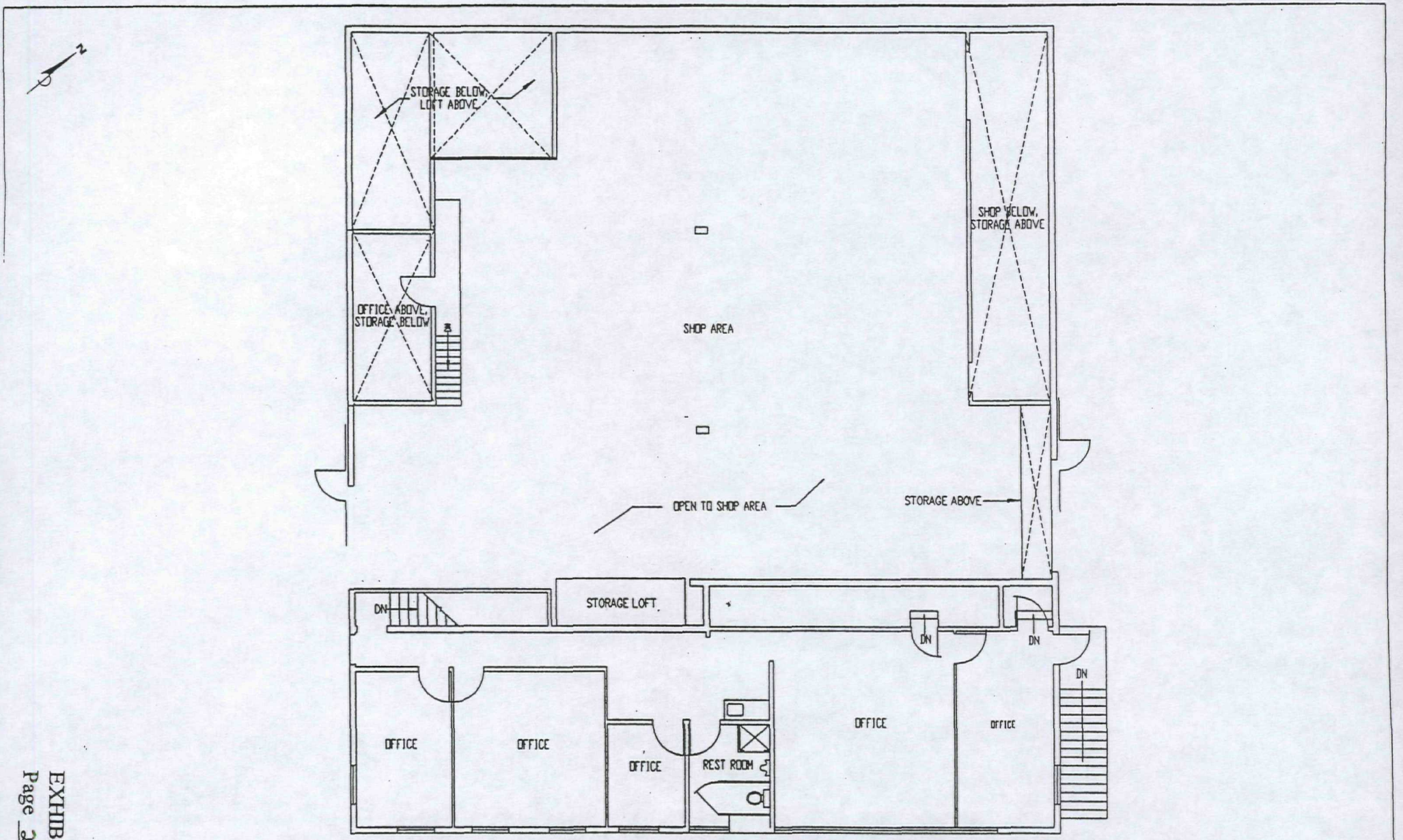
480 volt, 3 phase

Mechanical Utilities:

Compressed air
Natural gas
Oxygen
Sewer
Water

Fire System:

Fire extinguishers



Port of Portland

PORTLAND SHIP YARD
BUILDING 43
SECOND FLOOR LEASE PLAN

6-19-95

BL43SF .CAD 2/2

EXHIBIT B
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GENERAL BUILDING INFORMATION

BUILDING 43, SECOND FLOOR OFFICES

Construction:

Exterior walls are wood timber frame with corrugated steel sheet siding.
Roof is wood deck design with built-up asphalt roofing.

Building Space:

Total office area equals 1,597 s.f.

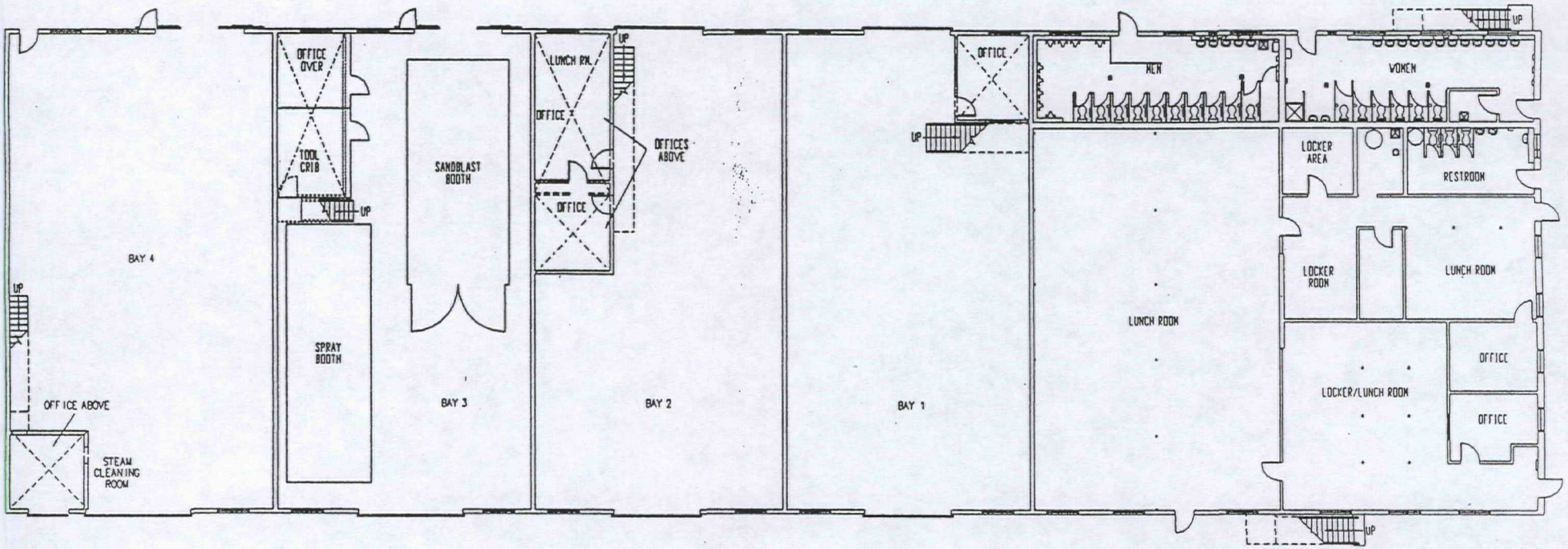

EXHIBIT B
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Port of Portland

PORTLAND SHIP YARD
BUILDING 50
FIRST FLOOR LEASE PLAN

2-7-95 | BL50FF .CAD 1/2

GENERAL BUILDING INFORMATION

BUILDING 50, FIRST FLOOR SHOPS AND OFFICES

Construction:

Exterior walls are 8" concrete block.
Roof is lite-concrete deck design with built-up asphalt roofing.

Building Space:

Total area equals 18,906 s.f.
Offices equal 1,152 s.f.
Bay 1 equals 2,883 s.f.
Bay 2 equals 3,119 s.f.
Bay 3 equals 3,155 s.f.
Bay 4 equals 3,279 s.f.

Electrical Utilities:

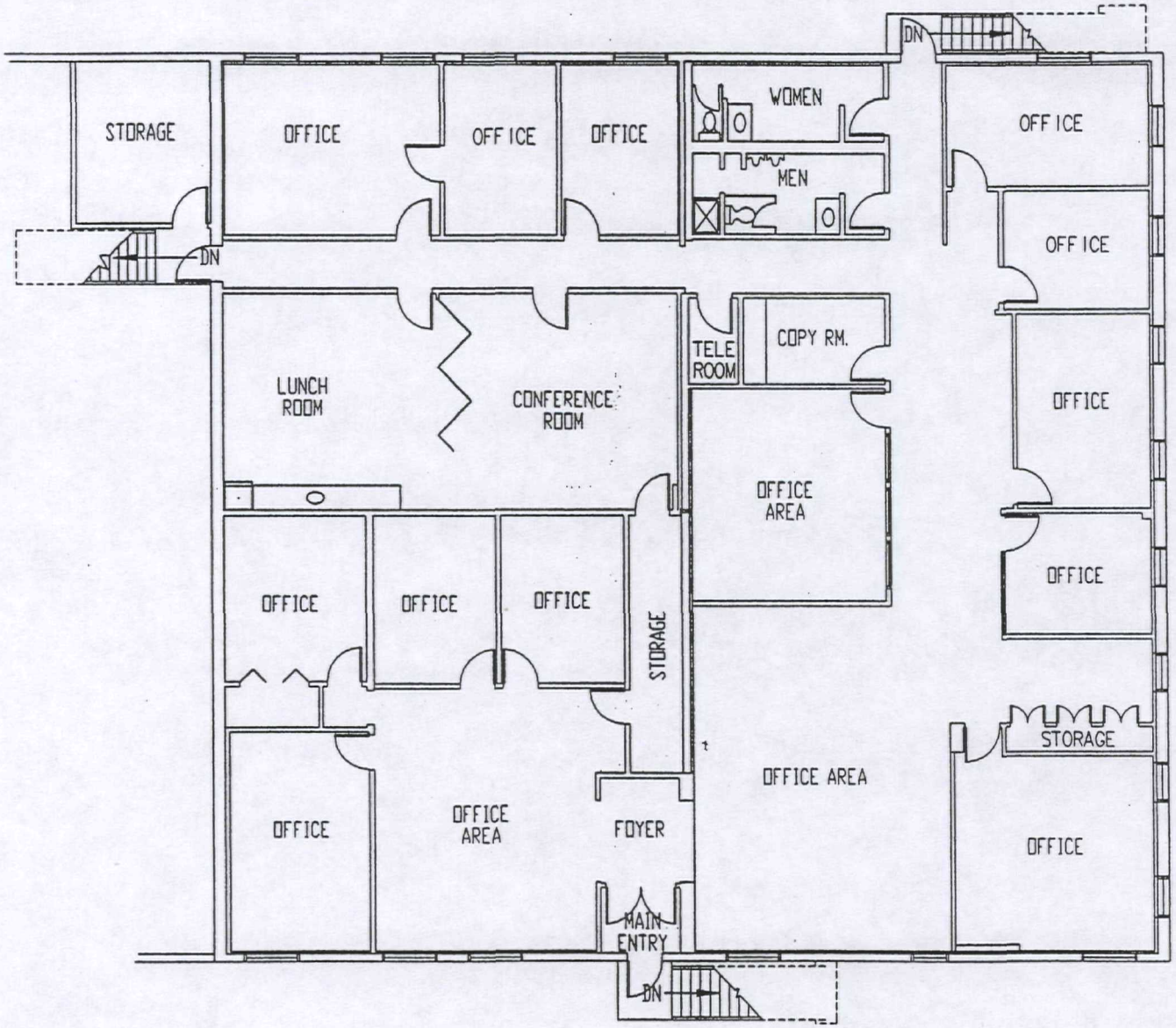
480 volt, 3 phase

Mechanical Utilities:

Compressed air
Natural gas
Oxygen
Sewer
Water

Fire System:

Fire hoses
Fire extinguishers



Port of Portland

PORTLAND SHIP YARD
BUILDING 50
SECOND FLOOR LEASE PLAN

2-7-95 | BL50SF .CAD 2/2

EXHIBIT B
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GENERAL BUILDING INFORMATION

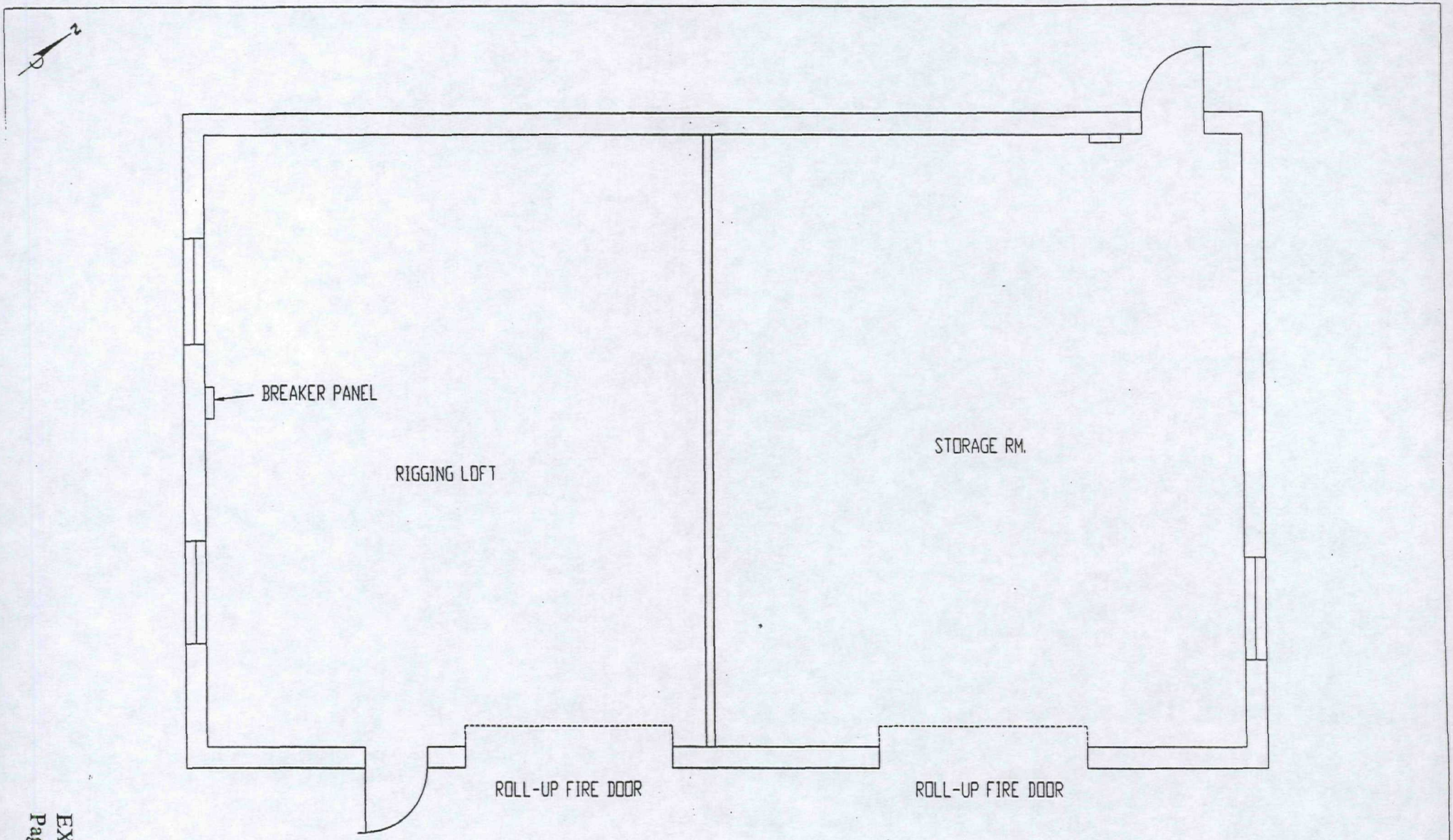
BUILDING 50, SECOND FLOOR OFFICES

Construction:

Exterior walls are 8" concrete block.
Roof is lite-concrete deck with asphalt built-up roofing.

Building Space:

Total office area equals 6,469 s.f.



Port of Portland

PORTLAND SHIP YARD
BUILDING 58
RIGGING LOFT

2-7-95 | BL58.CAD 1/1

EXHIBIT B
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GENERAL BUILDING INFORMATION

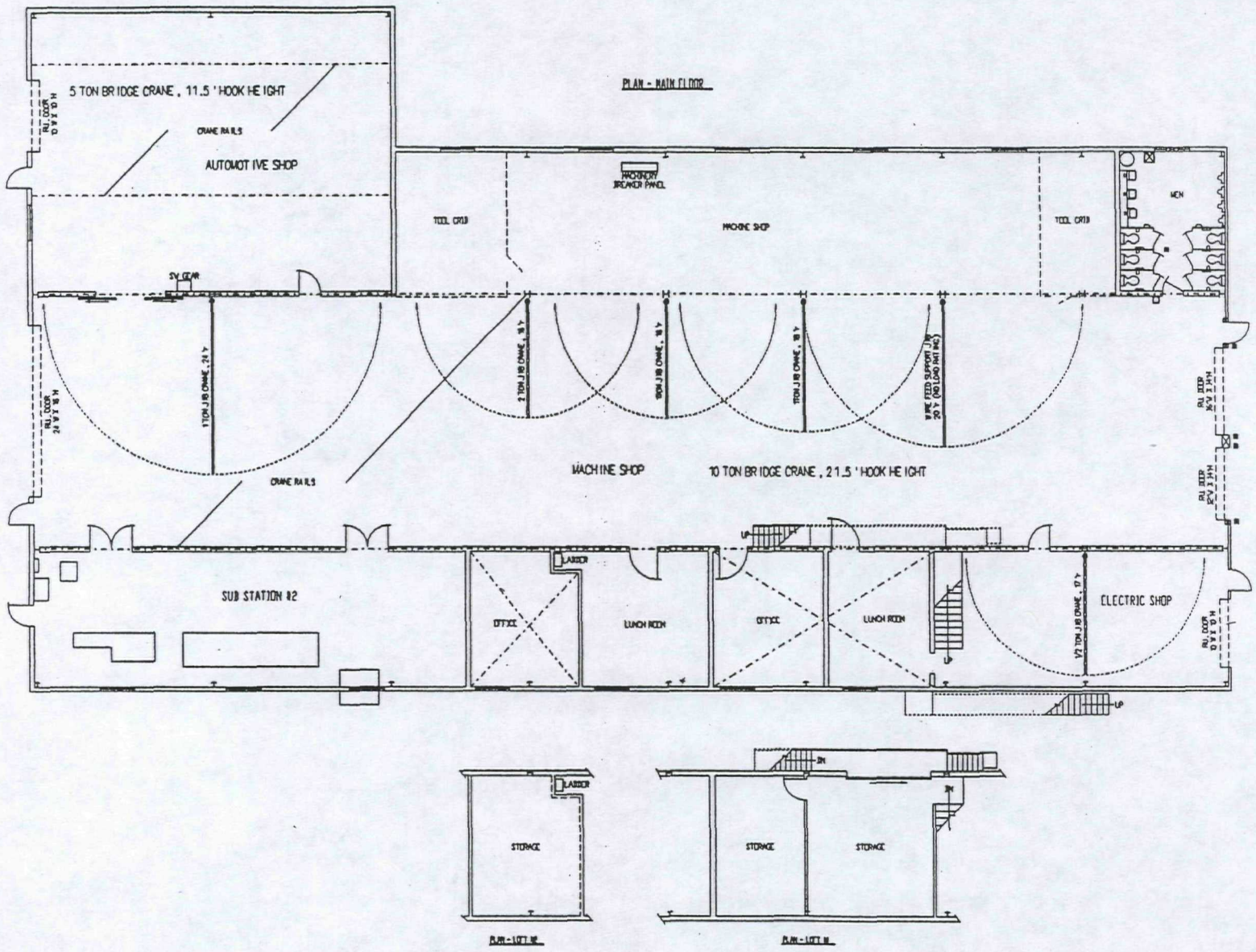
BUILDING 58, RIGGING LOFT AND GENERAL STORAGE

Construction:

Exterior walls are 8" concrete block.
Roof is wood deck design with asphalt built-up roofing.

Building Space:

Total area equals 1,621 s.f.



Port of Portland

PORTLAND SHIP YARD
BUILDING 60
MACHINE , ELECTRIC & AUTOMOTIVE SHOPS

3-9-95

BL60 .CAD 1/1

EXHIBIT B
Page 30 of 70

GENERAL BUILDING INFORMATION

BUILDING 60
MACHINE, ELECTRIC AND AUTOMOTIVE SHOPS

Construction:
Exterior walls are 8" and 12" concrete block.
Roof is lite-concrete decking with asphalt built-up roofing.

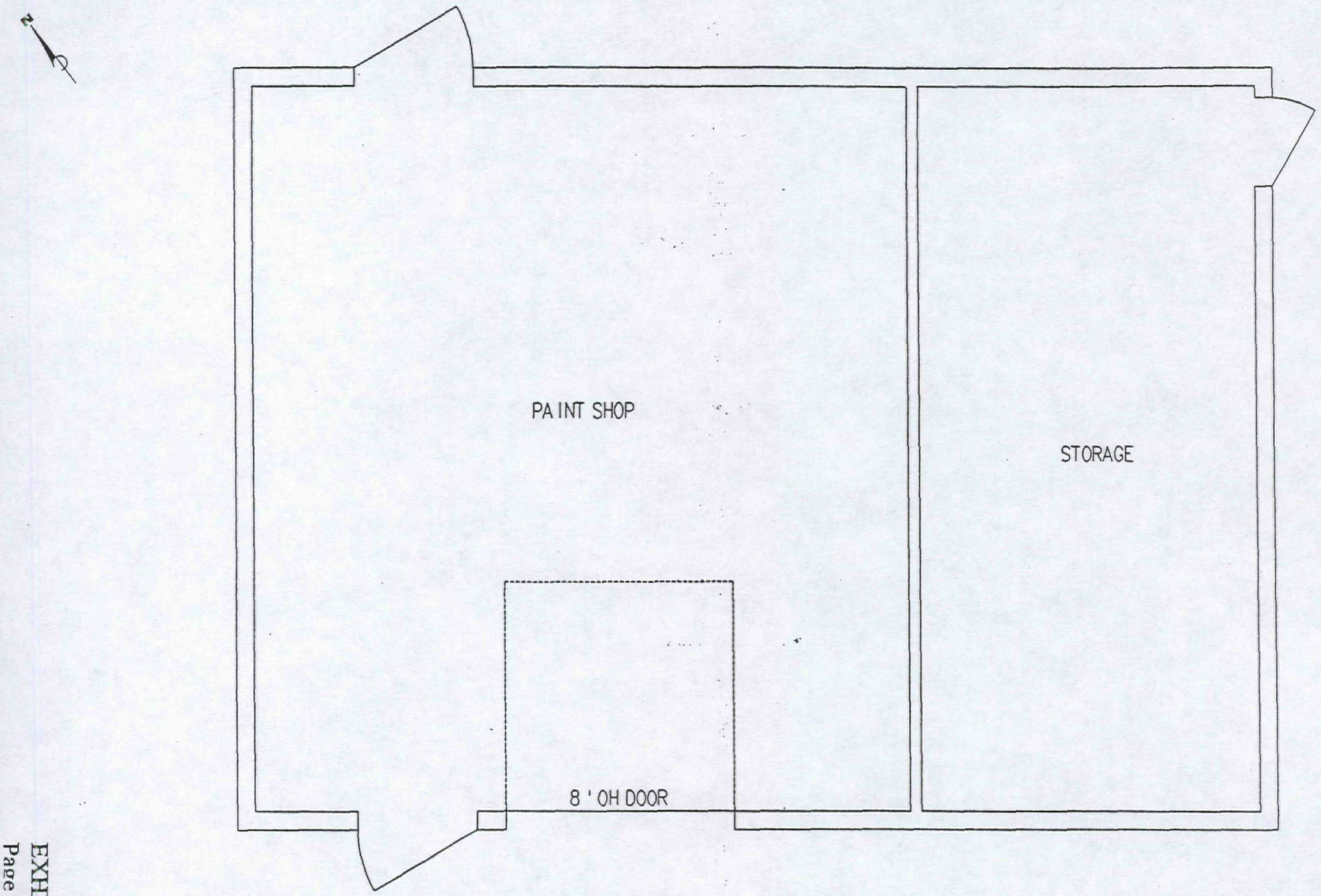
Building Space:
Total area, first and second floors, equals 15,349 s.f.
Office area equals 704 s.f.
Automotive shop equals 2,117 s.f.
Machine shop equals 8,295 s.f.
Electric shop equals 878 s.f.

Cranes:
10 ton
5 ton
5 jib cranes from l/2 ton to 2 ton

Electrical Utilities:
480 volt, 3 phase

Mechanical Utilities:
Compressed air
Natural gas
Oxygen
Sewer
Steam
Water

Fire System:
Fire hoses
Fire extinguishers



Port of Portland

PORTLAND SHIP YARD
BUILDING 61
PAINT BUILDING

2-7-95 | BL61.CAD 1/1

EXHIBIT B
Page 32 of 70

GENERAL BUILDING INFORMATION

BUILDING 61, PAINT BUILDING

Construction:

Exterior walls are wood frame with corrugated metal siding.
Roof is wood deck with asphalt built-up roofing.

Building Space:

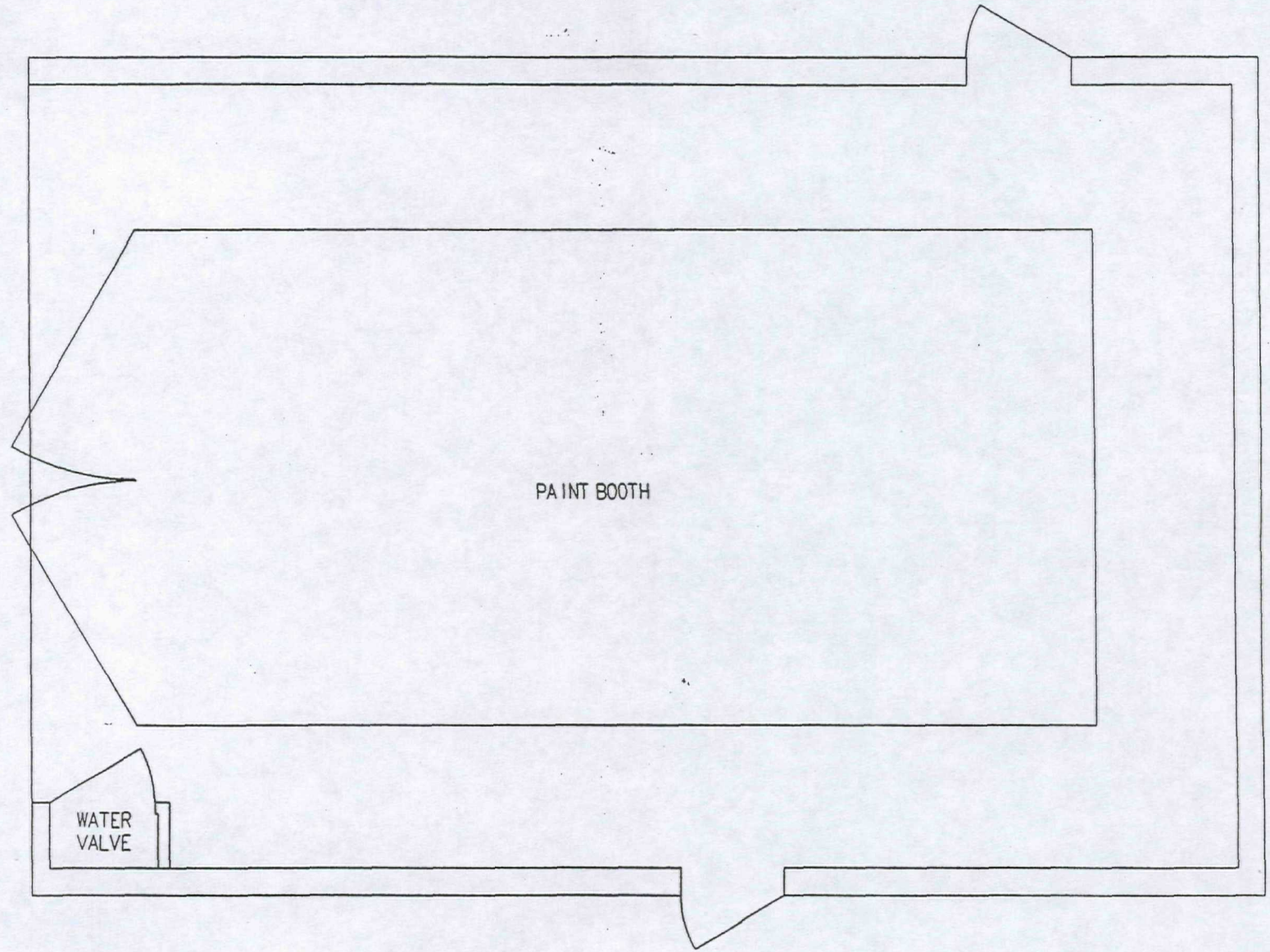
Total area equals 954 s.f.

Electrical Utilities:

480 volt, 3 phase

Mechanical Utilities:

Compressed air
Natural gas
Oxygen
Steam
Water
Fire extinguishers



Port of Portland

PORTLAND SHIP YARD
BUILDING 62
PAINT BOOTH

2-7-95

BL62 .CAD 1/1

EXHIBIT B
Page 34 of 70

GENERAL BUILDING INFORMATION

BUILDING 62, DRIVE-IN PAINT BOOTH

Construction:
Exterior walls are steel frame with metal siding.
Roof is wood bow-truss design with single membrane, fire retardant roofing.

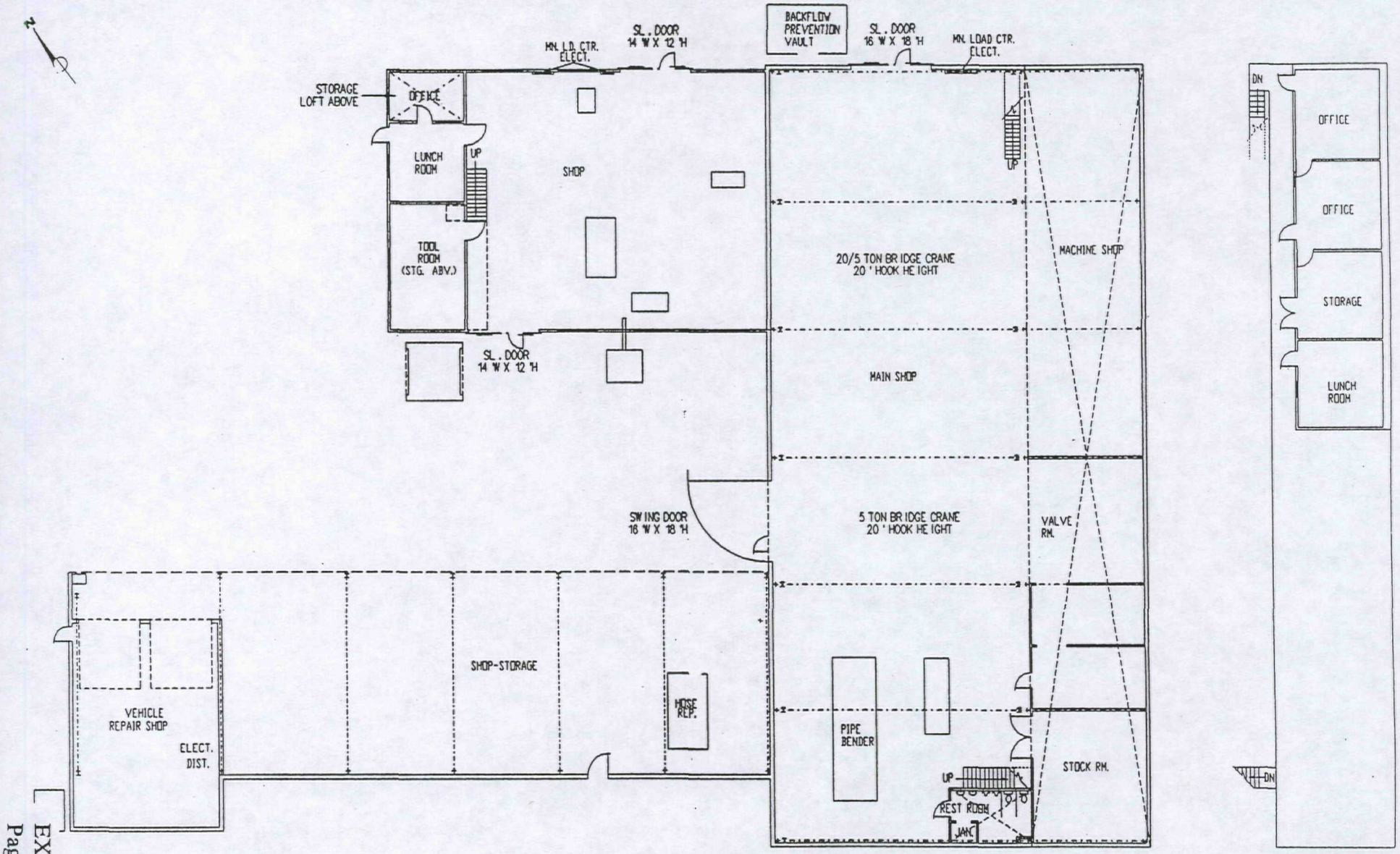
Building Space:
Total area 836 s.f.

Electrical Utilities:
480 volt, 3 phase

Mechanical Utilities:
Compressed air
Natural gas
Water

Fire System:
Fire sprinkler system - Dry type
Fire extinguishers

Comments:
Paint booth is fully enclosed, ventilated and filtered.



PLAN - SECOND FLOOR

Port of Portland

PORTLAND SHIP YARD
BUILDING 63
FIRST & SECOND FLOOR LEASE PLAN

6-19-95

BL63.CAD. 1/1

EXHIBIT B
Page 36 of 70

GENERAL BUILDING INFORMATION

BUILDING 63, SHOP AND OFFICES

Construction:

Exterior walls are wood timber with metal siding.
Roof is wood bow-truss design with single membrane, fire retardant roofing.

Building Space:

Total area 836 s.f.

Cranes:

25 ton
5 ton

Electrical Utilities:

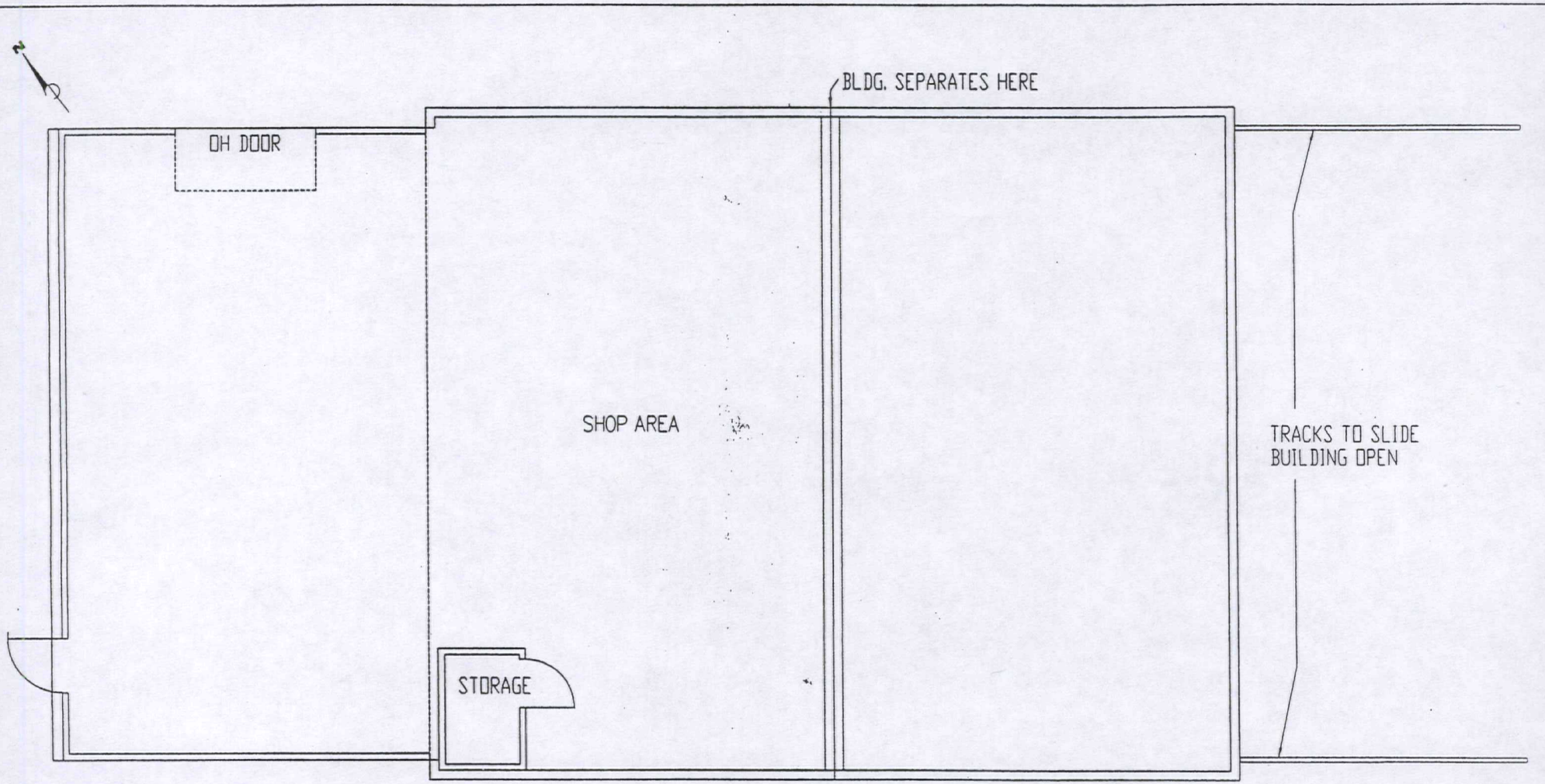
480 volt, 3 phase

Mechanical Utilities:

Compressed air
Natural gas
Oxygen
Sewer
Water

Fire System:

Fire sprinkler system - Dry type
Fire sprinkler system - Wet type
Fire extinguishers



Port of Portland

PORTLAND SHIP YARD
BUILDING 64
LEASE PLAN

2-7-95

BL64 .CAD 1/1

EXHIBIT B
Page 38 of 70

GENERAL BUILDING INFORMATION

BUILDING 64, PROPELLER REPAIR BUILDING

Construction:
Exterior walls are steel frame with corrugated metal siding.
Roof is steel frame with metal roofing.

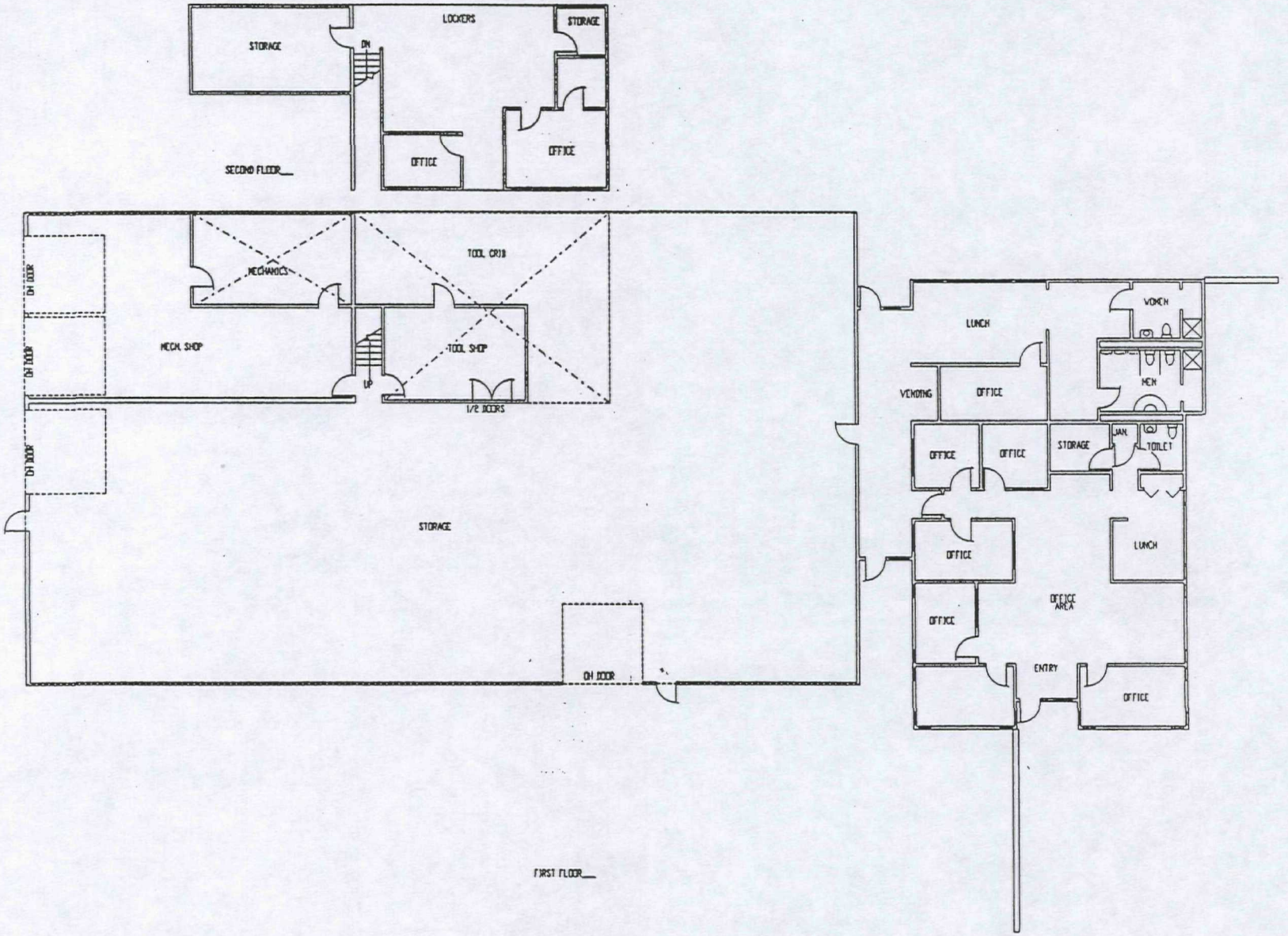
Building Space:
Total area equals 2,291 s.f.

Electrical Utilities:
480 volt, 3 phase

Mechanical Utilities:
Compressed air
Water

Fire System:
Fire extinguishers

Comments:
This building is mounted on tracks and wheels so it can open up in the middle to accept the propellers directly into the repair shop from the crane.



Port of Portland

PORTLAND SHIP YARD
BUILDING 70
LEASE PLAN

2-7-95

BL70 .CAD 1/1

EXHIBIT B
Page 40 of 70

GENERAL BUILDING INFORMATION

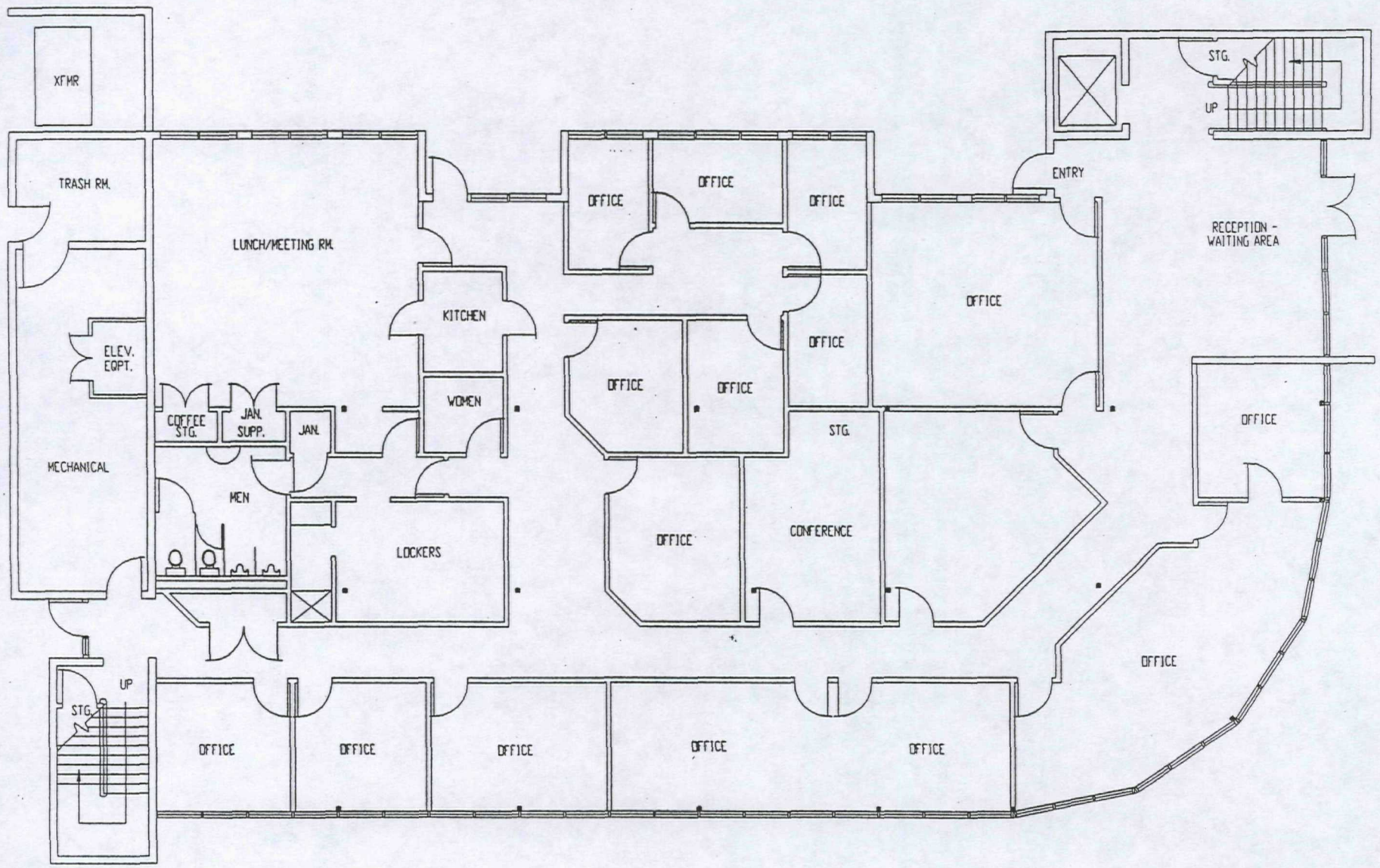
BUILDING 70, SHOP AND OFFICE BUILDING

Construction:

Exterior walls are steel frame with corrugated metal siding.
Roof is steel frame with metal roofing.

Building Space:

Total area equals 11,866 s.f.
First floor office space equals 3,126 s.f.
Second floor office space in shop equals 1,281 s.f.



Port of Portland

PORTLAND SHIP YARD
BUILDING 71
FIRST FLOOR LEASE PLAN

2-7-95 | BL71FF .CAD 1/2

EXHIBIT B
Page 45 of 70

GENERAL BUILDING INFORMATION

BUILDING 71, FIRST FLOOR OFFICE BUILDING

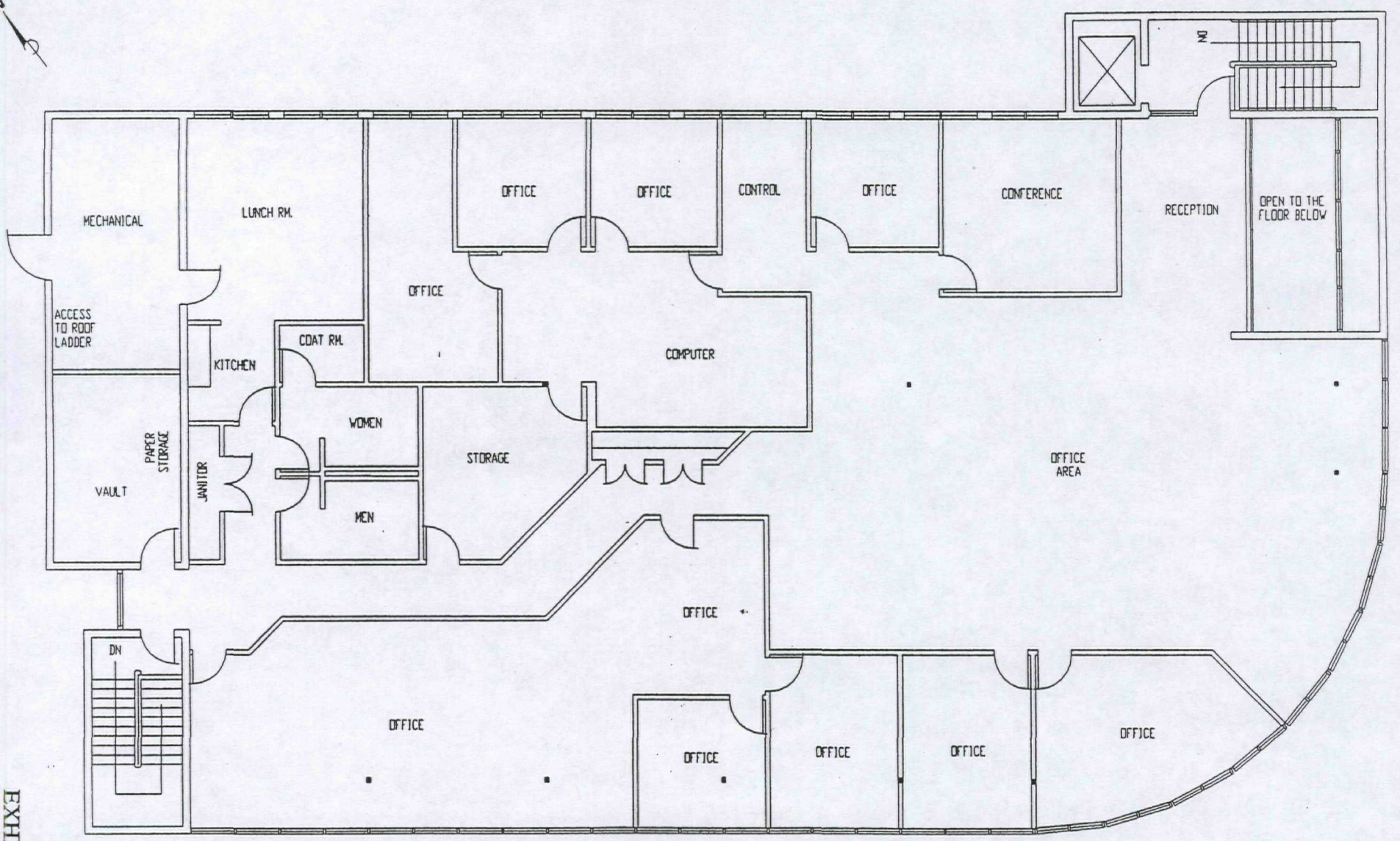
Construction:
Exterior walls are steel frame with corrugated metal siding.

Building Space:
Total area equals 6,883 s.f.

Electrical Utilities:
480 volt, 3 phase

Mechanical Utilities:
Compressed air
Sewer
Water

Fire System:
Fire alarm system - smoke detectors
Fire extinguishers



Port of Portland

PORTLAND SHIP YARD
BUILDING 71
SECOND FLOOR LEASE PLAN

2-7-95 | BL71SF .CAD 2/2

GENERAL BUILDING INFORMATION

BUILDING 71, SECOND FLOOR OFFICES

Construction:
Exterior walls are wood frame with corrugated metal siding.
Roof is wood deck with asphalt built-up roofing.

Building Space:
Total area equals 7,146 s.f.

Electrical Utilities:
480 volt, 3 phase

Mechanical Utilities:
Compressed air
Sewer
Water

Fire System:
Fire alarm system - smoke detectors
Fire extinguishers

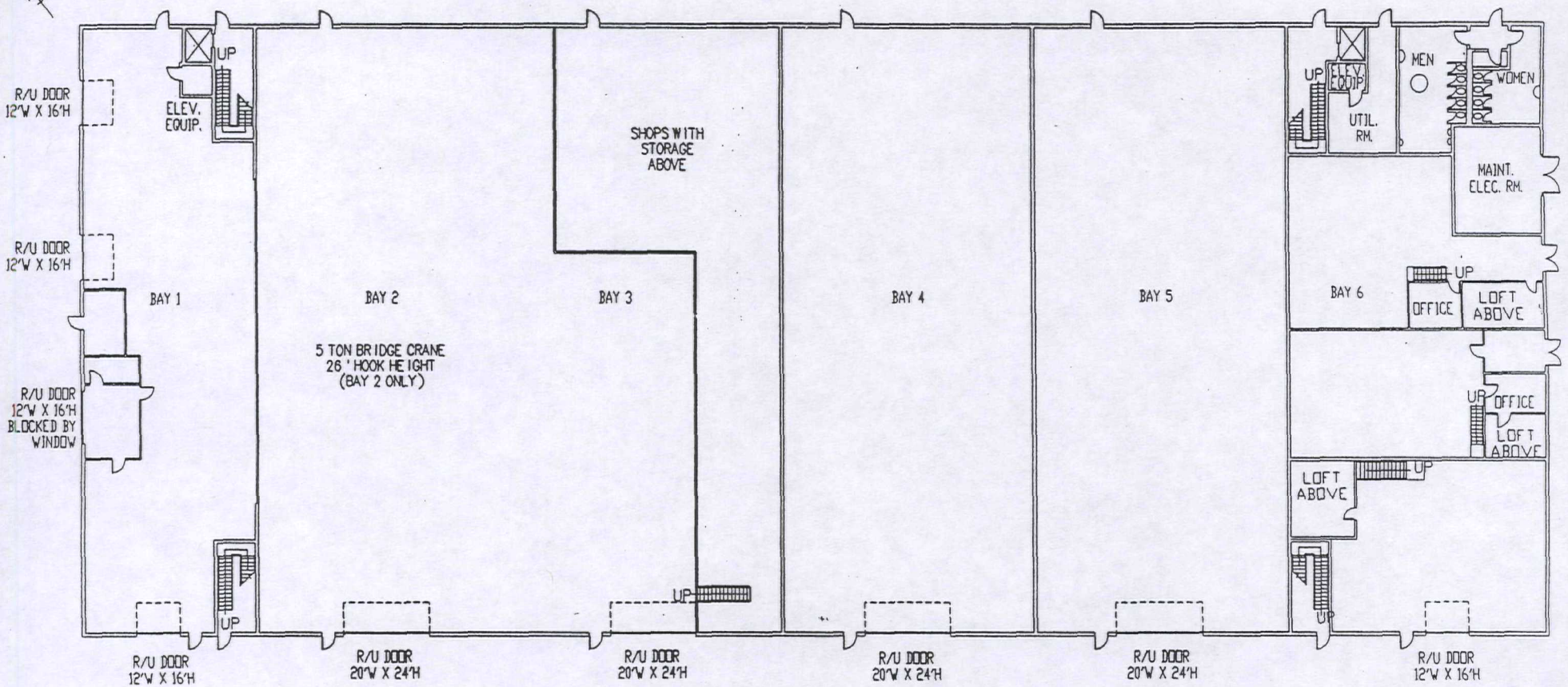


EXHIBIT B
Page 46 of 70

Port of Portland

PORTLAND SHIP YARD
BUILDING 72
FIRST FLOOR LEASE PLAN

6-19-95 | BL72FF .CAD 1/2

GENERAL BUILDING INFORMATION

BUILDING 72, FIRST FLOOR GENERAL SHOPS AND OFFICES

Construction:

Exterior walls are steel frame with corrugated metal siding.
Roof is steel frame with metal roofing.

Building Space:

Total area equals 47,807 s.f.
Total office space equals 1,312 s.f.
Bay 1 equals 4,828 s.f.
Bay 2 & 3 combined equal 17,167 s.f.
Bay 4 equals 8,280 s.f.
Bay 5 equals 8,280 s.f.

Cranes:

Bay 2 7 ton

Electrical Utilities:

480 volt, 3 phase

Mechanical Utilities:

Compressed air
Natural gas
Oxygen
Sewer
Water

Fire System:

Fire sprinkler system - Dry type
Fire hose system - Dry type
Fire extinguishers

EXHIBIT B
Page 48 of 70

Port of Portland

PORTLAND SHIP YARD
BUILDING 72
SECOND FLOOR LEASE PLAN

2-7-95

BL72SF .CAD 2/2

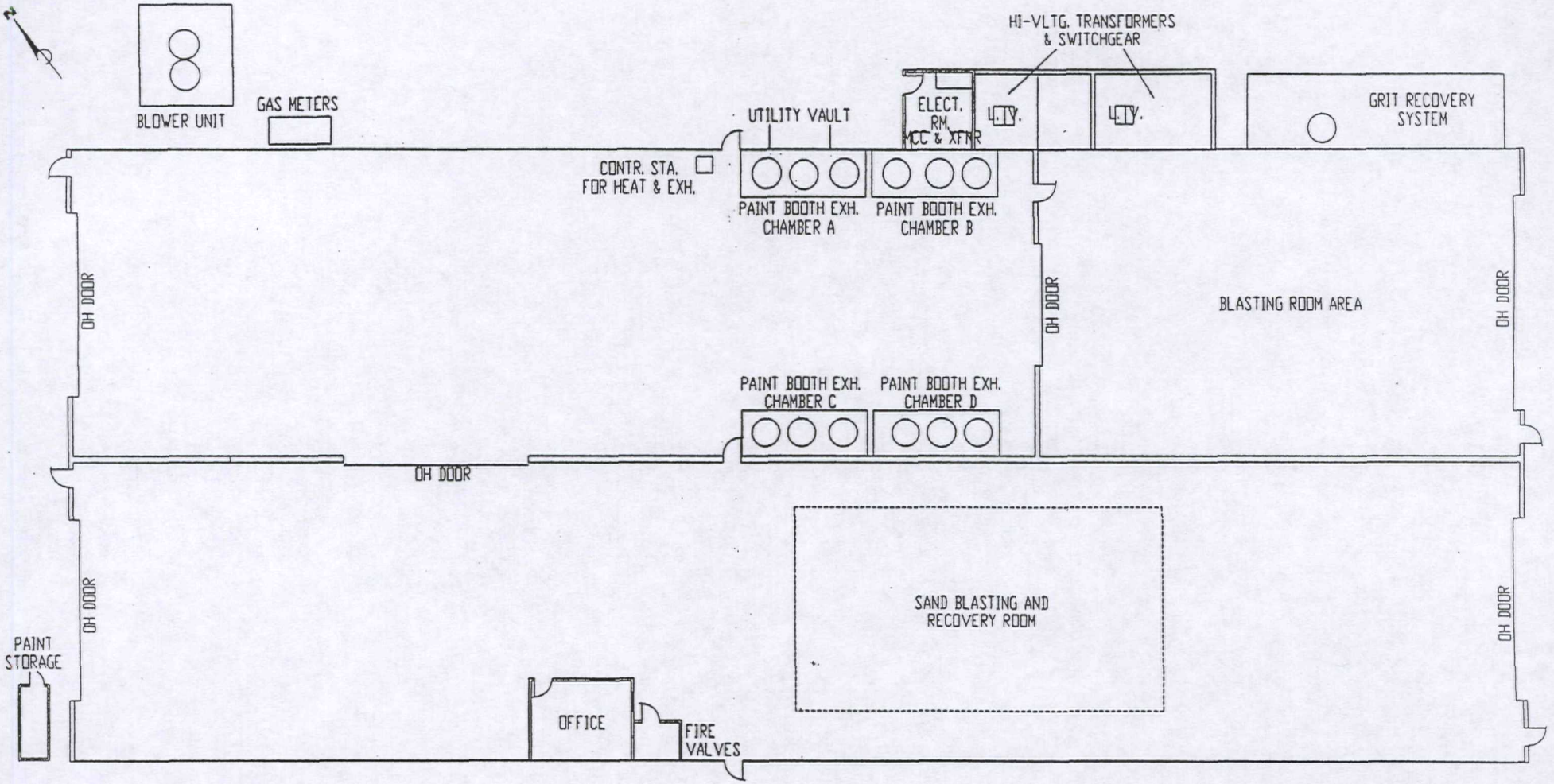


EXHIBIT B
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Port of Portland

PORTLAND SHIP YARD
BUILDING 73
LEASE PLAN

2-7-95

BL73.CAD 1/1

GENERAL BUILDING INFORMATION

BUILDING 73, PAINT AND BLAST BUILDING

Construction:

Exterior walls are steel frame with corrugated metal siding.
Roof is steel frame with metal roofing.

Building Space:

Total area equals 24,205 s.f.

Electrical Utilities:

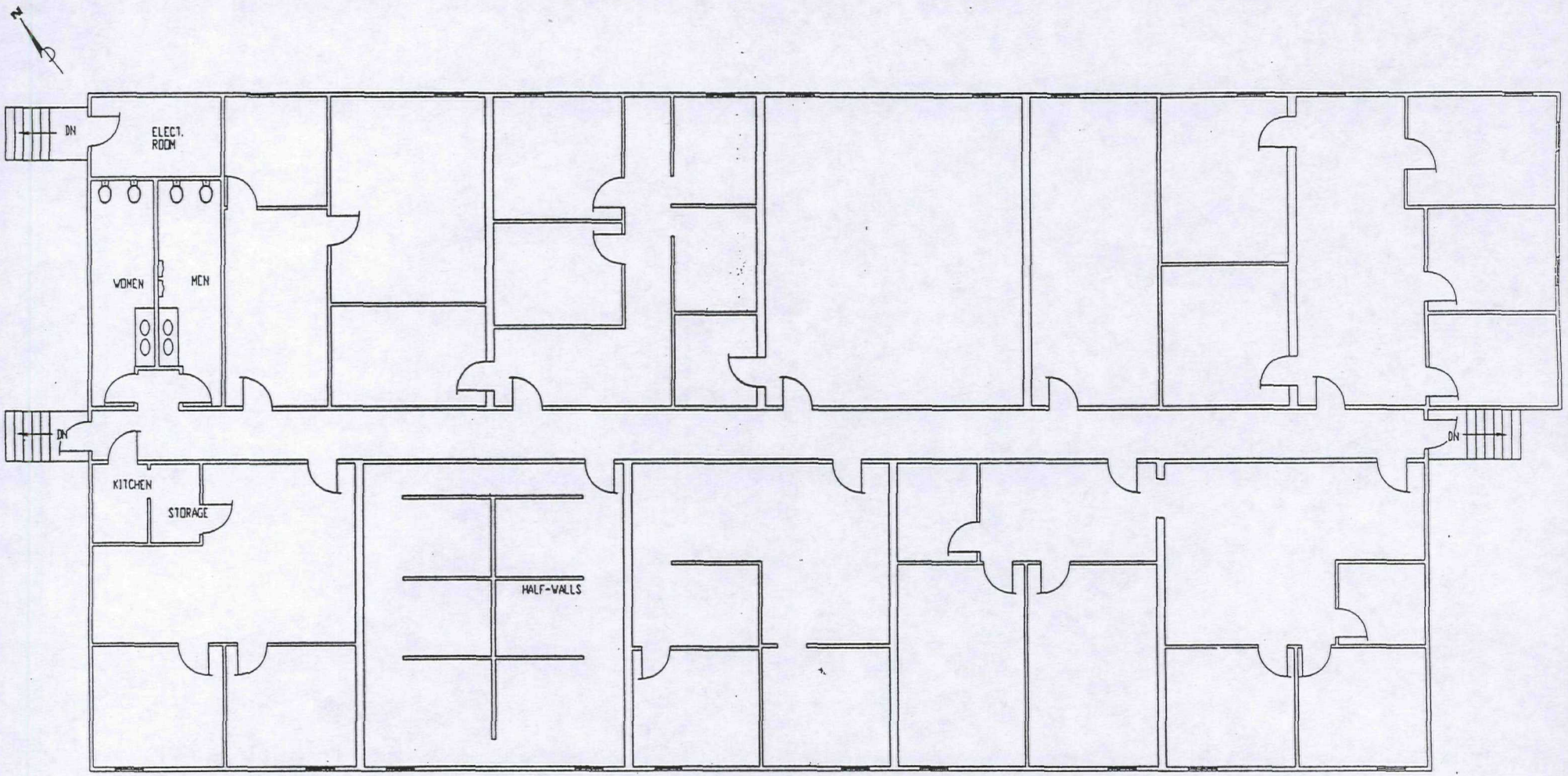
480 volt, 3 phase

Mechanical Utilities:

Compressed air
Natural gas
Sewer
Water

Fire System:

Fire sprinkler system - Dry type
Fire extinguishers



PREFAB MODUALR OFF ICE BUILDING

EXHIBIT B
Page 52 of 70

Port of Portland

PORTLAND SHIP YARD
BUILDING 81
LEASE PLAN

2-7-95

BL81.CAD 1/1

GENERAL BUILDING INFORMATION

BUILDING 81, MODULAR OFFICES

Construction:

All prefab construction.
Exterior walls are wood frame with metal siding.
Roof is wood frame with metal roofing.

Building Space:

Total area equals 10,063 s.f.

Electrical Utilities:

240 volt, 3 phase

Mechanical Utilities:

Sewer
Water

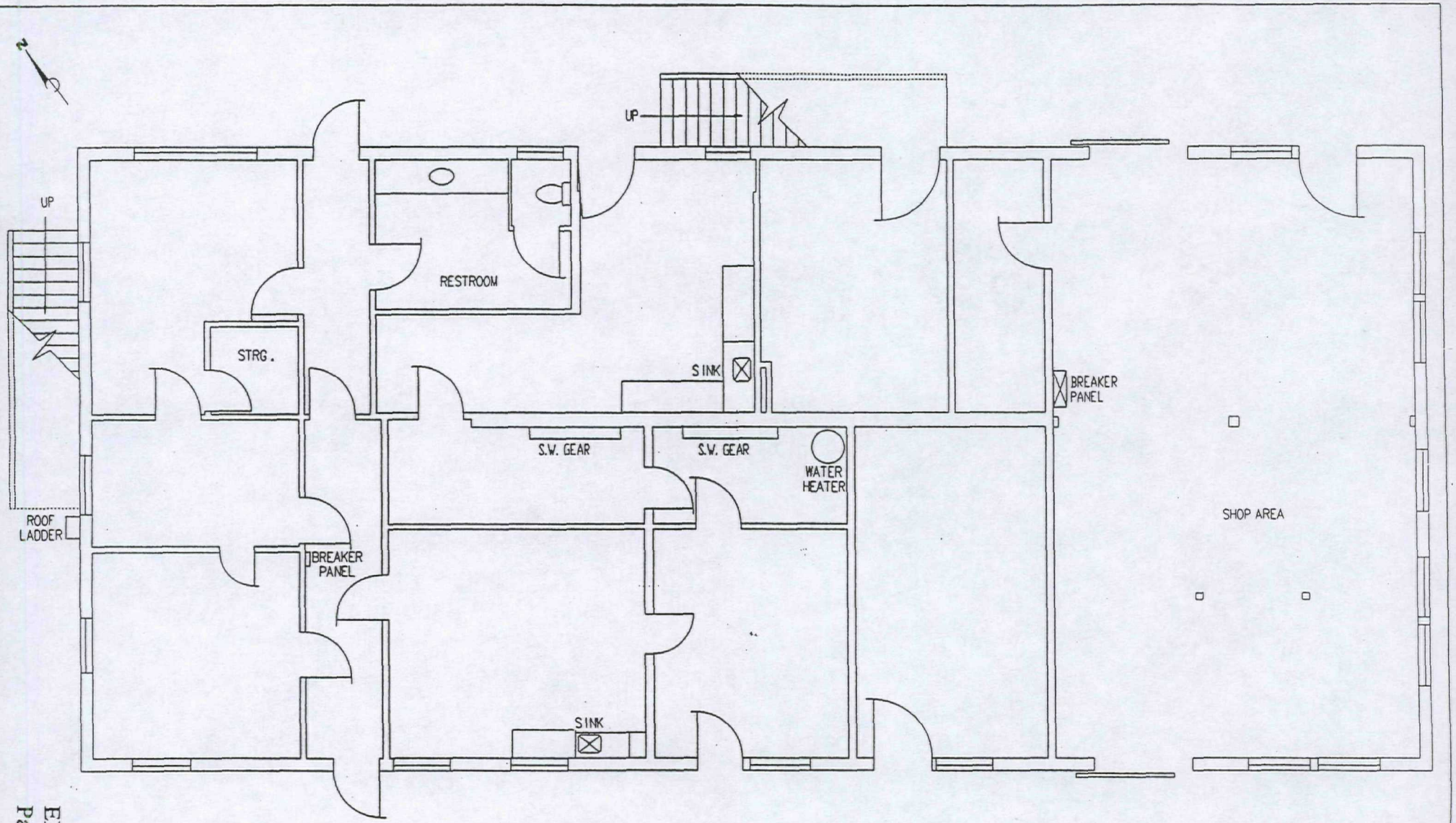


EXHIBIT B
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Port of Portland

PORTLAND SHIP YARD
BUILDING 80
FIRST FLOOR LEASE PLAN

2-7-95

BL80FF .CAD 1/2

GENERAL BUILDING INFORMATION

BUILDING 80, FIRST FLOOR SHOPS AND OFFICES

Construction:
Exterior walls are wood frame with corrugated metal siding.

Building Space:
Total area equals 3,591 s.f.

Electrical Utilities:
480 volt, 3 phase

Mechanical Utilities:
Compressed air
Sewer
Water

Fire System:
Fire hoses
Fire extinguishers

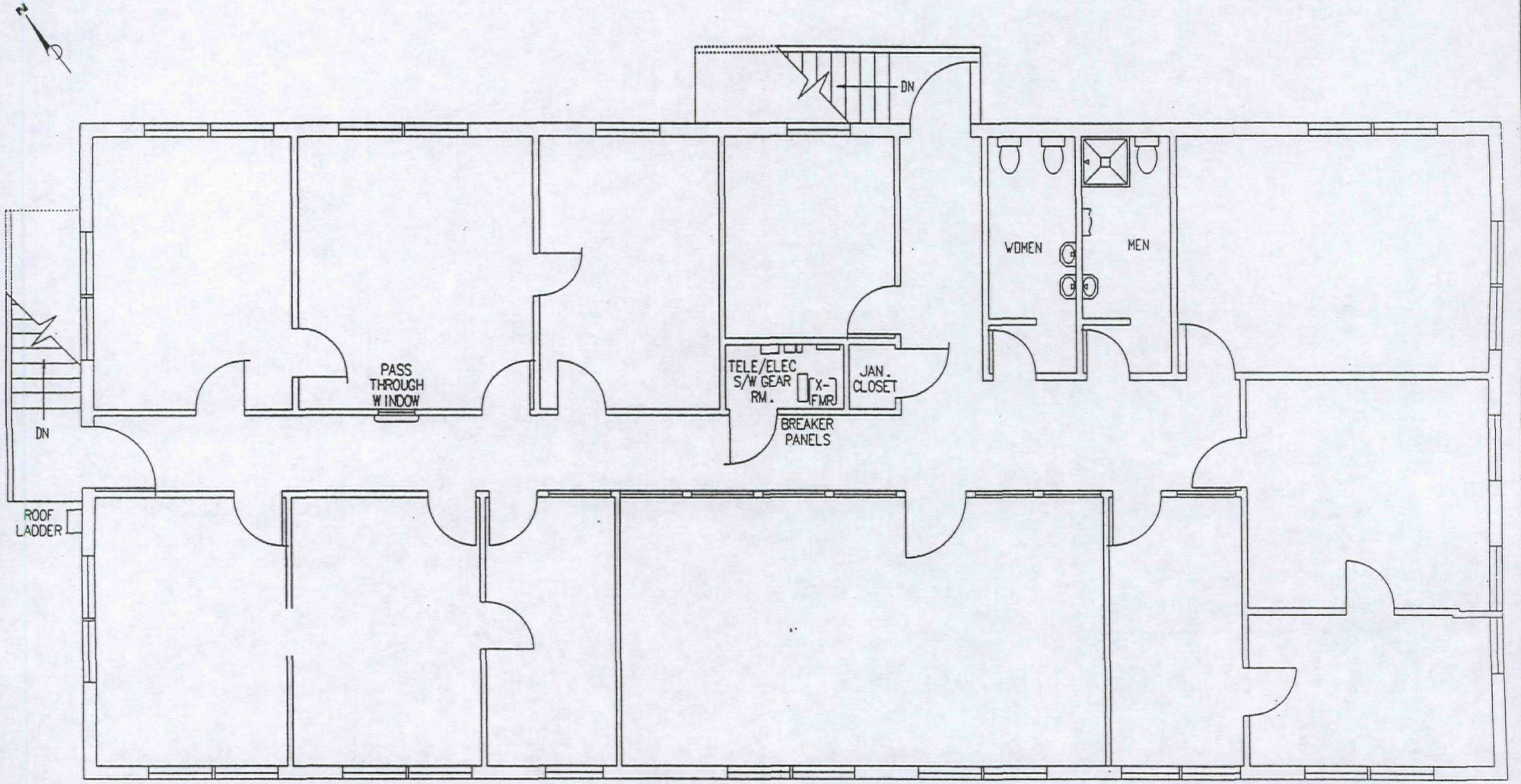

EXHIBIT B
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Port of Portland

PORTLAND SHIP YARD
BUILDING 80
SECOND FLOOR LEASE PLAN

2-7-95

BL50SF .CAD 2/2

GENERAL BUILDING INFORMATION

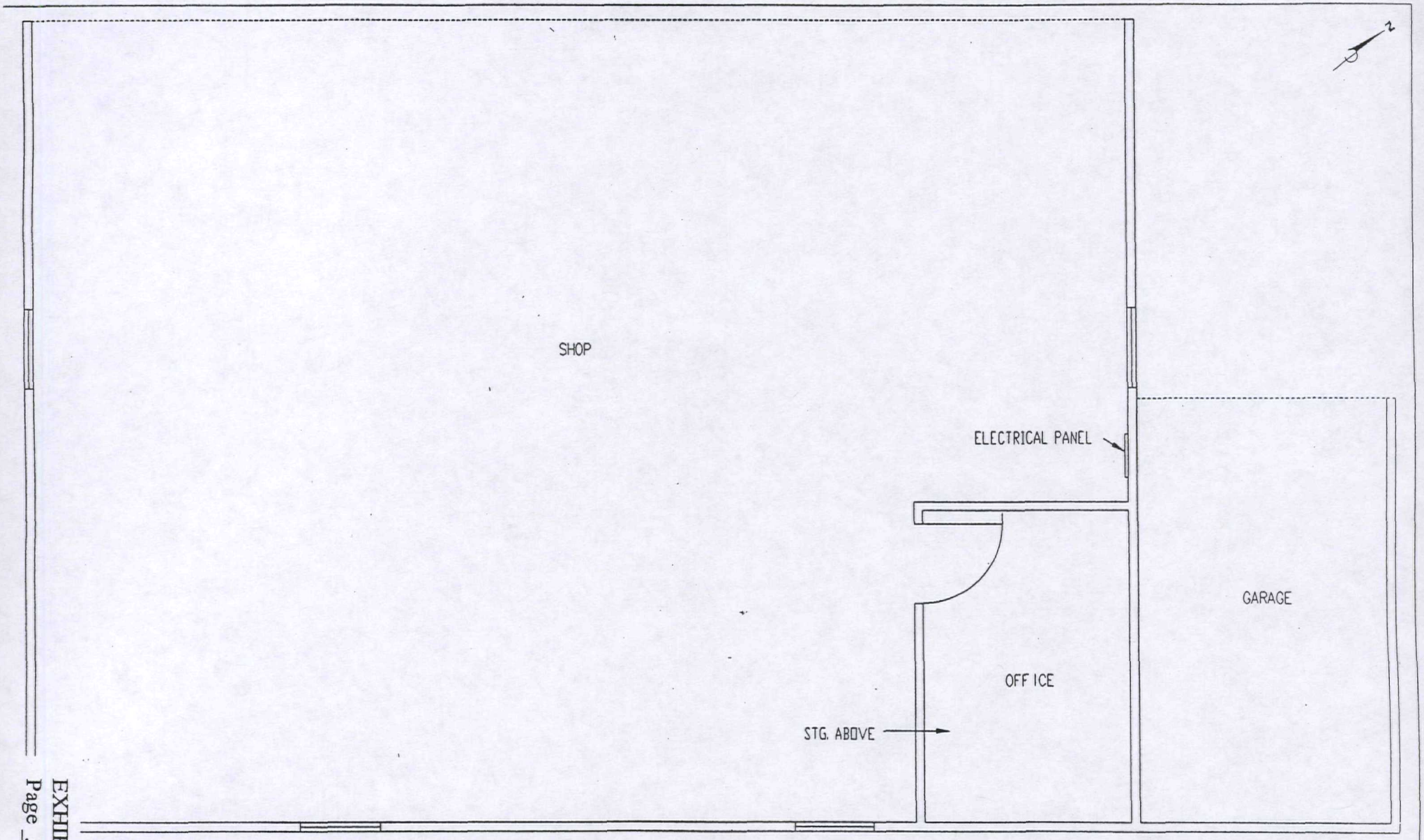
BUILDING 80, SECOND FLOOR OFFICES

Construction:

Exterior walls are wood frame with corrugated metal siding.
Roof is wood deck with asphalt built-up roofing.

Building Space:

Total office area equals 3,591 s.f.



Port of Portland

PORTLAND SHIP YARD
BUILDING 83
LEASE PLAN

2-7-95

BL83 .CAD 1/1

EXHIBIT B
Page 58 of 70

GENERAL BUILDING INFORMATION

BUILDING 83, SHOP BUILDING

Construction:

Exterior walls are wood frame with plywood siding.
Roof is wood deck with asphalt built-up roofing.

Building Space:

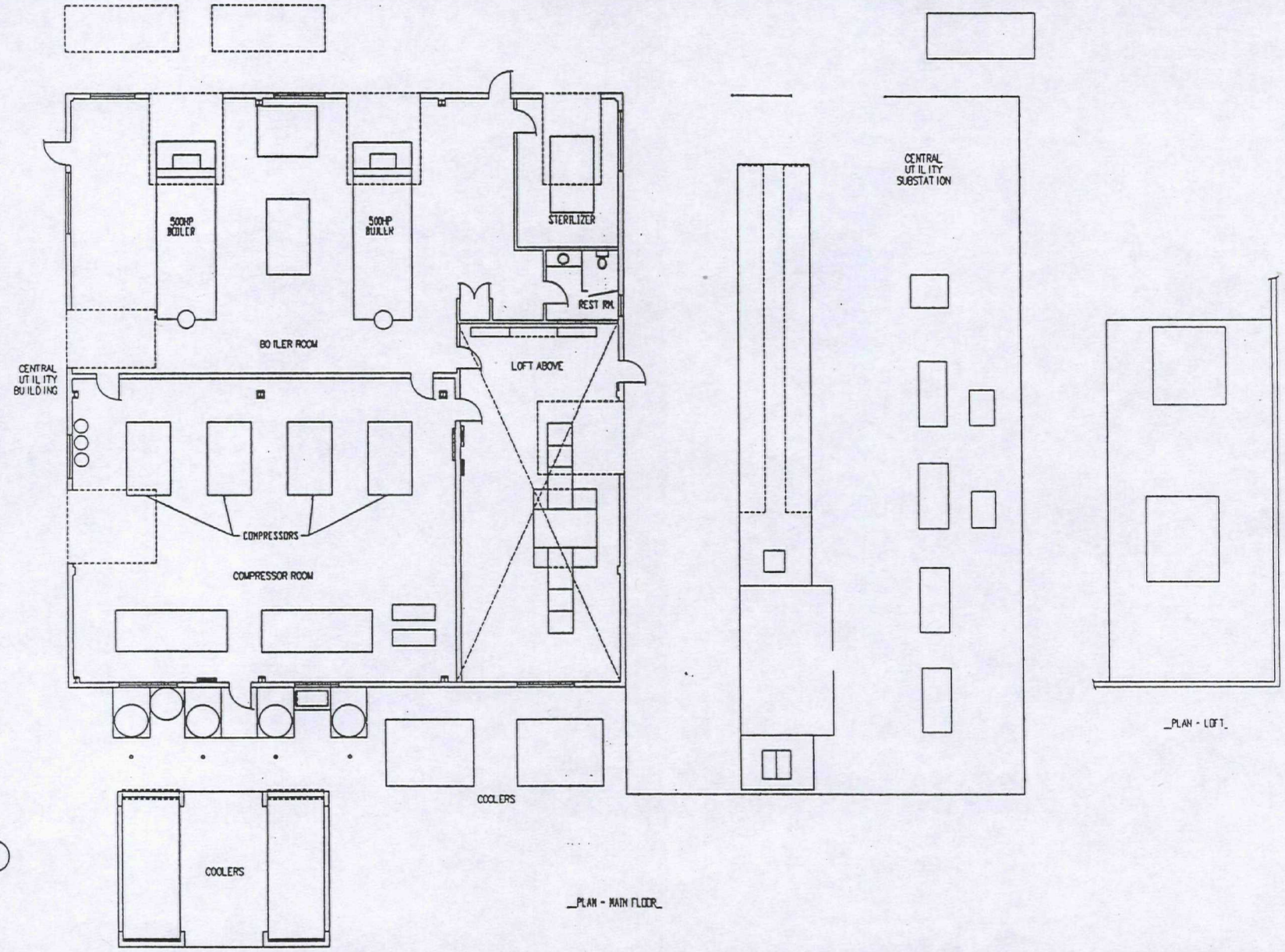
Total area equals 1,418 s.f.
Office area equals 103 s.f.

Electrical Utilities:

240 volt, 3 phase

Comments:

No sewer or water.



Port of Portland

PORTLAND SHIP YARD
BUILDING 90
CENTRAL UTILITY BUILDING

2-7-95 | BL90_CUB.CAD 1/1

EXHIBIT B
Page 60 of 70

GENERAL BUILDING INFORMATION

BUILDING 90, CENTRAL UTILITY BUILDING

Construction:
Exterior walls are steel frame with corrugated metal siding.
Roof is steel frame with metal roofing.

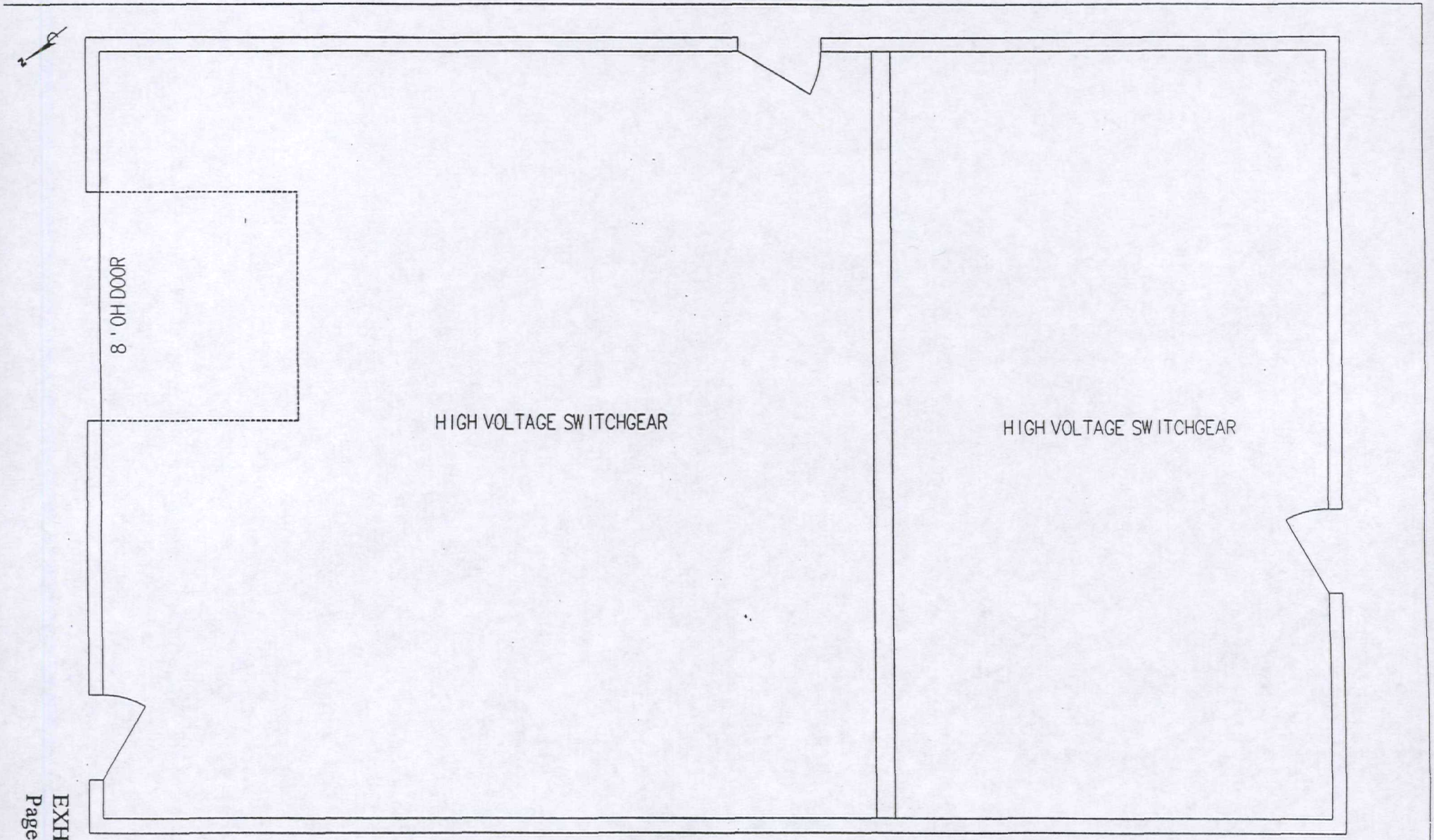
Building Space:
Total area including loft equals 7,298 s.f.

Bridge Crane:
5 ton

Electrical Utilities:
480 volt, 3 phase
Main telephone distribution center

Mechanical Utilities:
Compressed air
Natural gas
Steam
Sewer
Water

Comments:
Two 500hp boilers
Four 2,500cfm Ingersoll Rand air compressors
Two compressor cooling systems



Port of Portland

PORTLAND SHIP YARD
BUILDING S3
SUBSTATION

2-7-95 | BLS3 .CAD 1/1

EXHIBIT B
Page 62 of 70

GENERAL BUILDING INFORMATION

BUILDING S-3, SUBSTATION

Construction:

Exterior walls are steel frame with metal siding.
Roof is steel frame with metal roofing.

Building Space:

Total area equals 1,253 s.f.

Electrical Service:

12,480 volt, 3 phase step-down and distribution

Port of Portland

PORTLAND SHIP YARD
BUILDING S4
SUBSTATION

2-7-95

BLS4 .CAD 1/1

GENERAL BUILDING INFORMATION

BUILDING S-4, SUBSTATION

Construction:

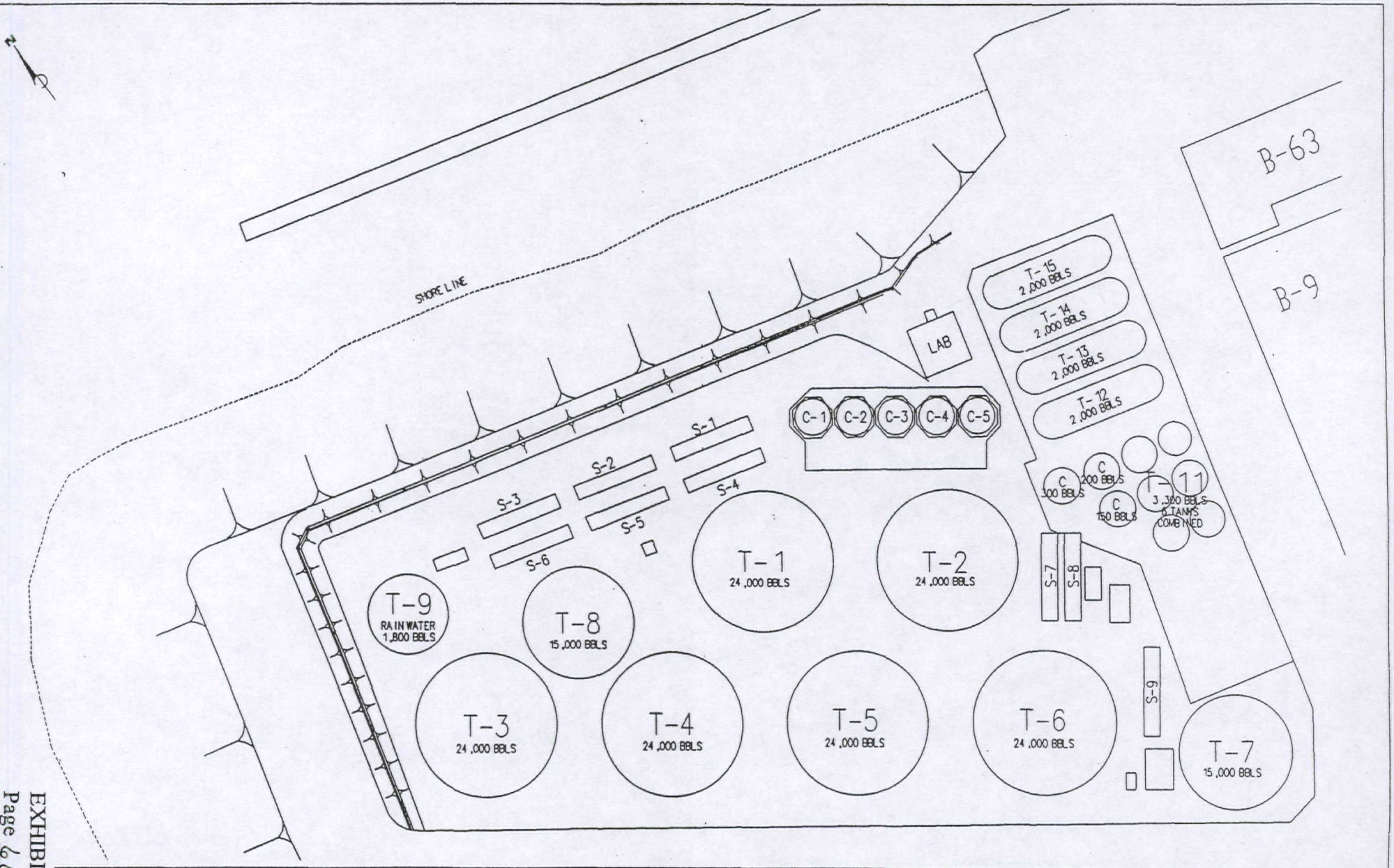
Exterior walls are steel frame with metal siding.
Roof is steel frame with metal roofing.

Building Space:

Total area equals 1,440 s.f.

Electrical Service:

12,480 volt, 3 phase step-down and distribution

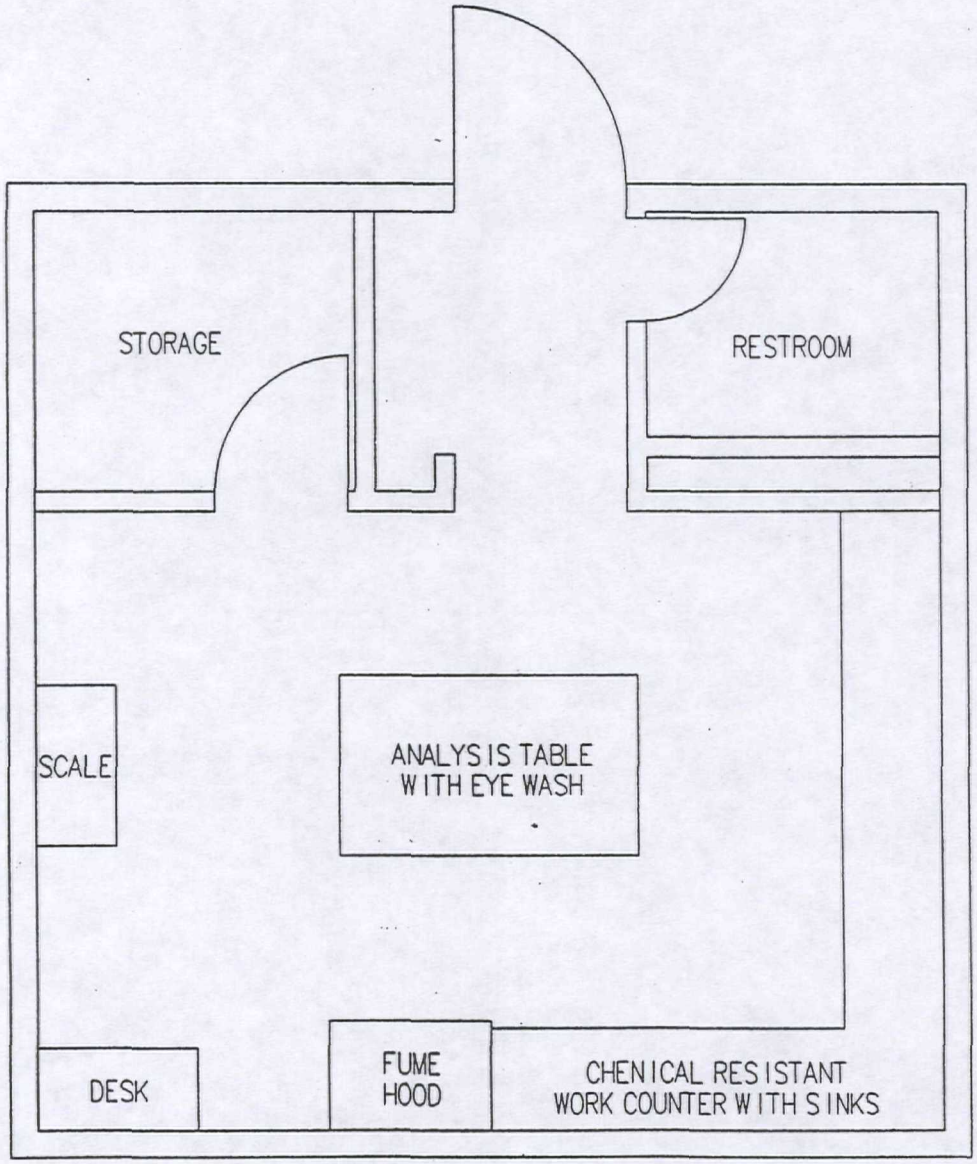


Port of Portland

PORTLAND SHIP YARD
BALLAST WATER TREATMENT PLANT
PLAN

2-7-95 | BWTPPLAN.CAD 1/1

EXHIBIT B
Page 66 of 70



Port of Portland

PORTLAND SHIP YARD
LAB
BALLAST WATER TREATMENT PLANT

2-7-95 | LAB_BWTP .CAD 1/1

EXHIBIT B
Page 67 of 70

GENERAL BUILDING INFORMATION

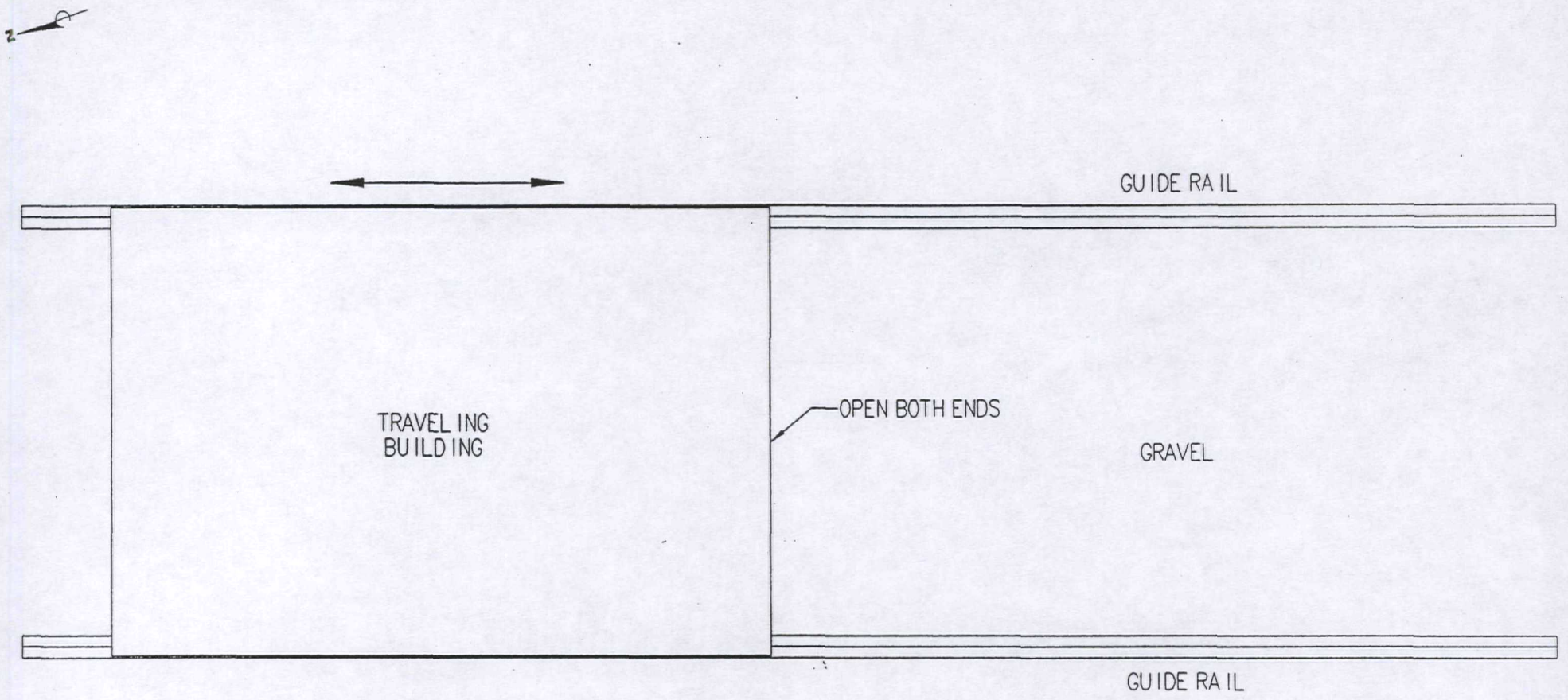
LAB, BALLAST WATER TREATMENT PLANT

Construction:

Exterior walls are 8" concrete block.
Roof is wood frame with built-up asphalt roofing.

Building Space:

Total area equals 576 s.f.



Port of Portland

PORTLAND SHIP YARD
FIRE SAFEING BUILDING
LEASE PLAN

2-7-95 | SFNGBLDG.CAD 1/1

EXHIBIT B
Page 67 of 70

GENERAL BUILDING INFORMATION

FIRE SAFEING BUILDING

Construction:

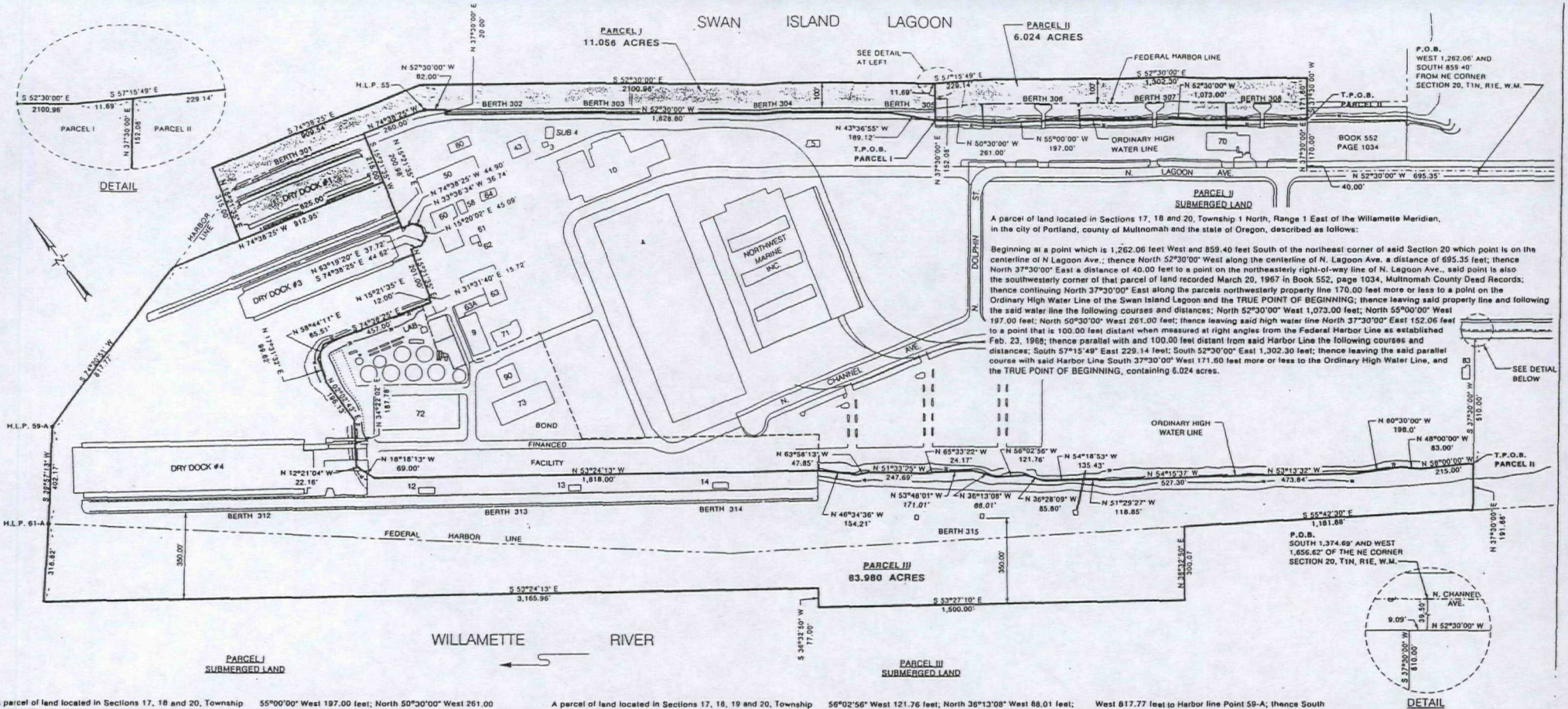
Exterior walls are steel frame with metal siding.
Roof is steel frame with metal roofing.

Building Space:

Total area equals 2,440 s.f.

Comments:

Travels on steel wheels and 140' rails to cover materials.
Totally open on North and South ends.



A parcel of land located in Sections 17, 18 and 20, Township 1 North, Range 1 East of the Willamette Meridian, in the city of Portland, county of Multnomah and the state of Oregon, described as follows:

Beginning at a point which is 1,262.06 feet West and 859.40 feet South of the northeast corner of said Section 20 which point is on the centerline of N Lagoon Ave.; thence North 52°30'00" West along the centerline of N. Lagoon Ave. a distance of 695.35 feet; thence North 37°30'00" East a distance of 40.00 feet to a point on the northeasterly *right-of-way line of N. Lagoon Ave., said point is also the* southwesterly corner of that parcel of land recorded March 20, 1967 in Book 552, page 1034, Multnomah County Deed Records; thence continuing North 37°30'00" East along the parcels northwesterly property line 170.00 feet more or less to a point on the Ordinary High Water Line of the Swan Island Lagoon; thence leaving said property line and following the said water line the following courses and distances; North 52°30'00" West 1,073.00 feet; North 55°00'00" West 197.00 feet; North 50°30'00" West 261.00 feet to a point on said water line and the TRUE POINT OF BEGINNING; thence continuing along said water line North 43°36'55" West 189.12 feet; North 52°30'00" West 1,828.80 feet; thence leaving said high water line and *following a retaining wall/cell line the following* courses and distances; North 37°30'00" East 20.00 feet; North 52°30'00" West 82.00 feet; North 74°38'25" West 260.00 feet; South 15°21'35" West 215.00 feet; thence leaving said cell line North 74°38'25" West 625.00 feet; thence North 15°21'35" East 315.00 feet; thence South 74°38'25" East *909.54 feet; thence South 52°30'00" East parallel with and* 100.00 feet distant when measured at right angles from the Federal Harbor Line as established Feb. 23, 1968, a distance of 2,100.96 feet; thence continuing parallel with and 100.00 feet distant from said Harbor Line; South 57°15'49" East 11.69 feet; thence leaving the said parallel course with said Harbor *Line South 37°30'00" West 152.06 feet more or less to the* Ordinary High Water Line, and the TRUE POINT OF BEGINNING, containing 11.056 acres.

A parcel of land located in Sections 17, 18, 19 and 20, Township 1 North, Range 1 East of the Willamette Meridian, in the city of Portland, county of Multnomah and the state of Oregon, described as follows:

Beginning at a point which is 1,656.62 feet West and 1,374.69 feet South of the northeast corner of said Section 20 which point is also on the centerline of N. Channel Ave.; thence South 37°27'25" West 39.50 feet to the southwesterly right-of-way line of N. Channel Ave.; thence North 52°30'00" West along said right-of-way line 9.09 feet; thence leaving said right-of-way *line South 37°30'00" West 510.00 feet more or less to a point on* the Ordinary High Water Line of the Willamette River and the TRUE POINT OF BEGINNING; thence northwesterly and northeasterly along the Ordinary High Water Line the following courses and distances; North 58°00'00" West 215.00 feet; North 48°00'00" West 83.00 feet; North 60°30'00" West 198.00 feet; *North 53°13'32" West 473.84 feet; North 54°15'37" West* 527.30 feet; North 51°29'27" West 118.85 feet; North 54°18'53" West 135.43 feet; North 36°28'09" West 85.80 feet; North 56°02'56" West 121.76 feet; North 36°13'08" West 88.01 feet; North 53°48'01" West 171.01 feet; North 65°33'22" West 24.17 feet; North 51°33'25" West 247.69 feet; North 63°58'13" West 47.85 feet; North 46°34'36" West 154.21 feet; North 53°24'13" West 1,818.00 feet; North 18°18'13" West 69.00 feet; North 12°21'04" West 22.16 feet; *North 34°22'02" East 187.78 feet;* North 02°02'43" East 196.13 feet; North 17°31'32" East 99.62 feet; North 58°44'11" East 65.51 feet; thence continuing along said Ordinary High Water Line South 74°38'25" East 457.00 feet to a retaining wall/cell line; thence along said cell line North 15°21'35" East 12.00 feet; thence North 31°31'40" East *15.72 feet; thence North 15°21'35" East 201.00 feet; thence* South 74°38'25" East 44.62 feet; thence North 63°19'20" East 37.72 feet; thence North 15°20'02" East 45.09 feet; thence North 33°36'34" West 36.74 feet; thence North 74°38'25" West 44.90 feet; thence North 15°21'35" East 200.98 feet; thence leaving said cell line North 74°38'25" West 912.95 feet *to a point on the Federal Harbor Line as established* Feb. 23, 1968; thence along said Federal Harbor Line South 74°20'51" West 817.77 feet to Harbor line Point 59-A; thence South 39°57'13" West 402.17 feet to Harbor Line Point 61-A; thence leaving the Willamette River Harbor Line as follows; extending the line between Harbor Line Point 59A and 61A South 39°57'13" West 316.82 feet to a point that is 350.00 feet parallel with and riverward of the *Swan Island Ship Yard* wharf at Berth 312; thence along a line that is parallel with and 350.00 feet riverward of said wharf South 53°24'13" East 3,165.96 feet to a point; thence South 36°32'50" West 77.00 feet to a point that is parallel with and 350.00 feet riverward of the existing faceof Dolphins at Lay Berth 315; thence along a *line that is parallel with and 350.00 feet riverward of said face* of Dolphins South 53°27'10" East 1,500.00 feet; thence at right angles to the course North 36°32'50" East 300.07 feet to the intersection of the Willamette River Harbor Line; thence along the said Harbor Line South 55°42'30" East 1,181.88 feet; thence leaving said Harbor Line North 37°30'00" East 191.66 feet *more or less to the Ordinary High Water Line; and the* TRUE POINT OF BEGINNING, containing 83.980 acres.

NOTE:
BASIS OF BEARINGS: CENTERLINE OF N. LAGOON AVE. = N 52°30'00" W

LEGEND:
DIVISION OF STATE LANDS SUBMERGED LANDS

NO	DATE	BY	REVISIONS	CK'D	APP'VD	NO	DATE	BY	REVISIONS	CK'D	APP'VD				

PORT OF PORTLAND
PORTLAND, OREGON
PROP. & DEVEL. SERVICES MANAGER
51852 PROJECT NUMBER

REGISTERED PROFESSIONAL LAND SURVEYOR
OREGON JULY 9, 1975 DONALD L. CONWELL 924
EXP: 12/31/95

DESIGNED BY —
DRAWN BY N. KOEPP
CHECKED BY K. McDONALD
DATE APRIL 1996
SCALE 1" = 200'

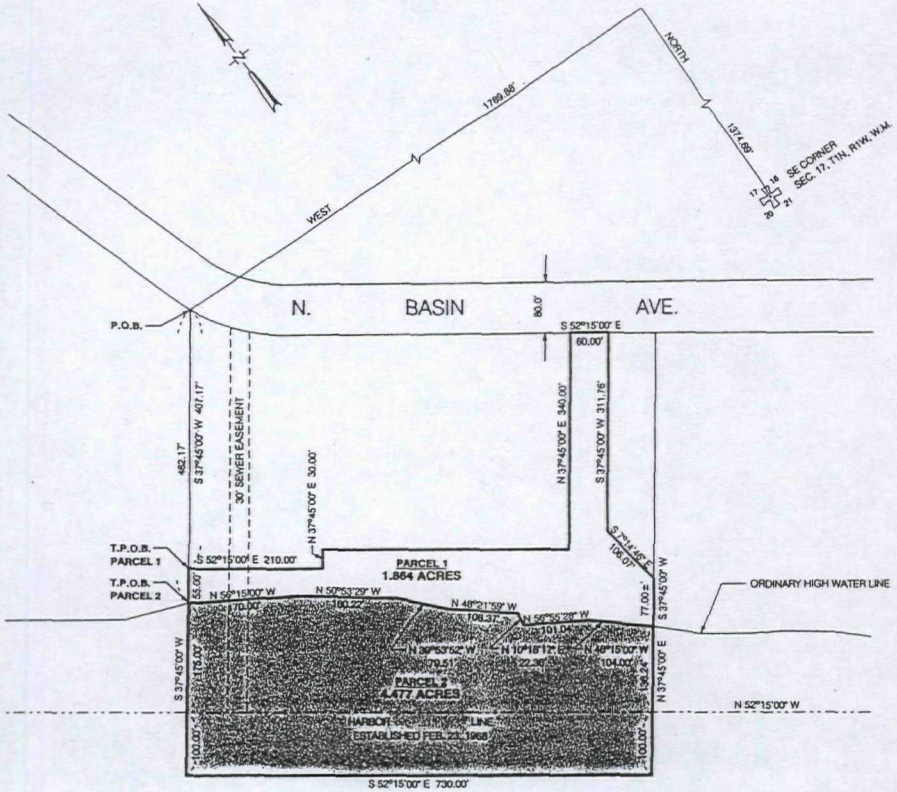
PORTLAND SHIP YARD

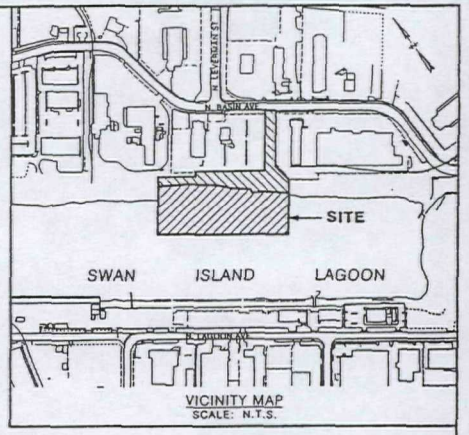
EXHIBIT C
Page 1 of 2

EXHIBIT PLAT
SUBMERGED LANDS - PARCELS I, II, AND III

SUBMITTED BY Donald L Conwell
SUPERVISOR TECHNICAL PRODUCTION

DRAWING NO YA 95-5 3/3 (EP)





PARCEL 1
UPLAND

A parcel of land situated in the Southeast 1/4 of Section 17 Township 1 North, Range 1 East, Willamette Meridian, Multnomah County, Oregon, the said parcel being described as follows:

Beginning at a point on the westerly right-of-way line of North Basin Avenue which is North 1,374.69 feet and West 1,789.88 feet from the southeast corner of Section 17; thence South 37°45'00" West 407.17 feet to the TRUE POINT OF BEGINNING; thence South 52°15'00" East 210.00 feet; thence North 37°45'00" East 30.00 feet; thence South 52°15'00" East 385.00 feet; thence North 37°45'00" East 340.00 feet to the southwesterly right-of-way line of North Basin Avenue; *thence along said right-of-way line South 52°15'00" East 60.00 feet;* thence leaving said right-of-way line South 37°45'00" West 311.76 feet; thence South 7°14'46" East 106.07 feet; thence South 37°45'00" West 77.00 feet more or less to a point on the ordinary high water line of the Swan Island Lagoon; thence northwesterly and northeasterly along the ordinary high water line the following courses and distances, North 46°15'00" West 104.00 feet; North 56°55'28" West 101.04 feet; North 10°18'17" East 22.36 feet; North 48°21'59" West 108.37 feet; North 39°53'52" West 79.51 feet; North 50°53'29" West 160.22 feet; North 52°15'00" West 170.00 feet; thence leaving said ordinary high water line North 37°45'00" East 55.00 feet more or less to the TRUE POINT OF BEGINNING, containing *1.864 acres. Subject to a 30.00 foot sewer easement.*

PARCEL 2
SUBMERGED LAND

A parcel of land situated in the Southeast 1/4 of Section 17 Township 1 North, Range 1 East, Willamette Meridian, Multnomah County, Oregon, the said parcel being described as follows:

Beginning at a point on the westerly right-of-way line of North Basin Avenue which is North 1,374.69 feet and West 1,789.88 feet from the southeast corner of Section 17; thence South 37°45'00" West 462.17 feet more or less to a point on the ordinary high water line of the Swan Island Lagoon and the TRUE POINT OF BEGINNING; thence continuing South 37°45'00" West 175.00 feet more or less to the East Federal Harbor line of said Lagoon as established Feb. 23, 1968; thence continuing South 37°45'00" West 100.00 feet; thence South 52°15'00" East parallel with said Harbor line 730.00 feet; thence North 37°45'00" East 100.00 feet to said Harbor line; thence continuing North 37°45'00" East 136.24 feet more or less to a point on the ordinary high water line; thence northwesterly and northeasterly along the ordinary high water line the following courses and distances, North 46°15'00" West 104.00 feet; North 56°55'28" West 101.04 feet; North 10°18'17" East 22.36 feet; North 48°21'59" West 108.37 feet; North 39°53'52" West 79.51 feet; North 50°53'29" West 160.22 feet; North 52°15'00" West 170.00 feet to the TRUE POINT OF BEGINNING, containing 4.477 acres.

NOTES:

1. REFERENCE DRAWINGS:
   - MB 59-1 SI 66-12
   - MB 60-1
   - MB 63-3
   - MB 63-4
   - MB 65-5
   - MB 80-3
2. BASIS OF BEARINGS: FEDERAL HARBOR LINE – N52°15'00" W.

LEGEND:

DIVISION OF STATE LANDS SUBMERGED LANDS

EXHIBIT C
Page 2 of 2

PORT OF PORTLAND, PORTLAND, OREGON	REGISTERED PROFESSIONAL LAND SURVEYOR — OREGON — DONALD L. CONWELL — 924	DESIGNED BY: N. KOEPP; DRAWN BY: K. McDONALD; CHECKED BY: ; DATE: APRIL 1995; 1" = 100'	PORTLAND SHIP YARD — **EXHIBIT PLAT** — BERTH 311 UPLANDS AND SUBMERGED LAND
PROF. & DEVEL. SERVICES MANAGER — 51852			SUBMITTED BY: Donald L Conwell — DRAWING NO: YA 95-4 1/1 (EP)

Leased Equipment

Quantity	Item
1	Delta 8" Jointer and Base 480 Volt
1	Delta 12" disc. & 6' belt sander with base
1	Rockwell 4' jointer
1	Makita 10' slide compound saw
1	DeWalt radial arm saw
1	1 level & 3 transits
	Best locking systems
	Auto repair tools: tire changer, battery charger, tune up scope
	Solvent tanks (2), hot tank (1)
	Lab equipment
	Graco Senator Airless
	Spider climber, rope, misc. rope grabs
9 sets	Shore power cables - 4/0 at 250' each
4 sets	Shore power cables - 4/0 at 300' each
1	Greenlee 6000 wire puller and accessories
1	Greenlee 884 Hydraulic pipe bender
1	Greenlee 1818 pipe bender
1	Greenlee 777 hydraulic pipe bender
1	Greenlee 690 blower and vacuum fish tape system
1	Greenlee 911 wire cart
5	15000 watt portable electric heaters
2	Tektronics Oscilloscopes
1	Tekronics cable tester
1	Gould brush recorder
1 set	Shore power cables - 262 KCMIL at 350' each
3 sets	Shore power cables - 262 KCMIL at 250' each
4	Other cables - 2/0 at 250'
	Crane 1 - Washington
	Crane 2 - Washington
	Crane 3- Washington
	Crane 4- Washington
	Crane 5 - Washington
	Crane 6 - Washington
	Crane 7 - Washington
	Crane 8 - Washington
	Crane 9 - Clyde
	Crane 10 - American
	Crane 11 - Hitachi (Bond Financed Facility)
	Crane 12 - Hitachi (Bond Financed Facility)
	Crane 14 - Hitachi (Bond Financed Facility)
	Crane 15 - Hitachi (Bond Financed Facility)
	Crane 16 - Hitachi (Bond Financed Facility)
	Crane 17 - Hitachi (Bond Financed Facility)

Leased Equipment

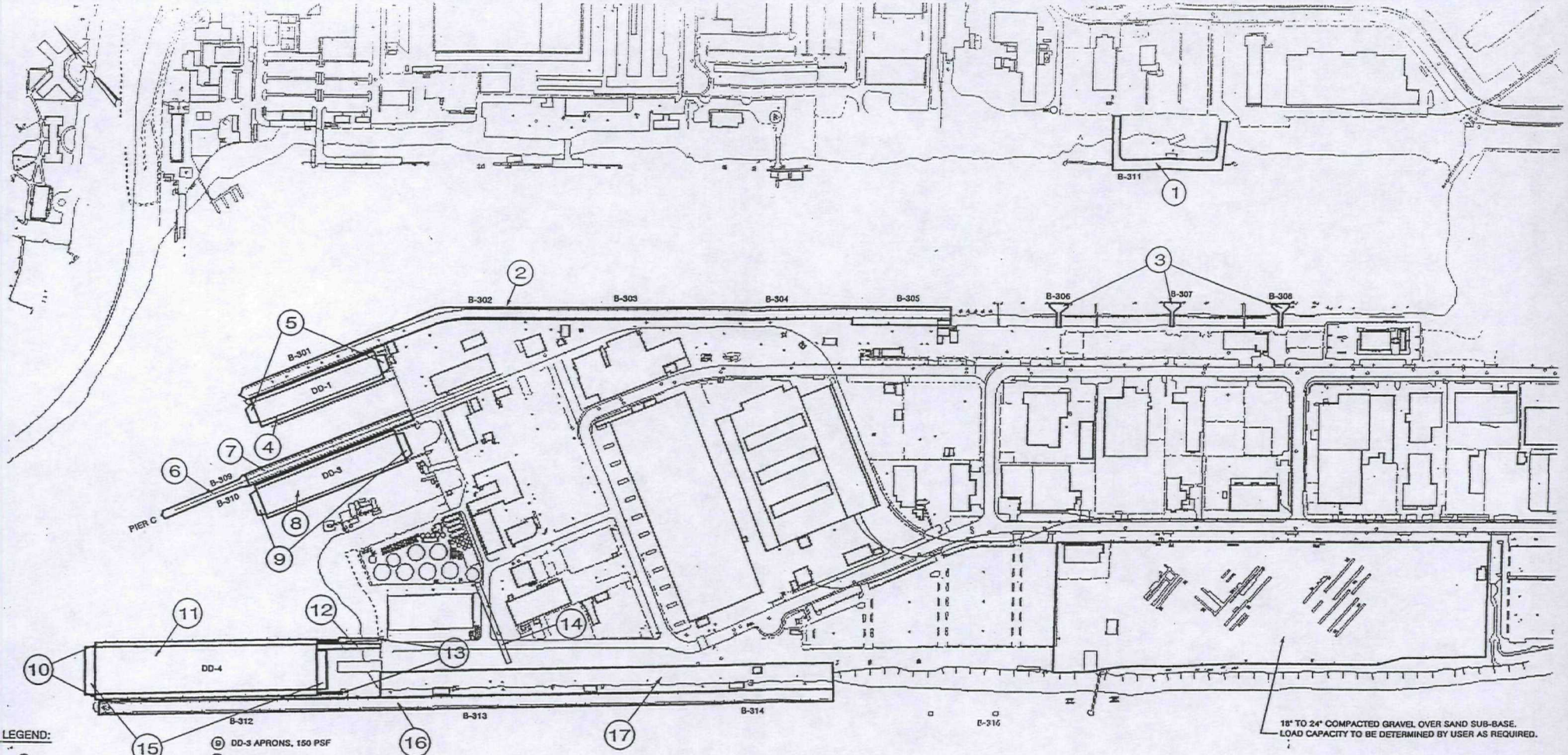
Quantity	Item
	Crane 18 - American
	PORTABLE OIL CONTAINMENT BOOM 4400'
	SRY #4 - 80 FT. 1980 JLG
	SRY #10 - AA IT14B CAT LOADER
	SRY #11 - '78 CATERPILLAR LIFT TRUCK (Bond Financed Facili
	SRY #12 - '79 CATERPILLAR LIFT TRUCK (Bond Financed Facili
	SRY #14 - TOPLINE ELEC. LIFT TRUCK
	#16 - SKIFF WORK BOAT
	SRY #17 - CENTERING BOAT OR BRONC
	ELGIN MEGAWIND SWEEPER
	SRY #44 TANK TRAILER
	SLOP HOSE TRAILER
	MAN BOX SLINGS, STRETCHERS, RIGGINGS
	PERSONAL MONITORING DEVICES
	FIRE HOSES
	RED HEAD FIRE HOSE BOXES
	LANDA HOT WATER PRESSURE WASHER
	CLEASBY TAR KETTLE
	SRY #65 - CATERPILLAR FORKLIFT
	SRY #66 - CATERPILLAR FORKLIFT
	SRY # 67 HYSTER 8000 CHALLENGER
	T-2 50KVA LOADCENTER (Bond Financed Facility)
	T-3 50KVA LOADCENTER (Bond Financed Facility)
	T-4 50KVA LOADCENTER (Bond Financed Facility)
	T-5 50KVA LOADCENTER (Bond Financed Facility)
	T-6 50KVA LOADCENTER (Bond Financed Facility)
	T-7 50KVA LOADCENTER (Bond Financed Facility)
	T-8 50KVA LOADCENTER (Bond Financed Facility)
	T-9 50KVA LOADCENTER (Bond Financed Facility)
	T-10 50KVA LOADCENTER (Bond Financed Facility)
	T-11 50KVA LOADCENTER (Bond Financed Facility)
	T-12 50KVA LOADCENTER (Bond Financed Facility)
	T-14 50KVA LOADCENTER (Bond Financed Facility)
	T-15 50KVA LOADCENTER (Bond Financed Facility)
	T-16 50KVA LOADCENTER (Bond Financed Facility)
	T-17 50KVA LOADCENTER (Bond Financed Facility)
	T-18 50KVA LOADCENTER (Bond Financed Facility)
	12-1 1000KVA LOADCENTER (Bond Financed Facility)
	12-2 1000KVA LOADCENTER (Bond Financed Facility)
	12-4 1000KVA LOADCENTER (Bond Financed Facility)
	4-1 330KVA LOADCENTER (Bond Financed Facility)
	4-2 330KVA LOADCENTER (Bond Financed Facility)
	4-3 330KVA LOADCENTER (Bond Financed Facility)

Leased Equipment

Quantity	Item
	4-4 330KVA LOADCENTER (Bond Financed Facility)
	4-5 330KVA LOADCENTER (Bond Financed Facility)
	4-6 330KVA LOADCENTER (Bond Financed Facility)
	4-7 330KVA LOADCENTER (Bond Financed Facility)
	4-8 330KVA LOADCENTER (Bond Financed Facility)
	4-9 330KVA LOADCENTER (Bond Financed Facility)
	4-10 330KVA LOADCENTER (Bond Financed Facility)
	4-11 330KVA LOADCENTER (Bond Financed Facility)
	4-12 330KVA LOADCENTER (Bond Financed Facility)
	32-1 2500KVA LOADCENTER (Bond Financed Facility)
	32-2 1000KVA LOADCENTER (Bond Financed Facility)
	32-3 2500KVA LOADCENTER (Bond Financed Facility)
	32-4 2000KVA LOADCENTER (Bond Financed Facility)
	32-5 2000KVA LOADCENTER (Bond Financed Facility)
	#1 LV LOADCENTER (Bond Financed Facility)
	#2 LV LOADCENTER (Bond Financed Facility)
	#3 LV LOADCENTER (Bond Financed Facility)
	#4 LV LOADCENTER (Bond Financed Facility)
	#5 LV LOADCENTER (Bond Financed Facility)
	#6 LV LOADCENTER (Bond Financed Facility)
	#7 LV LOADCENTER (Bond Financed Facility)
	#8 LV LOADCENTER (Bond Financed Facility)
	#3 RECTIFIER
	#1 1200 AMP ADJ. AUTOTRANSF.
	#2 1200 AMP ADJ. AUTOTRANSF.
	#3 400 AMP ADJ. AUTOTRANSF.
	#1 208 STEPDOWN TRANSF.
	#2 230 STEPDOWN TRANSF.
	#3 208 STEPDOWN TRANSF.
	1500 KVA XFMR (9) SUB 4
	2500 KVA TRANSFORMER
	SPILL RESPONSE BOAT
	RESPONSE BOAT TRAILER
	OIL BOOM TRAILER # 0
	OIL BOOM TRAILER # 1
	LARGE LATHE
	SMALL LATHE
	DRILL PRESS
	LARGE HYDRAULIC PRESS
	KALAMAZOO CUT-OFF SAW
	KERNEY & TRECKER MILLING MACHINE
	GRINDERS & SANDER
	RIDGID PIPE THREADER

Leased Equipment

Quantity	Item
	WELDING MACHINES
	DRILL PRESS- LELAND GIFFORD
	RADIAL DRILL PRESS
	BUFFALO (2) CINCINNATI DRILL PRESS
	SHEAR - PECK STOW
	PRESS BRAKE, CHICAGO
	#1 1/2 IRON WORKER, BUFFALO
	BANDSAW, MARVEL
	BANDSAW, DOALL
	CABINET, BEAD BLAST
	DRILL PRESS
	BENCH GRINDER
	LARGE BAND SAW
	SMALL BAND SAW
	RADIAL ARM SAW
	PLANNER (SURFACE)
	PLANNER (THICKNESS)
	12-14"TILT ARBOR TABLE SAW
	10" TILT ARBOR SAW
	WOOD LATHE
	WOOD SHAPER
127	Dry Dock 1 Bilge Blocks
87	Dry Dock 1 Keel Blocks
105	Dry Dock 3 Bilge Blocks
6	Dry Dock 3 Saddle Blocks
96	Dry Dock 3 Keel Blocks
136	Dry Dock 4 Bilge Blocks
3	Dry Dock 4 Bilge Block Empty Concrete Bases
175	Dry Dock 4 Keel Blocks
65	Small Metal Skiffs
25	Large Metal Skiffs
3	Large Metal Skiffs (sand only)
1	Small Metal Skiff (sand only)
10	Destroyer Bilge Frames (Double frames)
4	Destroyer Bilge Frames (Triple frames)
4	100 Ton Jacks
1	Motorola Radio encoding repeater (Bldg. 4), etc.B11
1	PBX telephone system located in Building 50, including main cabinet, circuit pack, and battery backup system, but excluding telephones



LEGEND:

1. B-311, 600 PSF
2. B-301/305, 600 PSF
3. B-306/308, 250 PSF
4. DD-1 (WOOD DECKING), 780 PSF
5. DD-1 APRONS, 200 PSF
6. PIER C, 375 PSF
7. PIER C, 750 PSF
8. DD-3 DECK, 1630 PSF
9. DD-3 APRONS, 150 PSF
10. DD-4 WINGWALL TOPS, 700 PSF
11. DD-4 DECK, 2250 PSF
12. DD-4 DRIVE RAMP, 250 PSF
13. DD-4 PED. RAMPS, 100 PSF
14. UTILITY TUNNEL, 1000 PSF
15. DD-4 APRONS, 250 PSF
16. B-312/314, 1000 PSF
17. RELIEVING PLATFORM, 1000 PSF

NOTES:

1. ALL GENERAL ASPHALTED AREAS RATED AT 6,500 PSF, EXCEPT AS DESIGNATED IN AREAS (2), (14), AND (17).
2. DD-4 LOAD OUT BRIDGE TO BE LOADED ON A CASE BY CASE BASIS. PRIOR PORT APPROVAL REQUIRED.

PLAN 1
SCALE: 1" = 200' C-1

EXHIBIT E
Page 1 of 1

NO.	DATE	BY	REVISIONS	CKD	APPVD	NO.	DATE	BY	REVISIONS	CKD	APPVD

PORT OF PORTLAND
PORTLAND, OREGON

PROJECT MANAGER

51852

DESIGNED BY	P. ARNOLD
DRAWN BY	G. LANGDON
CHECKED BY	P. ARNOLD
DATE	JUN 1995
SCALE	1" = 200'

PORTLAND SHIP YARD

YARD AREA LOAD CAPACITY

PLAN

SUBMITTED BY

DRAWING NO. YA 95-9 1/1 (C-1)

PSRY Tankship Guidelines *January 21, 1987*

1.0 Background

Portland Ship Repair Yard (PSRY) owns, operates and maintains a facility to receive hydrocarbon and water mixtures from tankships prior to the performance of repairs at berth or in dry dock. Guidelines for the performance of the liquid transfer, gas freeing and inerting operations have not been formally established. The minimum regulations of the US Coast Guard, the Portland City Fire Marshall and the Standards of the NFPA No. 306 have formed the Ad hoc Tankship Guidelines at PSRY. There are gaps in these requirements that conceivably allow operations to be performed which expose PSRY assets to unreasonable risk. The intent of these Tankship Guidelines is to close those gaps, promote safety and minimize the risks of a serious accident.

2.0 Applicability

These guidelines apply to all tankships entering PSRY berths or dry docks for repair operations which have carried or are carrying flammable liquids with a flash point (closed cup) below 150 degrees F (65.5 degrees C). The guidelines are to be used in conjunction with the rules of the Classification Society, the US Coast Guard Regulations and the NFPA Standards inter alia. The PSRY Tankship Guidelines become effective on February 1, 1987.

3.0 General

In general, the following guidelines apply to the performance of slop discharge and gas-freeing operations performed at PSRY.

3.1 Certification Prior to Entry

Unless the tankship is arriving previously gas freed, "Safe for Workers" and except for local cleaning "Safe for Hot Work," certified by a Marine Chemist or the Master, a Certified Marine Chemist will board the tankship, examine and certify the tanks accordingly prior to the commencement of <u>any</u> work at PSRY berths or dry docks.

3.2 Ship's Readiness

3.2.1 The tankship will be fully certified by the country of registry and classed by the authorized Classification Society.

3.2.2 The tankship will have the machinery installation fully operational and at a condition of readiness to depart within 30 minutes while slop discharge and gas-freeing operations are in progress. This does not include dock standby crew, tugs or pilots. This is to provide the option of moving the tankship in an emergency.

3.2.3 The tankship inert gas plant will be in full operation throughout the slop discharge and gas-freeing operation. Portable inert gas equipment will be acceptable provided the safety and capacity of the equipment is demonstrated as adequate for the intended operation.

3.3 Personnel Readiness

Sufficient tankship personnel will be in continuous attendance onboard in sufficient number and rank to conduct the slop discharge and gas-freeing operations prior to the onset of repair work and to get underway in 30 minutes.

3.4 Elimination of Hazards

During the slop discharge and gas-freeing operations, the following measures will be taken for the elimination of hazards:

3.4.1 No tank atmosphere will be allowed to pass through the explosive range while being gas freed.

3.4.2 Only personnel essential to the conduct of the operations will be permitted onboard, except for laying out of repairs or the performance of repairs in the machinery spaces which do not impair the fire fighting capability or readiness of the tankship to depart.

3.4.3 The access(es) to the tankship from shore will be arranged outside the cargo area as defined by US. Coast Guard regulations.

3.4.4 A security guard will be in continuous attendance at each tankship access point to prohibit non-essential traffic onboard.

3.4.5 Additionally, for operations conducted on drydock, a security guard will be in continuous attendance at each dry dock access point to prohibit non-essential traffic on the dry dock.

3.4.6 No motorized vehicle, oil-fired equipment, or crane will be permitted within 150 feet of the non-gas-free cargo area or vent opening thereto.

3.4.7 All access points will be provided with conspicuous warning signs with minimum six-inch high letters stating **'WARNING GAS-FREEING OPERATIONS IN PROGRESS, NO SMOKING, NO VISITORS, NO OPEN LIGHTS--EXPLOSION HAZARD."**

3.5 Oil Boom

Immediately after the tankship's arrival in PSRY an oil containment boom will be placed around the vessel, whether at the berth or dry dock. The containment boom will be in place throughout the gas-freeing, slop discharge operation prior to the onset of repairs and during internal oil transfer or oil transfer to a portable tank onboard or onshore at any time.

3.6 Hydrocarbon Venting

3.6.1 The venting of hydrocarbon vapors in conjunction with the gas-freeing operation, whether being displaced by inert gas or fresh air will only be performed through a fixed flame screened or flame arrested opening in fixed apparatus approved for the purpose.

3.6.2 The venting of hydrocarbon vapors will only take place with ambient wind velocities of 10 MPH or more.

3.6.3 The venting of hydrocarbon vapors will be discontinued immediately in the event of ambient electrical storm activity.

3.7 Dry Dock Operations

3.7.1 No hot work will be performed on any tankship during the drydocking or undocking or trim adjustment of the dry dock.

3.7.2 Once the dry dock operations are completed, a Certified Marine Chemist will retest the tankship and issue a new Gas Free Certificate prior to the resumption of any hot work.

4.0 Operations Accepted At Berth

4.1 PSRY will accept the performance of slop discharge and/or gas-freeing of cargo spaces in a total amount not to exceed 20 percent (20%) of the tank ship's deadweight and not exceeding three (3) cargo tanks at a berth remote from the dry docks, provided all other cargo spaces are certified gas-freed,

"Safe for Workers" and except for local cleaning "Safe for Hot Work" or inerted prior to entering PSRY.

4.2 PSRY will accept the performance of slop discharge and/or gas-freeing of cargo spaces in a total amount not to exceed 10 percent (10%) of the tankship's deadweight and not exceeding one cargo tank at a berth adjacent to the dry docks, provided all other cargo spaces are certified gas freed, "Safe for Workers" and except for local cleaning "Safe for Hot Work" or inerted prior to entering PSRY.

5.0 Operations Accepted on Dry Dock

PSRY will accept the performance of slop discharge and/or gas-freeing of cargo spaces in a total amount not to exceed 10 percent (10%) of the tankship's deadweight and not exceeding one cargo tank at a berth adjacent to the dry docks, provided all other cargo spaces are certified gas freed, "Safe for Workers" and except for local cleaning "Safe for Hot Work" or inerted prior to entering PSRY.

6.0 Inerted Operations

6.1 PSRY will accept tankships for repairs at berth or in dry dock with cargo spaces containing hydrocarbons or hydrocarbon vapors which are inerted, but not gas freed, "Safe for Hot Work," provided the tank volume requirements in 4.0 and 5.0 of these Tankship Guidelines are not exceeded and all other cargo spaces are certified gas-freed "Safe for Workers" and except for local cleaning "Safe for Hot Work."

6.2 The cargo spaces which are interted will:

6.2.1 Contain eight percent (8%) or less oxygen by volume or less than fifty percent (50%) of the amount required to support combustion, whichever is less.

6.2.2 Remain mechanically closed and under a slightly positive pressure at all times through the use of onboard or portable inert gas equipment.

6.2.3 Be vented only through a fixed flame arrested pressure operated venting device approved for the purpose.

6.3 While at berth or in dry dock, the following additional precautions will be observed during the performance of repairs on tankships with spaces inerted:

6.3.1 No work which potentially jeopardizes the mechanical integrity of the inerted spaces will be performed.

6.3.2 No hot work, no smoking or no spark-producing device will be allowed within 150 feet of the vent opening for the tank so inerted.

7.0 Exceptions

7.1 PSRY recognizes exceptions to these guidelines may be necessary.

7.2 On written application, PSRY will consider alternative procedures which provide the same level of safety enumerated in these Tankship Guidelines. The application will address the specific exceptions to be made and the specific measures which will be taken to avoid the risk imposed by the exceptions.

7.3 Written application will be made in advance to obtain agreement in writing by the PSRY Manager.

8.0 Responsibilities

8.1 It is the responsibility of the PSRY Prime Contractor signatory to the PSRY Use Agreement and authorized by the tankship owner to perform the repair work to insure these Tankship Guidelines are followed.

9.0 Insurance

9.1 The tankship and its Owners remain fully responsible for the gas-freeing operations conducted in PSRY.

9.2 The tankship will be fully insured, Hull and Machinery Protection and Indemnity and Oil Pollution Incident coverage to a minimum of $5 million.

10.0 Notice

The representative of the tankship's Owner and the person-in-charge of the gas-freeing and slop discharge operations will be handed a copy of this complete PSRY Gas Freeing Policy prior to the commencement of any gas-freeing or slop discharge operation in PSRY. This policy is used in conjunction with the in-place oil transfer notices required by law.

TRANSFERABLE PERMITS		
SUBJECT MATTER	PERMITS, APPLICATIONS, CERTIFICATIONS NOTIFICATIONS, PLANS & MEMBERSHIPS	LEAD AGENCY AND PERMIT NO.
	ENVIRONMENTAL	
Air Quality	Air Contaminant Discharge Permit (ACDP)	Oregon Department of Environmental Quality (DEQ) No. 26-3224
Air Quality	Application pending to modify ACDP	DEQ No. 26-3224
Air Quality	Application pending for Clean Air Act Title V permit	DEQ number not assigned.
Air Quality	Obligations, if continuing, arising from Environmental Quality Commission Mutual Agreement and Order signed by DEQ on 04/04/95 ("OEC Obligations"); except the Congestion Pricing Project obligation under Term No. 4, Page 6	DEQ Permit No. 26-3224
Hazardous materials/hazardous waste/solid waste	Hazardous Waste Notification and Report including Annual Hazardous Waste reporting and Application for change of generator status.	DEQ ORD 000-643-569
Hazardous materials/hazardous waste/solid waste	Toxic Use Reduction & Hazardous Waste Reduction Plan and Annual Progress Reporting.	DEQ ORD 000-643-569
Hazardous materials/hazardous waste/solid waste	Fire Marshal's Hazardous Substance Employer Survey	State Fire Marshal Portland Fire Bureau No. 712
Spill response	The plans under the Oil Pollution Control Act (OPA 90) and the Spill Prevention Control and Countermeasure Plan	U.S. Coast Guard/EPA
Water Quality	National Pollution Discharge Elimination System (NPDES) Permit (Renewal Application Pending)	DEQ No. 100628
Water Quality	Clean Rivers Cooperative Membership	Private
Water Quality	Storm Water Discharge Permit	DEQ No. 1200-L
Underground Petroleum Storage Tanks	Two Underground Petroleum Storage Tank Permits	DEQ Nos. AJHKJ and AJHAK

TRANSFERABLE PERMITS		
SUBJECT MATTER	PERMITS, APPLICATIONS, CERTIFICATIONS NOTIFICATIONS, PLANS & MEMBERSHIPS	LEAD AGENCY AND PERMIT NO.
NON-ENVIRONMENTAL		
Back Flow Preventers	Inspection/testing of back flow preventers	City of Portland
Cranes	Certification of Portal Cranes	U.S. Department of Labor via West Coast Crane Certification LTD.
Dry Docks	Certification of dry docks	Department of the Navy - Naval Sea Systems Command via Supervisor of Ship Building, Conversion and Repair, United States Navy, Seattle
Elevator	2 permits for Building 72	State of Oregon

MANAGEMENT AGREEMENT
NAVY DRY DOCK YFD 69
(PORT OF PORTLAND DRY DOCK #1)

This MANAGEMENT AGREEMENT is entered into effective this 10th day of August, 1995, between the PORT OF PORTLAND, a port district of the State of Oregon (the "Port") and CASCADE GENERAL, INC., an Oregon corporation ("Manager").

RECITALS

A. The Port is the lessee of a 14,000-ton floating dry dock owned by the United States Government (the "Government"), known as Port Dry Dock No. 1 and also known as U.S. Navy Dry Dock No. YFD-69 (the "Navy Dry Dock"), located within the Portland Ship Yard ("PSY"). The Port's lease of the Navy Dry Dock from the Government is governed by Government Contract No. N00024-79-L-0003, also known as Port Contract No. 80-09, as amended, including Special Provisions, General Provisions, and Attachments (collectively, the "Dry Dock Lease"), a copy of which is attached as Exhibit A and incorporated by this reference as if fully set forth.

B. Manager intends to lease the Portland Ship Yard from the Port pursuant to a Lease dated August 10, 1995 (the "PSY Lease"), subject to a Transition Agreement and Amendment to Facility Agreement also dated August 10, 1995 (the "Transition Agreement"), both of which are incorporated by this reference as if fully set forth. To enable Manager to make full use of PSY, and to ensure that the Navy Dry Dock remains available for immediate use in the event of a national defense emergency, the Port and Manager desire that Manager manage the Navy Dry Dock for the Port, subject to the terms set out in this Management Agreement.

AGREEMENT

1. Commencement Date. This Management Agreement shall commence on the Commencement Date as defined in the PSY Lease, subject to the Transition Agreement.

2. Management Agreement. Subject to the terms and conditions of the Dry Dock Lease, the PSY Lease, and this Management Agreement, and in consideration of the mutual covenants contained in this Management Agreement and the PSY Lease, Manager agrees to manage the Navy Dry Dock on behalf of the Port as of the Commencement Date

set out in Section 1, for the remaining term of the Dry Dock Lease, unless sooner terminated as provided in this Management Agreement.

3. Compliance with Dry Dock Lease. Manager agrees to be bound by the Dry Dock Lease, and agrees to comply fully with and be subject to all terms, conditions, covenants and restrictions of the Dry Dock Lease. All references in the Dry Dock Lease to "Lessee" or "Contractor" shall be deemed to include "Manager," except as this Management Agreement expressly provides to the contrary.

4. Availability for Navy Work. Manager shall make the Navy Dry Dock available on a fair and equitable basis for use by Navy-certified ship repair contractors for the performance of work for the United States Navy. Manager shall publish and maintain a reasonable schedule of charges for the use of the Navy Dry Dock by Navy-certified ship repair contractors performing work for the United States Navy, which charges shall be applicable to all such work, whether performed by Manager or by others.

5. Manager Obligations. Other than those obligations specified in Section 6 of this Management Agreement, Manager shall perform all of the obligations of the Port pursuant to the Dry Dock Lease, at Manager's sole cost and expense. Such obligations shall include, but shall not be limited to, the following:

5.1 Maintenance and Drydocking. Manager shall perform maintenance and drydocking pursuant to Clause 4 of the Special Provisions and Article 6 of the General Provisions as modified by Clause 13 of the Special Provisions; provided, however, that notwithstanding Article 6(b)(9) as modified by Clause 13, Manager shall not be permitted to expend less than the minimum amount for maintenance specified in Clause 4 (as calculated by the Government) without the express written consent of the Port.

5.2 Repair of Damage. Manager shall be responsible for repair of damage pursuant to Article 7(e)&(f) of the General Provisions.

5.3 Liability Insurance. Manager shall provide workers compensation and Longshore and Harbor Workers Compensation, employers' liability, bodily injury liability and third party property damage insurance as required by Clause 5(b) of the Special Provisions and Article 7(a)(ii),(b)&(c) of the General Provisions, in a form consistent with the provisions of the PSY Lease and the Dry Dock Lease.

5.4 Preparation for Tow; Inactive Status. Manager shall prepare the Navy Dry Dock for tow and/or place the Navy Dry Dock in inactive status, or make payment in lieu thereof, at the time and in the manner specified by Article 18 of the General Provisions as modified by Clause 13 of the Special Provisions.

5.5 Equal Opportunity; Labor. Manager shall comply with the "Equal Opportunity" provisions contained in Attachment A of the Dry Dock Lease, as referenced in Article 28 of the General Provisions as modified by Clause 13 of the Special Provisions, and shall include said "Equal Opportunity" provisions in subcontracts, vendor contracts and purchase orders to the extent required by the Dry Dock Lease. Manager shall comply with the labor provisions set out in Article 31 of the General Provisions, as renumbered pursuant to Clause 13 of the Special Provisions.

6. Port Obligations. During the remaining term of the Dry Dock Lease, the Port shall perform the following obligations of the Dry Dock Lease at the Port's sole cost and expense:

6.1 Rent. The Port shall pay the lump sum annual rent specified in Clause 3(a) of the Special Provisions and Article 5(b)(i) of the General Provisions, or the minimum charges specified in Clause 3(b) of the Special Provisions and Article 5(b)(ii) of the General Provisions, as applicable, less any credits for maintenance and repairs pursuant to Article 5(a)(ii) of the General Provisions; provided, however, that Manager shall reimburse the Port any portion of the annual rent resulting from charges in excess of the minimum charges specified in Clause 3(b) of the Special Provisions, pursuant to Section 7 of this Management Agreement.

6.2 Performance Bond. The Port shall provide a performance bond pursuant to Clause 6 of the Special Provisions and Article 12 of the General Provisions.

6.3 Transportation of Dry Dock. The Port shall be responsible for transportation of the Navy Dry Dock to Bremerton, Washington, in accordance with Clause 7 of the Special Provisions and Article 18 of the General Provisions as modified by Clause 13 of the Special Provisions, after preparation for tow by Manager.

6.4 Property Insurance. The Port shall provide Hull and Machinery insurance as required by Clause 5(a) of the Special Provisions and Article 7(a)(i) of the General Provisions. Such insurance shall comply with applicable provisions of Section 9.5 of the PSY Lease.

7. Inventory. The parties acknowledge that at the commencement of the Dry Dock Lease, a Joint Physical Condition Survey and Joint Inventory was performed by the Port and the Government, a copy of which is attached as Exhibit B. Manager acknowledges receipt of the Navy Dry Dock in the condition indicated on Exhibit B, and accompanied by the tools, ship machinery, spare parts, instruments, consumable supplies and materials, and other items referenced on Exhibit B, except as otherwise specifically indicated on Exhibit C. Upon termination of the Dry Dock Lease (or earlier termination of this Management Agreement), Manager and the Port shall jointly

conduct an inventory as required by Article 15 of the General Conditions. Manager shall deliver on board the Navy Dry Dock all items referenced on Exhibit B, as required by Article 15 of the General Conditions, except as otherwise indicated on Exhibit C.

8. Dry Dock Charges.

8.1 Establishment of Charges; Management Fee. Subject to Sections 4 and 8.2 of this Management Agreement, Manager may establish such charges for use of the Navy Dry Dock as it deems appropriate. Amounts received by Manager for use of the Navy Dry Dock shall be retained by Manager as its management fee, subject to the terms and conditions of this Management Agreement and the PSY Lease.

8.2 Reimbursement of Rent for Excess Charges. In the event Manager charges for the use of the Navy Dry Dock in excess of the minimum charges specified in Clause 3(b) of the Special Provisions, and in the event 40 percent of the actual charges pursuant to Article 5(b)(ii) of the General Provisions exceeds the lump sum specified in Clause 3(a) of the Special Provisions in any Dry Dock Lease year, such that the Amount To Be Paid (as defined in Article 5(a)(i) of the General Provisions) is calculated under Article 5(b)(ii) of the General Provisions for that year, then Manager shall reimburse the Port promptly upon invoice the amount by which the Amount To Be Paid for that year exceeds what the Amount To Be Paid would have been if the minimum charges specified in Clause 3(b) of the Special Provisions had been charged.

9. Records and Reports. Not later than February 1 of each year, Manager shall provide the Port with records and reports as specified in this Section, in a form satisfactory to the Port (including in electronic form if requested). Manager acknowledges that the Port is required to submit reports to the Government not later than February 15 of each year, and that the Port must receive timely records and reports from Manager in order to comply with this requirement. Manager agrees, in addition to all other remedies and indemnities applicable to this Management Agreement, to indemnify the Port for any and all fines, penalties, interest, late fees, and other costs attributable to any late reporting by Manager.

9.1 Maintenance and Repair. Manager shall report all maintenance, repair and drydocking of the Navy Dry Dock, including detailed costs with breakdown of labor and materials costs, invoices, completed work orders, and results of Government inspections.

9.2 Dry Dock Usage. Manager shall report all usage of the Navy Dry Dock during the preceding Dry Dock Lease year, including the number of dry dockings, name of each vessel dry docked, dates of dry docking, registered gross tonnage, length overall in feet,

beam, number of Haul Days and Lay Days (as defined by Article 5 of the General Provisions), actual charges for dry docking, and calculation of rent pursuant to the Dry Dock Lease.

10. Indemnity. In addition to the indemnities provided by the PSY Lease, Manager shall indemnify, defend and hold harmless the Port and the Government against all suits, actions, claims, costs or demands within the scope of Article 8 of the General Provisions, as modified by Clause 13 of the Special Provisions.

11. Other Agreements. The relationship of the parties with respect to Manager's use of the Navy Dry Dock shall be governed by this Management Agreement; the Dry Dock Lease; the PSY Lease; and the Transition Agreement (collectively, the "Agreements"). To the extent possible, the Agreements shall be construed and interpreted so as to be consistent with each other. In the event of an irreconcilable conflict between the terms of the Agreements, the priority of the Agreements shall be as follows: (i) the Dry Dock Lease; (ii) the Transition Agreement; (iii) this Management Agreement; and (iv) the PSY Lease. It is understood and agreed by Manager that neither the Port nor the Port's agents or employees have made any representations or promises with respect to the subject matter of the Agreements or the making of or entry into the Agreements, except as expressly set forth in the Agreements. No claim for liability or cause for termination shall be asserted by Manager against the Port for, and the Port shall not be liable by reason of, any claimed breach of any representations or promises not expressly set forth in the Agreements. All oral agreements with the Port are expressly waived by Manager.

12. Termination. This Management Agreement shall terminate upon the earliest of the following:

12.1 Dry Dock Lease. The expiration or earlier termination of the Dry Dock Lease.

12.2 PSY Lease. The expiration or earlier termination of the PSY Lease.

13. Default. Any default under this Management Agreement may at the Port's option be deemed an Event of Default under the PSY Lease if not cured within the cure period provided in the PSY Lease, and upon such Event of Default the Port shall be entitled to exercise any and all remedies provided in the PSY Lease, and shall additionally be entitled to terminate this Management Agreement.

14. Maintenance During 1995-96. Notwithstanding the commencement date of this Management Agreement, the Port shall be responsible for expending the minimum amounts for maintenance of the Navy Dry Dock, as specified in Clause 4 of the Special Provisions, for the Dry Dock Lease year ending January 31, 1996, and Manager shall be

responsible for expending the minimum amounts for maintenance thereafter.

15. Relationship of Parties. Manager is an independent contractor for all purposes. This Management Agreement does not create a partnership, joint venture, or principal/agent relationship between the parties.

CASCADE GENERAL, INC.

By_____ EXHIBIT
Name_____
Title_____

THE PORT OF PORTLAND

By_____ EXHIBIT
Mike Thorne
Executive Director

APPROVED AS TO LEGAL SUFFICIENCY

_____
Counsel for Port of Portland EXHIBIT

APPROVED BY COMMISSION ON:

_____

CONSENT TO ASSIGNMENT

RECITALS

1. On March 14, 1979, Crosby & Overton, Inc., a California corporation ("Crosby"), as Lessee, and the Port of Portland, a port district of the State of Oregon (the "Port"), as Lessor, entered into Port Contract No. 79-073, a lease of an office and shop building known as Building 70 and 2.255 acres of land (the "Lease").

2. On October 3, 1989, the Port consented to an assignment and transfer by Crosby of all of its rights and obligations under the Lease to Chemical Processors, Inc., a Washington corporation. Effective January 3, 1992, the name of Chemical Processors, Inc. was changed to Burlington Environmental, Inc. ("Burlington-Washington"). Burlington-Washington is a subsidiary of Burlington Environmental, Inc., a Delaware corporation ("Burlington-Delaware").

3. The Port's consent to the aforementioned assignment and transfer was conditioned upon Burlington-Washington and Burlington-Delaware assuming all rights and obligations of Crosby under the Lease, and was further conditioned upon Crosby remaining liable for the performance of all obligations under the Lease notwithstanding the assignment.

4. Burlington-Washington desires to transfer all of its rights and obligations under the Lease to Foss Environmental Services Company, a Washington corporation ("Foss Environmental") which is a wholly-owned subsidiary of Foss Maritime Company, a Washington corporation ("Foss Maritime").

CONSENT

The Port hereby consents to the assignment and transfer by Burlington-Washington to Foss Environmental of all of Burlington-Washington's rights in and to the Lease; provided that (1) all rights and obligations of Foss Environmental under the assignment and transfer shall

be subordinate to, and Foss Environmental shall strictly comply with, the applicable terms, covenants and conditions of the Lease, as amended or as may be amended in the future; and provided further that (2) Crosby, Burlington-Washington, and Burlington-Delaware shall remain liable after the assignment for the performance of all obligations under the Lease, notwithstanding such assignment.

The foregoing consent is expressly conditional upon Foss Maritime fully guaranteeing Foss Environmental's performance of all obligations under the Lease.

EXECUTED AND DATED: November 23, 1992.

THE PORT OF PORTLAND

By: _____
Executive Director

APPROVED AS TO LEGAL SUFFICIENCY

By: _____
Counsel for
The Port of Portland

CONSENT TO ASSIGNMENT

Recitals

1. By leases dated March 14, 1979 and August 28, 1981 (Port Lease Nos. 79-073 and 81-113, respectively), Crosby & Overton, Inc., a corporation organized under the laws of the State of California (Crosby) and the Port of Portland, a port district of the State of Oregon (Port), entered into said Leases for lease of land, buildings, and improvements as described in said leases.

2. Crosby desires to assign and transfer to Chemical Processors, Inc., a corporation organized under the laws of the State of Washington (ChemPro), all of Crosby's rights and obligations under the Leases. ChemPro is a subsidiary of Burlington Environmental, Inc., a corporation organized under the laws of the State of Washington.

NOW, THEREFORE, the Port hereby consents to the assignment and transfer by Crosby to ChemPro of all the rights of Crosby in and to said Leases, said consent being conditioned upon ChemPro and Burlington Environmental, Inc. assuming all rights and obligations of Crosby under the applicable terms, covenants and conditions of the Leases. Crosby shall remain liable after the

assignment for the performance of all obligations under the Leases, notwithstanding such assignment.

EXECUTED AND DATED: October 3, 1989.

THE PORT OF PORTLAND

By _____
Robert L. Woodell

APPROVED AS TO LEGAL SUFFICIENCY

_____
Counsel for The Port of Portland

LEASE

THIS LEASE, dated March 14, 1979, by and between THE PORT OF PORTLAND, a municipal corporation of the State of Oregon, hereinafter referred to as Port, and CROSBY & OVERTON, INC., a corporation organized under the laws of the State of California, hereinafter referred to as Lessee,

ARTICLE I - PREMISES

Section 1.01 - Description: Port leases to Lessee, on the terms and conditions stated below, the premises consisting of an office and shop building and 2.255 acres described in Exhibit A, attached hereto and made a part hereof.

Section 1.02 - Use of Premises: Lessee may use the premises only for the following purpose: ship repair, tank cleaning and sandblasting shops, open area, offices and parking.

ARTICLE II - TERM

Section 2.01 - Term: The term of this Lease shall commence on the date established in accordance with Exhibit B, and shall continue for a period of twenty-two (22) years.

Section 2.02 - Renewal Option: If the Lease is not then in default, Lessee shall have two (2) options to renew this Lease on the same terms and conditions except for the establishment of the land and building

KC

rental as herein provided. Options shall be for a period of three (3) years each and shall be exercised by notice in writing given to Port not less than ninety (90) nor more than one hundred eighty (180) days before the last day of the expiring term.

ARTICLE III - Rental

Section 3.01 - Land Rent: For the first seven (7) year period, Lessee shall pay the Port annual rental equal to the sum of nine and one half percent (9.5%) of One Hundred Thousand and No/100 Dollars ($100,000.00) per acre of the land as shown on Exhibit A containing 2.255 acres. The initial rent is Twenty-One Thousand Four Hundred Twenty-Two and 50/100 Dollars ($21,422.50) per year.

For each three (3) year period succeeding the first seven (7) year period, the land rental shall be established pursuant to Section 3.02.

Section 3.02 - Establishment of Land Rent: During the seventh (7th) lease year and the third (3rd) lease year of any three (3) year increment of this Lease or any extension thereof, the land rental shall be established for the ensuing three (3) lease years. Such adjustment shall be based on the fair market value of the land at the last day of the expiring initial seven (7) year period or subsequent three (3) year periods.

KC

In no event shall the valuation of land be less than One Hundred Thousand and No/100 Dollars ($100,000.00) per acre throughout the term of this Lease or any extension thereof. The land rental rate of nine and one-half percent (9.5%) annually of the established land value shall remain constant throughout the term of the Lease or any extension thereof.

Section 3.03 - Building Rent: For the first seven (7) year period, Lessee shall pay the Port monthly rental equal to the sum computed by multiplying the improvement costs as determined under Exhibit B by 0.009321.

For each three (3) year period succeeding the first seven (7) year period, the building rental shall be established pursuant to Section 3.04.

Section 3.04 - Establishment of Building Rent: During the seventh (7th) lease year and the third (3rd) lease year of any three (3) year increment of this Lease or any extension thereof, the building rental shall be established for the ensuing three (3) lease years. Such adjustment shall be based on the comparable market rental of the building at the last day of the expiring initial seven (7) year period or subsequent three (3) year periods.

In no event shall the building rent be less than that established in accordance with the first paragraph of Section 3.03 of Article III throughout the term of this Lease or any extension thereof.

VL

Section 3.05 - Rental Adjustments: For the purpose of establishing land and building rents under Sections 3.02 and 3.04, the parties shall agree on the fair market value of the land and the comparable market rental of the building. In the event the parties cannot agree, the parties shall mutually select an independent appraiser, the cost of which shall be shared equally between the parties. If the parties accept the opinion of the appraiser, such opinion shall be the fair market value for the purpose of establishing land rent and/or the comparable market rental of the building.

Section 3.06 - Arbitration: In the event the parties cannot accept the appraiser's opinion on the land value or comparable market rental of the building, the land value and rental value of the building for the ensuing period shall be determined by three (3) arbitrators. After notice by either party to the other party requesting arbitration, one arbitrator shall be appointed by each party. Notice of the appointment shall be given by each party to the other when made. The arbitrators shall immediately choose a third arbitrator to act with them. If they fail to select a third arbitrator, on application by either party, the third arbitrator shall be promptly appointed by the presiding judge of the Circuit Court of the State of Oregon, County of Multnomah, acting in his individual capacity. Each party shall bear the expense of its own appointed arbitrator and shall bear all other expenses equally. The land value and comparable market rental of the building shall be the decision of not less than two of the arbitrators. The land value and comparable market rental of the building determined by the arbitrators shall be effective and retroactive to the first day of the rental period under arbitration.

Section 3.07 - Time and Place of Payments: Lessee shall pay Port monthly, on or before the tenth (10th) day of each calendar month, one-twelfth (1/12) of the then prevailing annual rental.

Payment shall be to the Port at its offices in Portland, Oregon, or such other place as the Port may designate. All amounts not paid by Lessee when due shall bear interest at the rate of ten percent (10%) per annum.

ARTICLE IV - LESSEE OBLIGATIONS

Section 4.01 - Maintenance: Lessee shall keep and maintain the leased premises and all improvements of any kind, which may be erected, installed or made thereon, in good and substantial repair and condition, including the exterior condition thereof, and shall make all necessary repairs and alterations thereto. Lessee shall provide proper containers for trash and garbage and shall keep the leased premises free and clear of rubbish, debris, and litter at all times. Port shall at all times during ordinary business hours have the right to enter upon and inspect such premises. Such inspections shall be made only at a mutually agreeable time.

Section 4.02 - Utilities: Lessee shall promptly pay any charges for sewer, water, gas, electricity, telephone, and all other charges for utilities which may be furnished to the leased premises at Lessee's order or consent.

Section 4.03 - Liens: Lessee agrees to pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies, utilities, furnishings, machinery or equipment which have been furnished or ordered with Lessee's consent to be furnished to or for the Lessee in, upon or about the premises herein leased, which may be secured by any mechanics', materialsmen's or other lien against the premises herein leased or Port's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, provided that the Lessee may in good faith contest any mechanics' or other liens filed or established, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest.

Section 4.04 - Taxes: Lessee agrees to pay all lawful taxes and assessments which during the term hereof or any extension may become a lien or which may be levied by the state, county, city, or any other tax levying body upon the premises or upon any taxable interest by Lessee acquired in this Lease or any taxable possessory right which Lessee may have in or to the premises or facilities hereby leased or the improvements thereon by reason of its occupancy thereof as well as all taxes on all taxable property, real or personal, owned by Lessee in or about said premises. Upon making such payments, Lessee shall give to the Port a copy of the receipts and vouchers showing such payment. Upon any termination of tenancy, all taxes then levied or then a lien on any of said

property or taxable interest therein shall be paid in full without proration by Lessee forthwith or as soon as a statement thereof has been issued by the tax collector.

Section 4.05 - Access: Port shall, at all times, have unimpaired access to the waterfront across the fifty (50) foot wide corridor located between Parcels 1 and 2, and Parcels 2 and 3, as shown on Exhibit A. Lessee agrees to maintain these corridors free from all obstruction.

Section 4.06 - Use Restriction: Parcel 1, Exhibit A, may not be used for permanent storage or building construction.

ARTICLE V - PORT OBLIGATIONS

Section 5.01 - Access: Port agrees to provide access to the Swan Island Ship Repair Yard through a gate in the fence on the west boundary of Parcel 3, Exhibit A, and, via fire lanes, to the ship repair yard.

ARTICLE VI - INDEMNITY AND INSURANCE

Section 6.01 - Indemnity: Lessee agrees fully to indemnify, save harmless and defend the Port, its commissioners, officers and employees from and against all claims and actions and all expenses incidental to the investigation and defense thereof, based upon or arising out of damages or injuries to third persons or their property, caused by the fault or negligence in whole or in part of the Lessee, its subtenants or employees in the use or occupancy of the premises hereby leased; provided that the Port shall give to the Lessee prompt and reasonable notice of any such claims or actions, and the Lessee shall have the right to investigate, compromise and defend same, provided such claim is not the result of negligent act of the Port.

Section 6.02 - Insurance:

A. Lessee shall keep the premises herein leased together with any and all improvements placed thereon continuously insured with an insurance underwriter(s) satisfactory to the Port and authorized to do business in Oregon against loss or damage by fire and lightning, with the standard extended coverage endorsement in an amount equal to ninety percent (90%) of the current replacement value of the property.

B. Lessee shall maintain comprehensive, general and automobile liability insurance for the protection of Lessee, directors, officers, servants and employees, insuring Lessee against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the premises leased or occasioned by reason of the operations of the Lessee with insurance of not less than Five Hundred Thousand Dollars ($500,000) combined single limit. Such insurance shall name the Port, its commissioners, officers, and employees as additional named insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee.

C. Lessee shall furnish to the Port a certificate as attached evidencing the date, amount and type of insurance that has been procured pursuant to this Lease. All policies of insurance will provide for not less than thirty (30) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed or cancelled.

KL

Section 6.03 - Waiver of Subrogation: The Port and Lessee agree that each forfeits any right of action that it may later acquire against the other of the parties to the Lease for loss or damage to its property, or to property in which it may have an interest, where such loss is caused by fire, or any of the extended coverage hazards, and arises out of or is connected with the leasing of the premises.

Section 6.04 - Damage or Destruction of Premises:

A. If the leased premises or any improvements thereon are damaged or destroyed by fire or other casualty, Lessee (1) shall promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition preceding the fire or other casualty, and in accordance with the applicable building codes as existed at the time of loss causing such damage or destruction, and (2) shall apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional money of Lessee necessary therefor.

B. If such damage or destruction shall occur during the last three (3) years of the original term of this Lease or during the last year of any extended term thereof, and further if the damage or destruction which occurs during said three (3) year period or last year is such that the cost of repair, rebuilding or restoration of the property damaged or destroyed exceeds fifty percent (50%) of the fair market value of the improvements upon the leased premises immediately prior to such damage or destruction, Lessee shall have the option and shall within

sixty (60) days from the damage or destruction, notify Port in writing whether or not Lessee elects to repair, rebuild, restore in accordance with Paragraph A above or to terminate this Lease. Upon giving such notice to terminate, this Lease shall terminate on the date specified in the notice and Port shall be entitled to the net proceeds of insurance.

ARTICLE VII - DEFAULT

Section 7.01 - Events of Default:

A. Default in Rent: Failure of Lessee to pay any rent or other charge within ten (10) days after it is due.

B. Default in Other Covenants: Failure of Lessee to comply with any term or condition or fulfill any obligation of the Lease (other than the payment of rent or other charges) within thirty (30) days after written notice by Port specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the thirty (30) day period, this provision shall be complied with if Lessee begins correction of the default within the thirty (30) day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

C. Insolvency: Insolvency of Lessee; an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; the filing of an involuntary petition of bankruptcy and failure of the Lessee to secure a

dismissal of the petition with thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of the Lessee to secure discharge of the attachment or release of the levy of execution within ten (10) days.

D. Abandonment: Failure of the Lessee for fifteen (15) days or more to occupy the property for one or more of the purposes permitted under this Lease unless such failure is excused under other provisions of this Lease.

Section 7.02 - Remedies on Default: In the event of a default, the Port at its option may terminate the Lease by notice in writing by certified mail to Lessee. The notice may be given before or within thirty (30) days after the running of the grace period for default and may be included in a notice of failure of compliance. If the property is abandoned by Lessee in connection with a default, termination shall be automatic and without notice.

A. Damages: In the event of termination on default, Port shall be entitled to recover immediately, without waiting until the due date of any future rent or until the date fixed for expiration of the Lease term, the following amounts as damages:

1. Any excess of (a) the value of all of Lessee's obligations under this Lease, including the obligation to pay rent, from the date of default until the end of the term, over (b) the reasonable rental value of the property for the same period figured as of the date of default.

2. The reasonable costs of reentry and reletting including without limitation the cost of any clean up, refurbishing, removal of Lessee's property and fixtures, or any other expense occasioned by Lessee's failure to quit the premises upon termination and to leave them in the required condition, any remodeling costs, attorney fees, court costs, broker commissions and advertising cost.

3. The loss of reasonable rental value from the date of default until a new tenant has been, or with the exercise of reasonable efforts could have been, secured.

B. Reentry After Termination: If the Lease is terminated for any reason, Lessee's liability for damages shall survive such termination, and the rights and obligations of the parties shall be as follows:

1. Lessee shall vacate the property immediately, remove any property of Lessee including any fixtures which Lessee is required to remove at the end of the lease term, perform any cleanup, alterations or other work required to leave the property in the condition required at the end of the term, and deliver all keys to the Port.

2. Port may reenter, take possession of the premises and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages.

C. Reletting: Following reentry or abandonment, Port may relet the premises and in that connection may:

1. Make any suitable alterations or refurbish the premises, or both, or change the character or use of the premises, but Port shall not be required to relet for any use or purpose (other than that specified in the Lease) which Port may reasonably consider injurious to the premises, or to any tenant which Port may reasonably consider objectionable.

2. Relet all or part of the premises, alone or in conjunction with other properties, for a term longer or shorter than the term of this Lease, upon any reasonable terms and conditions, including the granting of some rent-free occupancy or other rent concession.

ARTICLE VIII - TERMINATION

Upon termination of the Lease for any reason, Lessee shall deliver all keys to the Port and surrender the leased premises in good condition. Alterations constructed by the Lessee with permission from the Port shall not be removed or restored to the original condition unless the terms of permission for the alteration so require. Depreciation and wear from ordinary use for the purpose for which the premises were let need not be restored, but all repair for which the Lessee is responsible

shall be completed to the latest practical date prior to such surrender. The Lessee's obligations under this paragraph shall be subordinate to the provisions of Article VI, Section 6.04, related to destruction.

ARTICLE IX - GENERAL PROVISIONS

Section 9.01 - Assignment of Interest or Rights: Neither Lessee nor any assignee or other successor of Lessee shall in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign, transfer or encumber any of Lessee's rights in and to this Lease or any interest therein, nor license or permit the use of the rights herein granted in whole or in part without the prior written consent of the Port.

Lessee shall not assign all or any part of its rights and interests under this Lease to any successor to its business through merger, consolidation, or voluntary sale or transfer of substantially all of its assets, without prior written approval of the Port.

Section 9.02 - Condemnation: If the leased premises or any interest therein is taken as a result of the exercise of the right of eminent domain, this Lease shall terminate as to such portion as may be taken. If the portion taken does not feasibly permit the continuation of the operation of the facility by the Lessee, the Lessee shall have the right to cancel. Such cancellation shall be effective as of the date of taking. Port shall be entitled to that portion of the award as represented by the land and the improvements.

Section 9.03 - Nonwaiver: Waiver by either party of strict performance of any provision of this Lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

Section 9.04 - Attorney Fees: If suit or action is instituted in connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

Section 9.05 - Statutory Provisions: This Lease is subject to the provisions of Oregon Revised Statutes 279.312 through 279.320, inclusive, which by this reference are incorporated herein as fully as though set forth verbatim.

Section 9.06 - Time of Essence: It is mutually agreed that time is of the essence in the performance of all covenants and conditions to be kept and performed under the terms of this Lease.

Section 9.07 - Warranties/Guarantees: Port makes no warranty, guarantee, or averment of any nature whatsoever concerning the physical condition of the leased premises, and it is agreed that Port will not be responsible for any loss, damage or costs which may be incurred by Lessee by reason of any such physical condition.

Section 9.08 - Headings: The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

Section 9.09 - Consent of Port: Whenever consent, approval or direction by the Port is required under the terms contained herein, all such consent, approval or direction shall be received in writing from the Executive Director of The Port of Portland.

Section 9.10 - Notices: All notices required under this Lease shall be deemed to be properly served if sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at The Port of Portland, Post Office Box 3529, Portland, Oregon 97208, and to the Lessee, 1620 W. 16th Street, Long Beach, California 90813. Date of Service of such notice is date such notice is deposited in a post office of the United States Post Office Department, postage prepaid.

Section 9.11 - Modification: Modification of the Lease as to term, area or any reason shall result in renegotiation of the rental.

Section 9.12 - Fixtures:

A. All fixtures placed upon the leased premises during the term, other than Lessee's trade fixtures, shall, at the Port's option, become the property of the Port. Movable furniture, decorations, floor covering other than hard surface bonded or adhesively fixed flooring, curtains,

blinds, furnishing and trade fixtures shall remain the property of the Lessee if placed on the leased premises by the Lessee.

B. If the Port so elects, the Lessee shall remove any or all fixtures which would otherwise remain the property of the Port, and shall repair any physical damage resulting from the removal. If the Lessee fails to remove such fixtures, the Port may do so and charge the cost to the Lessee with interest at ten percent (10%) per annum from the date of expenditure. The Lessee shall remove all furnishings, furniture and trade fixtures which remain the property of the Lessee. If the Lessee fails to do so, this shall be an abandonment of the property, and the Port may retain the property and all rights of the Lessee with respect to it shall cease or, by notice in writing given to Lessee within twenty (20) days after removal was required, the Port may elect to hold the Lessee to his obligation of removal. If the Port elects to require the Lessee to remove, the Port may effect a removal and place the property in public storage for the Lessee's account. The Lessee shall be liable to the Port for the cost of removal, transportation to storage, and storage, with interest at ten percent (10%) per annum on all such expenses from the date of expenditure by the Port.

C. The time for removal of any property or fixtures which the Lessee is required to remove from the leased premises upon termination shall be as follows:

1. On or before the date the Lease terminates because of expiration of the original or a renewal term or because of default.

2. Within thirty (30) days after notice from the Port requiring such removal where the property to be removed is a fixture which the Lessee is not required to remove except after such notice by the Port, and such date would fall after the date on which the Lessee would be required to remove other property.

Section 9.13 - Pledge of Leasehold Interest: Lessee may from time to time pledge its leasehold interest subject to approval of Port, and

the Lessee shall provide notice forthwith of such intended pledging. The term of any such pledge and loan shall not run beyond the current lease term.

IN WITNESS WHEREOF, the parties hereto have subscribed their names.

LESSEE CROSBY & OVERTON, INC.

By _____
PRESIDENT

By _____
VICE PRESIDENT

APPROVED AS TO FORM

_____
Counsel for Lessee

THE PORT OF PORTLAND

By _____

By _____

APPROVED AS TO FORM

_____
Counsel for
The Port of Portland

APPROVED BY COMMISSION ON

3-14-79

L7B:L/DB
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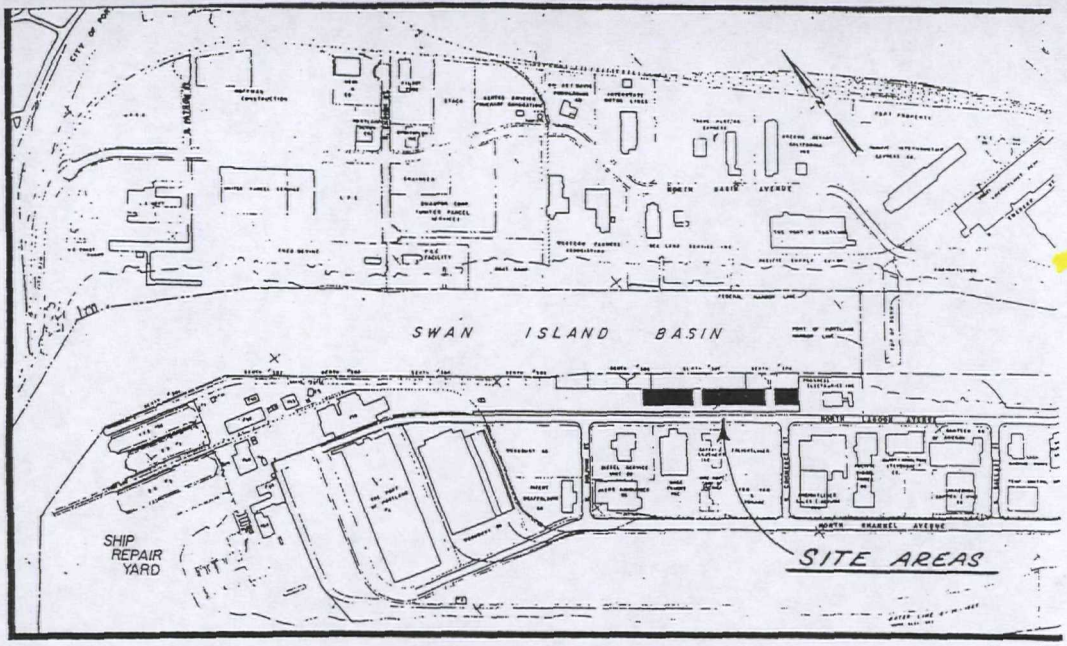


VICINITY MAP
SCALE: 1" = 800'

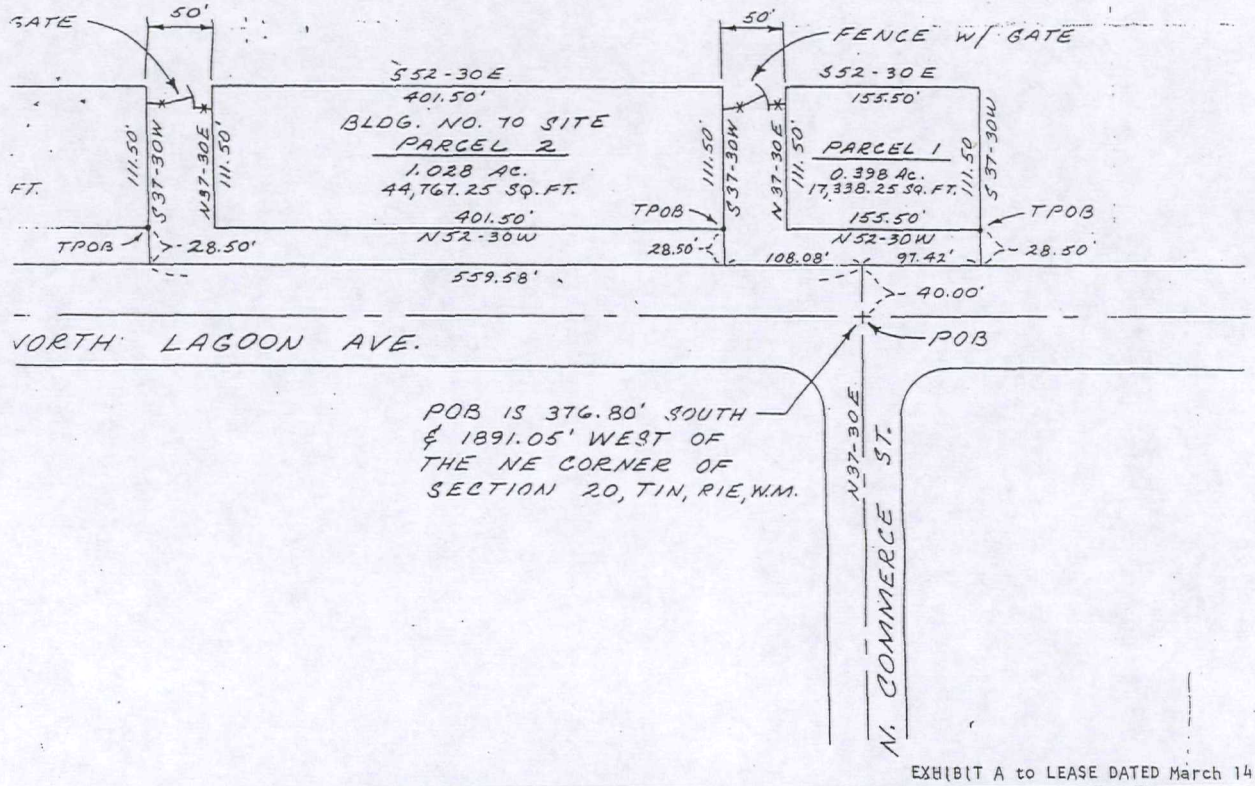


EXHIBIT A to LEASE DATED March 14, 1975

PROJECT MANAGER

THE PORT OF PORTLAND
PORTLAND, OREGON

SWAN ISLAND INDUSTRIAL PARK
EXHIBIT PLAT
CROSBY OVERTON
BLDG. NO. 70

SUBMITTED BY
CET NO. 32956 MGR. TECH. 3.

DRAWING NO.
YA-79-5

Parcel 1

A parcel of land lcoated in Section 20, Township 1 North, Range 1 East, Willamette Meridian, Multnomah County, Oregon, described as follows:

Beginning at the centerline intersection point of North Lagoon Avenue and North Commerce Street, said point being 376.80 feet south and 1,891.05 feet west of the northeast corner of Section 20; thence North 37° 30' East 40.00 feet; thence South 52° 30' East 97.42 feet; thence North 37° 30' East 28.50 feet to the TRUE POINT OF BEGINNING; thence North 52° 30' West 155.50 feet; thence North 37° 30' East 111.50 feet; thence South 52° 30' East 155.50 feet; thence South 37° 30' West 111.50 feet to the TRUE POINT OF BEGINNING, containing 0.398 acres.

Parcel 2

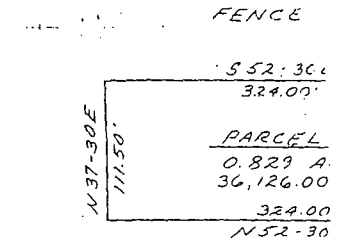
A parcel of land located in Sections 17 and 20, Township 1 North, Range 1 East, Willamette Meridian, Multnomah County, Oregon, described as follows:

Beginning at the centerline intersection point of North Lagoon Avenue and North Commerce Street, said point being 376.80 feet south and 1,891.05 feet west of the northeast corner of Section 20; thence North 37° 30' East 40.00 feet; thence North 52° 30' West 108.08 feet; thence North 37° 30' East 28.50 feet to the TRUE POINT OF BEGINNING; thence North 52° 30' West 401.50 feet; thence North 37° 30' East 111.50 feet; thence South 52° 30' East 401.50 feet; thence South 37° 30' West 111.50 feet to the TRUE POINT OF BEGINNING, containing 1.028 acres.

Parcel 3

A parcel of land located in Section 17, Township 1 North, Range 1 East, Willamette Meridian, Multnomah County, Oregon, described as follows:

Beginning at the centerline intersection point of North Lagoon Avenue and North Commerce Street, said point being 376.80 feet south and 1,891.05 feet west of the northeast corner of Section 20; thence North 37° 30' East 40.00 feet; thence North 52° 30' West 559.58 feet; thence North 37° 30' East 28.50 feet to the TRUE POINT OF BEGINNING; thence North 52° 30' West 324.00 feet; thence North 37° 30' East 111.50 feet; thence South 52° 30' East 324.00 feet; thence South 37° 30' West 111.50 feet to the TRUE POINT OF BEGINNING, containing 0.829 acres.



NO	DATE	BY	REVISIONS	APP'V'D

DESIGNED BY D. CONWI
DRAWN BY K. MC DO
CHECKED BY D. CONW
DATE APRIL
SCALE 1" = 10

EXHIBIT I
Page 25 of 28

EXHIBIT B

A. Port shall retain SRG Partnership, P.C., architects and planners to prepare plans, specifications and site layout for an approximate twelve thousand square feet (12,000 sq. ft.) office/shop building to be located on the site described in Exhibit A. Such plans, specifications and site layout shall be subject to approval by Port and Lessee. If mutual approval is not obtained, then Lessee agrees to reimburse Port for expenses incurred in the preparation of plans, specifications and site plan and this Lease shall be null and void.

B. Subject to approvals in "A" above, the Port shall solicit competitive bids for construction of the office/shop building and site improvements. The low responsive bid shall be subject to approval by Port and Lessee. If mutual approval is not obtained, then Lessee agrees to reimburse Port for expenses incurred in the preparation of plans, specifications and site plan and the solicitation of bids and this Lease shall be null and void.

C. Subject to approvals in "B" above, the Port shall award a contract for construction to the responsive low bidder and proceed with construction, costs of which shall be borne by the Port.

D. On substantial completion of construction, Lessee agrees to accept the building and take possession. The date of possession shall be the date on which the term of this Lease begins.

KC

Agreement to Relinquish Lease

This Agreement dated March 14, 1979, by and between the Port of Portland, a municipal coporation of the State of Oregon, hereinafter referred to as Port, and Crosby & Overton, Inc., a corporation organized under the laws of the State of California, hereinafter referred to as Crosby & Overton.

Ten (10) days after completion of the office/shop building described in the Lease dated March 14, 1979, between the Port and Crosby & Overton, Crosby & Overton agrees to vacate Building 9, Swan Island Ship Repair Yard, and relinquish their lease on said Building 9 and surrounding open space described in the Lease dated June 23, 1966.

IN WITNESS WHEREOF, the parties hereto have subscribed their names.

CROSBY & OVERTON

By _____ President

By _____ Vice President

APPROVED AS TO FORM

_____
Counsel for Crosby & Overton

THE PORT OF PORTLAND

By _____

By _____

APPROVED AS TO FORM

_____
Counsel for
The Port of Portland

APPROVED BY COMMISSION ON

3-14-79

EXHIBIT I

E. On completion of construction the Port shall compute its improvement costs which shall be the basis for the rental computation in Section 3.03 of this Lease. Such improvement costs shall include:

1. SKG and Port costs of development plans, specifications and site layout.

2. Port costs of bid solicitation.

3. Costs of construction and site improvements, including change orders.

4. Port engineering, administration and inspection costs directly attributable to the above.

KC

Spare Parts/Inventory

Quantity	Item
	Compressor Parts
	Compressor Spares
	Cooling Tower Parts
	Cooling Tower Spares
	Chiller Parts
	Chiller Spares
	Pump Parts (Gen.)
	Pump Spares (Gen.)
	Boiler Parts
	Boiler Spares
	Deaerator Parts
	Deaerator Spares
	Refrigeration Equipment
	Refrigeration Consumables (Refrigerant can only be purchased by a licensed refrigeration handler)
1	5F-600, dock fender
3	FB-1240, dock fender
	Piling rub stripes & anchoring systems
	175 lb. crane rail
	131 lb. railroad rail
	Electrical supplies (general) - panels, breakers, hardware, fittings, boxes, motors, transformers, etc.
	Electrical supplies (crane parts) - controls, hardware, brakes, drums, motors, etc.
	Plumbing supplies - drain cleaning machine, backflow devices, fixtures, etc.
	Mechanical supplies (crane parts) - gear boxes, wheels, gears, shafts, etc.
	Dry dock parts
	Crane parts - Hitacho
	Crane parts - Washington
	Crane parts - Stage
	Hardware - nuts, bolts, pipe and hydrant fittings
	Hand tools: wrenches, hammers, socket sets, bars, pliers
	Tooling (machine tools) reams, holders, drills, taps, vices
1	1400' Crane bologna (new)
1	Staging crane bologna - @600' (new)
7	Travel motors for Hitachi and Washington cranes

Spare Parts/Inventory

Quantity	Item
2	Slew motors for Washington cranes
	Contractors for American, Washington and Clyde cranes
1	150 HP GE motor
2	15 HP bridge crane 5-ton hoist motors
	Assorted small horsepower motors for CUB pumps
1 ton	Copper Buss
	Spare crane drive circuit boards
	Spare crane electrical parts (misc.)
	Spare crane scale parts
	Seaboard receiver and circuit boards

EQUIPMENT NUMBER	TASK ID	LOC DESCRIPTION	PROCEDURE	LEAD GROUP	FREQUENCY CYCLE	UNITS	FREQ TYPE	COMP DATE	DUE DATE	CHECK LIST
110000	01	DRYDOCK NO 1	WINTERIZE	01	12	M	FA	021194	10/01/95	0000
110000	02	DRYDOCK NO 1	WINTERIZE	02	12	M	FA	100594	10/01/95	0000
110000	10	DRYDOCK NO 1	BI-WEEKLY PM	01	02	W	FA	051895	06/20/95	
110000	12	DRYDOCK NO 1	QUARTERLY/ANNUAL	01	12	M	FA	032693	02/06/96	EAD1
110000	13	DRYDOCK NO 1	QUARTERLY/ANNUAL	01	03	M	FA	100594	08/01/95	EQD1
110000	21	DRYDOCK NO 1	MONTHLY/QUARTERLY/ANNUAL	02	01	M	FA	072992	03/30/92	MMD1
110000	22	DRYDOCK NO 1	MONTHLY/QUARTERLY/ANNUAL	02	12	M	FA	051595	02/06/96	MAD1
110000	23	DRYDOCK NO 1	MONTHLY/QUARTERLY/ANNUAL	02	03	M	FA	100594	08/01/95	MQD1
110000	36	DRYDOCK NO 1	SEMIANNUAL	03	06	M	FA	091694	08/01/95	CSDD
110000	41	DRYDOCK NO 1	MONTHLY	10	01	M	FA	081590	03/30/90	UMDD
110000	46	DRYDOCK NO 1	SEMIANNUAL-R	10	06	M	FA	091394	08/01/95	URDD
110000	76	DRYDOCK NO 1	SEMIANNUAL	07	06	M	FA	000000	02/06/89	DSDD
110331	22	DRYDOCK NO 1	FIRE HOSE TESTING	02	12	M	FA	000000	04/01/96	MAFH
115550	12	DRYDOCK NO 1	ELECTRICAL CONTROL INSP.	01	12	M	FA	030795	02/06/96	ECD1
115551	22	DRYDOCK NO 1	MECHANICAL CONTROL INSP.	02	12	M	FA	041994	02/06/96	MCD1
115552	24	DRYDOCK NO 1	STRUCTURAL CONTROL INSP.	02	24	M	FA	120793	02/06/97	MSD1
115553	44	DRYDOCK NO 1	UTILITY CONTROL INSP.	10	24	M	FA	021893	02/06/97	UCD1
130000	01	DRYDOCK NO 3	WINTERIZE	01	12	M	FA	021194	10/01/95	0000
130000	02	DRYDOCK NO 3	WINTERIZE	02	12	M	FA	100694	10/01/95	0000
130331	22	DRYDOCK NO 3	FIRE HOSE TESTING	02	12	M	FA	000000	04/01/96	MAFH
131000	01	DRYDOCK NO 3 - PORTSIDE	MONTHLY	02	01	M	FA	051595	06/19/95	PC09
131000	02	DRYDOCK NO 3 - PORTSIDE	SEMIANNUAL	03	06	M	FA	061494	11/20/95	C103
131000	03	DRYDOCK NO 3 - PORTSIDE	SEMIANNUAL	07	06	M	FA	100694	11/20/95	D100
131000	04	DRYDOCK NO 3 - PORTSIDE	MONTHLY - U	10	01	M	FA	030995	06/19/95	U107
131000	05	DRYDOCK NO 3 - PORTSIDE	SEMIANNUAL - R	10	06	M	FA	081294	11/20/95	R100
131000	06	DRYDOCK NO 3 - PORTSIDE	QRTLY/ANNUAL	01	03	M	FA	100694	09/01/95	PC03
132000	01	DRYDOCK NO 3 - STARBOARD	MONTHLY	02	01	M	FA	051595	06/19/95	PC10
132000	02	DRYDOCK NO 3 - STARBOARD	SEMIANNUAL	03	06	M	FA	081294	11/20/95	C103
132000	03	DRYDOCK NO 3 - STARBOARD	MONTHLY - U	10	01	M	FA	C60995	06/19/95	U107
132000	04	DRYDOCK NO 3 - STARBOARD	SEMIANNUAL - R	10	06	M	FA	081294	11/20/95	R100
132000	06	DRYDOCK NO 3 - STARBOARD	QRTLY/ANNUAL	01	03	M	FA	100694	09/01/95	PC04
135550	12	DRYDOCK NO 3	ELECTRICAL CONTROL INSP.	01	12	M	FA	081294	03/06/96	ECD3
135551	22	DRYDOCK NO 3	MECHANICAL CONTROL INSP.	02	12	M	FA	050594	03/06/96	MCD3
135552	24	DRYDOCK NO 3	STRUCTURAL CONTROL INSP.	02	24	M	FA	012094	03/06/97	MSD3
135553	44	DRYDOCK NO 3	UTILITY CONTROL INSP.	10	24	M	FA	031891	03/06/97	UCD3
135554	94	DRYDOCK NO 3	CRANE CONTROL INSP.	09	24	M	FA	000000	11/01/95	CSD3
140000	01	DRYDOCK NO 4	WINTERIZE	01	12	M	FA	021194	10/01/95	0000
140000	02	DRYDOCK NO 4	WINTERIZE	02	12	M	FA	100694	10/01/95	0000
140000	12	DRYDOCK NO 4	ANNUAL P.M.	01	12	M	FA	040594	02/01/96	EAD4
140000	13	DRYDOCK NO 4	QUARTERLY P.M.	01	03	M	FA	011094	08/01/95	EQD4
140000	21	DRYDOCK NO 4	MONTHLY P.M.	02	01	M	FA	051595	07/01/95	MMD4
140000	22	DRYDOCK NO 4	ANNUAL P.M.	02	12	M	FA	031294	02/01/96	MAD4
140000	23	DRYDOCK NO 4	QUARTERLY P.M.	02	03	M	FA	090294	08/01/95	MQD4
140331	22	DRYDOCK NO 4	FIRE HOSE TESTING	02	12	M	FA	000000	04/01/96	MAFH

EQUIPMENT NUMBER	TASK ID	LOC DESCRIPTION	PROCEDURE	LEAD GROUP	FREQUENCY CYCLE	UNITS	FREQ TYPE	COMP DATE	DUE DATE	CHECK LIST
141000	02	DRYDOCK NO 4 - PORTSIDE	SEMIANNUAL	03	06	M	FA	061594	11/20/95	C103
141000	03	DRYDOCK NO 4 - PORTSIDE	SEMIANNUAL	07	06	M	FA	100694	11/20/95	D100
141000	04	DRYDOCK NO 4 - PORTSIDE	MONTHLY - U	10	01	M	FA	060995	06/19/95	U107
141000	05	DRYDOCK NO 4 - PORTSIDE	SEMIANNUAL - R	10	06	M	FA	081294	11/20/95	R100
141000	06	DRYDOCK NO 4 - PORTSIDE	QRTLY/ANNUAL	01	03	M	FA	100694	09/01/95	EQD4
141200	23	DRYDOCK NO 4 - PORTSIDE	REQUIRED INSPECTION	02	03	M	FA	000000	08/01/95	MERW
141402	23	DRYDOCK NO 4 - PORTSIDE	QUARTERLY P.M.	02	03	M	FA	051995	08/01/95	MQDW
142000	02	DRYDOCK NO 4 - STARBOARD	SEMIANNUAL	03	06	M	FA	061494	11/20/95	C103
142000	03	DRYDOCK NO 4 - STARBOARD	MONTHLY - U	10	01	M	FA	060995	06/19/95	U107
142000	04	DRYDOCK NO 4 - STARBOARD	SEMIANNUAL - R	10	06	M	FA	081294	11/20/95	R100
142000	06	DRYDOCK NO 4 - STARBOARD	QRTLY/ANNUAL	01	03	M	FA	100694	09/01/95	EQD4
142402	23	DRYDOCK NO 4 - STARBOARD	QUARTERLY P.M.	02	03	M	FA	051995	08/01/95	MQDW
142493	21	DRYDOCK NO 4 - STARBOARD	P.M. / HOUR	02	01	M	FA	052295	07/01/95	MD4G
142495	26	DRYDOCK NO 4 - STARBOARD	SEMI/ANNUAL	02	06	M	FA	051595	11/01/95	MEYE
145550	12	DRYDOCK NO 4	ELECTRICAL CONTROL INSP.	01	12	M	FA	030795	02/15/96	ECD4
145551	22	DRYDOCK NO 4	MECHANICAL CONTROL INSP.	02	12	M	FA	100694	02/15/96	MCD4
145552	24	DRYDOCK NO 4	STRUCTURAL CONTROL INSP.	02	24	M	FA	120793	02/15/97	MSD4
145553	44	DRYDOCK NO 4	UTILITY CONTROL INSP.	10	24	M	FA	021893	02/15/97	UCD4
145554	94	DRYDOCK NO 4	CRANE CONTROL INSP.	09	24	M	FA	000000	02/15/97	CSD4
145555	34	DRYDOCK NO 4	CARPENTER CONTROL INSP.	03	24	M	FA	042393	02/15/97	CCD4
200251	12	ALL CRANES	WINTERIZE CRANES	01	12	M	FA	021194	10/01/95	0000
200251	92	ALL CRANES	WINTERIZE CRANES	09	12	M	FA	000000	10/01/95	0000
200252	12	ALL CRANES	WINTERIZE CRANES	01	12	M	FA	021194	10/01/95	0000
200252	92	ALL CRANES	WINTERIZE CRANES	09	12	M	FA	000000	10/01/95	0000
201000	11	CRANE NO 1	MONTHLY ELECTRICAL P.M.	01	01	M	FA	051895	07/06/95	EMWC
201000	12	CRANE NO 1	ANNUAL ELECTRICAL P.M.	01	12	M	FA	021194	01/06/96	EAWC
201000	16	CRANE NO 1	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	090793	07/06/95	ESWC
201000	22	CRANE NO 1	ANNAUL MECHANICAL P.M.	02	12	M	FA	021194	01/06/96	MAWC
201000	23	CRANE NO 1	QUARTERLY MECH. P.M.	02	03	M	FA	103194	10/06/95	MQWC
201000	26	CRANE NO 1	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	081693	07/06/95	MSWC
201000	42	CRANE NO 1	ANNUAL RIGGING P.M.	10	12	M	FA	100694	01/06/96	RAGC
201000	46	CRANE NO 1	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	100694	07/06/95	RSGC
201000	94	CRANE NO 1	QUADRENNIAL INSP.	09	48	M	FA	000000	08/01/97	NONE
202000	11	CRANE NO 2	MONTHLY ELECTRICAL P.M.	01	01	M	FA	092994	07/01/95	EMWC
202000	12	CRANE NO 2	ANNUAL ELECTRICAL P.M.	01	12	M	FA	062494	04/01/96	EAWC
202000	16	CRANE NO 2	SEMI/ANNUAL ELEC P.M.	01	06	M	FA	011394	10/01/95	ESWC
202000	22	CRANE NO 2	ANNUAL MECHANICAL P.M.	02	12	M	FA	040293	04/01/96	MAWC
202000	23	CRANE NO 2	QUARTERLY MECH. P.M.	02	03	M	FA	021194	07/01/95	MQWC
202000	26	CRANE NO 2	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	103194	10/01/95	MSWC
202000	42	CRANE NO 2	ANNUAL RIGGING P.M.	10	12	M	FA	011394	04/01/96	RAGC
202000	46	CRANE NO 2	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	100594	10/01/95	RSGC
202000	94	CRANE NO 2	QUADRENNIAL INSP.	09	48	M	FA	000000	05/21/99	NONE
203000	11	CRANE NO 3	MONTHLY ELECTRICAL P.M.	01	01	M	FA	052395	07/06/95	EMWC
203000	12	CRANE NO 3	ANNAUL ELECTRICAL P.M.	01	12	M	FA	030794	01/06/96	EAWC

EQUIPMENT NUMBER	TASK ID	LOC DESCRIPTION	PROCEDURE	LEAD GROUP	FREQUENCY CYCLE	UNITS	FREQ TYPE	COMP DATE	DUE DATE	CHECK LIST
203000	16	CRANE NO 3	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	090793	07/06/95	ESWC
203000	22	CRANE NO 3	ANNUAL MECHANICAL P.M.	02	12	M	FA	020394	01/06/96	MAWC
203000	23	CRANE NO 3	QUARTERLY MECHANICAL PM.	02	03	M	FA	103194	10/06/95	MQWC
203000	26	CRANE NO 3	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	081693	07/06/95	MSWC
203000	42	CRANE NO 3	ANNUAL RIGGING P.M.	10	12	M	FA	100694	01/06/96	RAGC
203000	46	CRANE NO 3	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	100594	07/06/95	RSGC
203000	94	CRANE NO 3	QUADRENNIAL INSP.	09	48	M	FA	000000	03/01/96	NONE
204000	11	CRANE NO 4	MONTHLY ELECTRICAL P.M.	01	01	M	FA	052395	07/06/95	EMWC
204000	12	CRANE NO 4	ANNUAL ELCTRICAL P.M.	01	12	M	FA	030794	01/06/96	EAWC
204000	16	CRANE NO 4	SEMI/ANNUAL ELECT. P.M.	01	06	M	FA	090793	07/06/95	ESWC
204000	22	CRANE NO 4	ANNUAL MECHANICAL P.M.	02	12	M	FA	020394	01/06/96	MAWC
204000	23	CRANE NO 4	QUARTERLY MECHANICAL P.M	01	03	M	FA	061394	10/06/95	MQWC
204000	26	CRANE NO 4	SEMI/ANNUAL MECH. P.M.	01	06	M	FA	081693	07/06/95	MSWC
204000	42	CRANE NO 4	ANNUAL RIGGING P.M.	10	12	M	FA	100694	01/06/96	RAGC
204000	46	CRANE NO 4	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	011394	07/06/95	RSGC
204000	94	CRANE NO 4	QUADRENNIAL INSP.	09	48	M	FA	000000	08/01/97	NONE
205000	11	CRANE NO 5	MONTHLY ELECTRICAL P.M.	01	01	M	FA	051895	07/06/95	EMWC
205000	12	CRANE NO 5	ANNUAL ELCETRICAL P.M.	01	12	M	FA	090793	07/06/95	EAWC
205000	16	CRANE NO 5	SEMI/ANNUAL ELECT. P.M.	01	06	M	FA	021494	01/06/96	ESWC
205000	22	CRANE NO 5	ANNUAL MECHANICAL P.M.	02	12	M	FA	080493	07/06/95	MAWC
205000	23	CRANE NO 5	QUARTERLY MECHANICAL P.M	02	03	M	FA	062494	10/06/95	MQWC
205000	26	CRANE NO 5	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	020394	01/06/96	MSWC
205000	42	CRANE NO 5	ANNUAL RIGGING P.M.	10	12	M	FA	100593	07/06/95	RAGC
205000	46	CRANE NO 5	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	100694	01/06/96	RSGC
205000	94	CRANE NO 5	QUADRENNIAL INSP.	09	48	M	FA	000000	01/14/99	NONE
206000	11	CRANE NO 6	MONTHLY ELECTRICAL P.M.	01	01	M	FA	060995	07/01/95	EMWC
206000	12	CRANE NO 6	ANNAUL ELECTRICAL P. M.	01	12	M	FA	062494	04/01/96	EAWC
206000	16	CRANE NO 6	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	011394	10/01/95	ESWC
206000	22	CRANE NO 6	ANNUAL MECHANICAL P.M.	02	12	M	FA	061394	04/01/96	MAWC
206000	23	CRANE NO 6	QUARTERLY MECH. P.M.	02	03	M	FA	021194	07/01/95	MQWC
206000	26	CRANE NO 6	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	112993	10/01/95	MSWC
206000	42	CRANE NO 6	ANNUAL RIGGING P.M.	10	12	M	FA	011394	04/01/96	RAGC
206000	46	CRANE NO 6	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	011394	10/01/95	RSGC
206000	94	CRANE NO 6	QUADRENNIAL INSP.	09	48	M	FA	000000	11/09/98	NONE
207000	11	CRANE NO 7	MONTHLY ELECTRICAL P.M.	01	01	M	FA	051795	07/01/95	EMWC
207000	12	CRANE NO 7	ANNAUL ELECTRICAL P. M.	01	12	M	FA	011394	10/01/95	EAWC
207000	16	CRANE NO 7	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	062494	10/01/95	ESWC
207000	22	CRANE NO 7	ANNUAL MECHANICAL P.M.	02	12	M	FA	112993	10/01/95	MAWC
207000	23	CRANE NO 7	QUARTERLY MECH. P.M.	02	03	M	FA	021194	07/01/95	MQWC
207000	26	CRANE NO 7	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	061394	10/01/95	MSWC
207000	42	CRANE NO 7	ANNUAL RIGGING P.M.	10	12	M	FA	100693	10/01/95	RAGC
207000	46	CRANE NO 7	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	042393	10/01/95	RSGC
207000	94	CRANE NO 7	QUADRENNIAL INSP.	09	48	M	FA	000000	11/09/98	NONE
208000	11	CRANE NO 8	MONTHLY ELECTRICAL P.M.	01	01	M	FA	051795	08/01/95	EMWC

EQUIPMENT NUMBER	TASK ID	LOC DESCRIPTION	PROCEDURE	LEAD GROUP	FREQUENCY CYCLE	UNITS	FREQ TYPE	COMP DATE	DUE DATE	CHECK LIST
208000	12	CRANE NO 8	ANNAUL ELECTRICAL P. M.	01	12	M	FA	090793	07/01/95	EAWC
208000	16	CRANE NO 8	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	021194	01/01/96	ESWC
208000	22	CRANE NO 8	ANNUAL MECHANICAL P.M.	02	12	M	FA	080493	07/01/95	MAWC
208000	23	CRANE NO 8	QUARTERLY MECH. P.M.	02	03	M	FA	061394	10/01/95	MQWC
208000	26	CRANE NO 8	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	020394	01/01/96	MSWC
208000	42	CRANE NO 8	ANNUAL RIGGING P.M.	10	12	M	FA	072193	07/01/95	RAGC
208000	46	CRANE NO 8	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	100694	01/01/96	RSGC
208000	94	CRANE NO 8	QUADRENNIAL INSP.	09	48	M	FA	000000	11/04/95	NONE
209000	11	CRANE NO 9	MONTHLY ELECTRICAL P.M.	01	01	M	FA	092994	07/01/95	EMCC
209000	12	CRANE NO 9	ANNAUL ELECTRICAL P. M.	01	12	M	FA	011394	10/01/95	EACC
209000	16	CRANE NO 9	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	062494	10/01/95	ESCC
209000	22	CRANE NO 9	ANNUAL MECHANICAL P.M.	02	12	M	FA	103194	10/01/95	MACC
209000	23	CRANE NO 9	QUARTERLY MECH. P.M.	02	03	M	FA	022294	07/01/95	MQCC
209000	26	CRANE NO 9	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	100694	10/01/95	MSCC
209000	42	CRANE NO 9	ANNUAL RIGGING P.M.	10	12	M	FA	101893	10/01/95	RAGC
209000	46	CRANE NO 9	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	100694	10/01/95	RSGC
209000	94	CRANE NO 9	QUADRENNIAL INSP.	09	48	M	FA	000000	11/01/96	NONE
210000	11	CRANE NO 1A	MONTHLY ELECTRICAL P.M.	01	01	M	FA	100694	07/01/95	EMAC
210000	12	CRANE NO 1A	ANNUAL ELECTRICAL P.M.	01	12	M	FA	062494	04/01/96	EAAC
210000	16	CRANE NO 1A	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	011394	10/01/95	ESAC
210000	22	CRANE NO 1A	ANNUAL MECHANICAL P.M.	02	12	M	FA	040793	04/01/96	MAAC
210000	23	CRANE NO 1A	QUARTERLY MECH P.M.	02	03	M	FA	020394	07/01/95	MQAC
210000	26	CRANE NO 1A	SEMI/ANNUAL MECH P.M.	02	06	M	FA	103194	10/01/95	MSAC
210000	42	CRANE NO 1A	ANNUAL RIGGING P.M.	10	12	M	FA	040693	04/01/96	RAGC
210000	46	CRANE NO 1A	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	102293	10/01/95	RSGC
210000	94	CRANE NO 1A	QUADRENNIAL INSP.	09	48	M	FA	000000	08/01/97	NONE
211000	11	CRANE NO 11	MONTHLY ELECTRICAL P.M.	01	01	M	FA	092794	08/01/95	EMHC
211000	12	CRANE NO 11	ANNAUL ELECTRICAL P. M.	01	12	M	FA	090793	07/01/95	EAHC
211000	16	CRANE NO 11	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	042294	01/01/96	ESHC
211000	22	CRANE NO 11	ANNUAL MECHANICAL P.M.	02	12	M	FA	081693	07/01/95	MAHC
211000	23	CRANE NO 11	QUARTERLY MECH. P.M.	02	03	M	FA	103194	10/01/95	MQHC
211000	26	CRANE NO 11	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	021194	01/01/96	MSHC
211000	42	CRANE NO 11	ANNUAL RIGGING P.M.	10	12	M	FA	101893	07/01/95	RAGC
211000	46	CRANE NO 11	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	100694	01/01/96	RSGC
211000	94	CRANE NO 11	QUADRENNIAL INSP.	09	48	M	FA	000000	06/05/99	NONE
212000	11	CRANE NO 12	MONTHLY ELECTRICAL P.M.	01	01	M	FA	100694	07/01/95	EMHC
212000	12	CRANE NO 12	ANNAUL ELECTRICAL P. M.	01	12	M	FA	081294	04/01/96	EAHC
212000	16	CRANE NO 12	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	011394	10/01/95	ESHC
212000	22	CRANE NO 12	ANNUAL MECHANICAL P.M.	02	12	M	FA	043093	04/01/96	MAHC
212000	23	CRANE NO 12	QUARTERLY MECH. P.M.	02	03	M	FA	022294	07/01/95	MQHC
212000	26	CRANE NO 12	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	103194	10/01/95	MSHC
212000	42	CRANE NO 12	ANNUAL RIGGING P.M.	10	12	M	FA	011394	04/01/96	RAGC
212000	46	CRANE NO 12	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	100894	10/01/95	RSGC
212000	94	CRANE NO 12	QUADRENNIAL INSP.	09	48	M	FA	000000	06/05/99	NONE

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214000	11	CRANE NO 14	MONTHLY ELECTRICAL P.M.	01	01	M	FA	100694	07/01/95	EMHC
214000	12	CRANE NO 14	ANNAUL ELECTRICAL P. M.	01	12	M	FA	042495	10/01/95	EAHC
214000	16	CRANE NO 14	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	081294	10/01/95	ESHC
214000	22	CRANE NO 14	ANNUAL MECHANICAL P.M.	02	12	M	FA	103194	10/01/95	MAHC
214000	23	CRANE NO 14	QUARTERLY MECH. P.M.	02	03	M	FA	012694	07/01/95	MQHC
214000	26	CRANE NO 14	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	050393	10/01/95	MSHC
214000	42	CRANE NO 14	ANNUAL RIGGING P.M.	10	12	M	FA	011394	10/01/95	RAGC
214000	46	CRANE NO 14	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	011394	10/01/95	RSGC
214000	94	CRANE NO 14	QUADRENNIAL INSP.	09	48	M	FA	000000	06/05/99	NONE
215000	11	CRANE NO 15	MONTHLY ELECTRICAL P.M.	01	01	M	FA	101294	08/01/95	EMHC
215000	12	CRANE NO 15	ANNAUL ELECTRICAL P. M.	01	12	M	FA	090793	07/01/95	EAHC
215000	16	CRANE NO 15	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	021194	01/01/96	ESHC
215000	22	CRANE NO 15	ANNUAL MECHANICAL P.M.	02	12	M	FA	100693	07/01/95	MAHC
215000	23	CRANE NO 15	QUARTERLY MECH. P.M.	02	03	M	FA	103194	10/01/95	MQHC
215000	26	CRANE NO 15	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	012094	01/01/96	MSHC
215000	42	CRANE NO 15	ANNUAL RIGGING P.M.	10	12	M	FA	000000	07/01/95	RAGC
215000	46	CRANE NO 15	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	100694	01/01/96	RSGC
215000	94	CRANE NO 15	QUADRENNIAL INSP.	09	48	M	FA	000000	05/24/99	NONE
216000	11	CRANE NO 16	MONTHLY ELECTRICAL P.M.	01	01	M	FA	091694	08/01/95	EMHC
216000	12	CRANE NO 16	ANNUAL ELCTRICAL P.M.	01	12	M	FA	042294	01/01/96	EAHC
216000	16	CRANE NO 16	SEMI/ANNUAL ELECT. P.M.	01	06	M	FA	090793	07/01/95	ESHC
216000	22	CRANE NO 16	ANNUAL MECHANICAL P.M.	02	12	M	FA	012094	01/01/96	MAHC
216000	23	CRANE NO 16	QUARTERLY MECHANICAL P.M	01	03	M	FA	112993	10/01/95	MQHC
216000	26	CRANE NO 16	SEMI/ANNUAL MECH. P.M.	01	06	M	FA	081693	07/01/95	MSHC
216000	42	CRANE NO 16	ANNUAL RIGGING P.M.	10	12	M	FA	100694	01/01/96	RAGC
216000	46	CRANE NO 16	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	102293	07/01/95	RSGC
216000	94	CRANE NO 16	QUADRENNIAL INSP.	09	48	M	FA	000000	06/04/99	NONE
217000	11	CRANE NO 17	MONTHLY ELECTRICAL P.M.	01	01	M	FA	100694	07/01/95	EMHC
217000	12	CRANE NO 17	ANNAUL ELECTRICAL P. M.	01	12	M	FA	011394	10/01/95	EAHC
217000	16	CRANE NO 17	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	081294	10/01/95	ESHC
217000	22	CRANE NO 17	ANNUAL MECHANICAL P.M.	02	12	M	FA	112993	10/01/95	MAHC
217000	23	CRANE NO 17	QUARTERLY MECH. P.M.	02	03	M	FA	012694	07/01/95	MQHC
217000	26	CRANE NO 17	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	071594	10/01/95	MSHC
217000	42	CRANE NO 17	ANNUAL RIGGING P.M.	10	12	M	FA	011394	10/01/95	RAGC
217000	46	CRANE NO 17	SEMI/ANNUAL RIGGING P.M.	10	06	M	FA	011394	10/01/95	RSGC
217000	94	CRANE NO 17	QUADRENNIAL INSP.	09	48	M	FA	000000	05/22/99	NONE
218000	14	CRANE NO 18	ANNAUL P.M.	01	01	D	FF	000000	04/25/94	EAA8
218000	18	CRANE NO 18	SEMI-ANNUAL P.M.	01	07	D	FF	000000	02/14/94	ESA8
218000	24	CRANE NO 18	ANNUAL P.M.	01	01	D	FF	000000	04/25/94	MAA8
218000	28	CRANE NO 18	SEMI-ANNUAL P.M.	01	07	D	FF	000000	02/14/94	MSA8
218000	29	CRANE NO 18	QUARTERLY P.M.	01	07	D	FF	000000	02/21/94	MQA8
221000	12	HYDRAULIC CRANE NO 1	ANNAUL ELECTRICAL P. M.	01	12	M	FA	011394	11/01/95	EASC
221000	13	HYDRAULIC CRANE NO 1	QUARTERLY ELEC. P.M.	01	03	M	FA	100594	08/01/95	EQSC
221000	16	HYDRAULIC CRANE NO 1	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	081294	11/01/95	ESSC

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221000	22	HYDRAULIC CRANE NO 1	ANNUAL MECHANICAL P.M.	02	12	M	FA	103194	11/01/95	MASC
221000	23	HYDRAULIC CRANE NO 1	QUARTERLY MECH. P.M.	02	03	M	FA	103194	08/01/95	MQSC
221000	26	HYDRAULIC CRANE NO 1	SEMI/ANNUAL MECH P.M.	02	06	M	FA	102693	11/01/95	MSSC
222000	12	HYDRAULIC CRANE NO 2	ANNAUL ELECTRICAL P. M.	01	12	M	FA	011394	11/01/95	EASC
222000	13	HYDRAULIC CRANE NO 2	QUARTERLY ELEC. P.M.	01	03	M	FA	100594	08/01/95	EQSC
222000	16	HYDRAULIC CRANE NO 2	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	081294	11/01/95	ESSC
222000	22	HYDRAULIC CRANE NO 2	ANNUAL MECHANICAL P.M.	02	12	M	FA	103194	11/01/95	MASC
222000	23	HYDRAULIC CRANE NO 2	QUARTERLY MECH. P.M.	02	03	M	FA	103194	08/01/95	MQSC
222000	26	HYDRAULIC CRANE NO 2	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	102693	11/01/95	MSSC
223000	12	HYDRAULIC CRANE NO 3	ANNAUL ELECTRICAL P. M.	01	12	M	FA	100594	08/01/95	EASC
223000	13	HYDRAULIC CRANE NO 3	QUARTERLY ELEC. P.M.	01	03	M	FA	081294	08/01/95	EQSC
223000	16	HYDRAULIC CRANE NO 3	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	042294	08/01/95	ESSC
223000	22	HYDRAULIC CRANE NO 3	ANNUAL MECHANICAL P.M.	02	12	M	FA	103194	08/01/95	MASC
223000	23	HYDRAULIC CRANE NO 3	QUARTERLY MECH. P.M.	02	03	M	FA	103194	08/01/95	MQSC
223000	26	HYDRAULIC CRANE NO 3	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	030794	08/01/95	MSSC
224000	12	HYDRAULIC CRANE NO 4	ANNAUL ELECTRICAL P. M.	01	12	M	FA	100594	08/01/95	EASC
224000	13	HYDRAULIC CRANE NO 4	QUARTERLY ELEC. P.M.	01	03	M	FA	081294	08/01/95	EQSC
224000	16	HYDRAULIC CRANE NO 4	SEMI/ANNUAL ELECT P.M.	01	06	M	FA	061394	08/01/95	ESSC
224000	22	HYDRAULIC CRANE NO 4	ANNUAL MECHANICAL P.M.	02	12	M	FA	103194	08/01/95	MASC
224000	23	HYDRAULIC CRANE NO 4	QUARTERLY MECH. P.M.	02	03	M	FA	103194	08/01/95	MQSC
224000	26	HYDRAULIC CRANE NO 4	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	030794	08/01/95	MSSC
230000	01	UNKNOWN	QUARTERLY 1/2	01	03	M	FA	000000	08/01/85	E605
231000	01	UNKNOWN	QUARTERLY 1/2	01	03	M	FA	083085	11/30/85	E605
232000	01	UNKNOWN	QUARTERLY 1/2	01	03	M	FA	010386	04/03/86	E605
233000	01	UNKNOWN	QUARTERLY 1/2	01	03	M	FA	000000	08/01/85	E605
234000	01	UNKNOWN	QUARTERLY 1/2	01	03	M	FA	010386	04/03/86	E605
235000	01	UNKNOWN	QUARTERLY 1/2	01	03	M	FA	010386	04/03/86	E605
236000	01	UNKNOWN	QUARTERLY 1/2	01	03	M	FA	010386	04/03/86	E605
242000	01	SRY NORTH BAY	QUARTERLY 1/2	01	03	M	FA	000000	09/01/85	E605
243000	01	SRY SOUTH BAY	QUARTERLY 1/2	01	03	M	FA	000000	09/01/85	E605
300251	12	ALL BERTHS	WINTERIZE YARD	01	12	M	FA	021194	10/01/95	0000
300251	22	ALL BERTHS	WINTERIZE YARD	02	12	M	FA	100594	10/01/95	0000
300251	32	ALL BERTHS	WINTERIZE YARD	03	12	M	FA	100594	10/01/95	0000
300252	12	ALL BERTHS	WINTERIZE YARD	01	12	M	FA	021194	10/01/95	0000
300252	22	ALL BERTHS	WINTERIZE YARD	02	12	M	FA	100594	10/01/95	0000
300252	32	ALL BERTHS	WINTERIZE YARD	03	12	M	FA	100594	10/01/95	0000
300711	31	ALL BERTHS	O.Y. FENDERING P.M.	03	02	M	FA	041295	08/01/95	NONE
300716	33	ALL BERTHS	OLD YARD CRANE RAIL	03	03	M	FA	102194	07/30/95	CQRO
300720	43	ALL BERTHS	OIL BOOM P.M.	10	03	M	FA	050395	07/12/95	UQ08
300725	43	ALL BERTHS	O.Y.LIFE RING P.M.	10	03	M	FA	012095	09/01/95	NONE
300726	43	ALL BERTHS	N.Y. LIFE RING P.M.	10	03	M	FA	032395	09/01/95	NONE
300811	31	ALL BERTHS	N.Y.FENDERING P.M.	03	02	M	FA	041295	08/01/95	NONE
300816	33	ALL BERTHS	NEW YARD CRANE RAIL	03	03	M	FA	041295	07/30/95	CQRN
301000	01	BERTH NO 301	QUARTERLY/ANNUAL	01	03	M	FA	042495	07/24/95	E404

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301000	02	BERTH NO 301	SEMIANNUAL	02	06	M	FA	051595	10/24/95	M324
301000	03	BERTH NO 301	SEMIANNUAL	03	06	M	FA	041895	10/24/95	CQPO
301000	04	BERTH NO 301	QUARTERLY - U	10	03	M	FA	041995	07/24/95	UQPO
302000	01	BERTH NO 302	QUARTERLY/ANNUAL	01	03	M	FA	042495	07/24/95	E404
302000	02	BERTH NO 302	SEMIANNUAL	02	06	M	FA	051595	10/14/95	M325
302000	03	BERTH NO 302	SEMIANNUAL	03	06	M	FA	041895	10/24/95	CQPO
302000	04	BERTH NO 302	QUARTERLY - U	10	03	M	FA	041995	07/24/95	UQPO
303000	01	BERTH NO 303	QUARTERLY/ANNUAL	01	03	M	FA	011494	07/04/95	E403
303000	02	BERTH NO 303	SEMIANNUAL	02	06	M	FA	101294	10/14/95	M325
303000	03	BERTH NO 303	SEMIANNUAL	03	06	M	FA	050494	10/24/95	CQPO
303000	04	BERTH NO 303	QUARTERLY - U	10	03	M	FA	051895	08/13/95	UQPO
304000	01	BERTH NO 304	QUARTERLY/ANNUAL	01	03	M	FA	042495	07/24/95	E403
304000	02	BERTH NO 304	SEMIANNUAL	02	06	M	FA	051595	10/18/95	M326
304000	03	BERTH NO 304	SEMIANNUAL	03	06	M	FA	101194	10/24/95	CQPO
304000	04	BERTH NO 304	QUARTERLY - U	10	03	M	FA	051895	08/13/95	UQPO
305000	01	BERTH NO 305	QUARTERLY/ANNUAL	01	03	M	FA	042495	07/24/95	E403
305000	02	BERTH NO 305	SEMIANNUAL	02	06	M	FA	051595	10/18/95	M326
305000	03	BERTH NO 305	SEMIANNUAL	03	06	M	FA	050494	10/24/95	CQPO
305000	04	BERTH NO 305	QUARTERLY - U	10	03	M	FA	041995	07/24/95	UQPO
306000	01	BERTH NO 306	ANNUAL	01	12	M	FA	011394	11/18/95	E407
306000	02	BERTH NO 306	ANNUAL	02	12	M	FA	120693	10/31/95	NONE
306000	03	BERTH NO 306	SEMIANNUAL	03	06	M	FA	050195	10/24/95	CQPO
306000	04	BERTH NO 306	QUARTERLY - U	10	03	M	FA	041995	07/24/95	UQPO
307000	01	BERTH NO 307	ANNUAL	01	12	M	FA	011394	11/18/95	E407
307000	02	BERTH NO 307	ANNUAL	02	12	M	FA	120693	10/31/95	NONE
307000	03	BERTH NO 307	SEMIANNUAL	03	06	M	FA	051894	11/15/95	CQPO
307000	04	BERTH NO 307	QUARTERLY - U	10	03	M	FA	051895	08/14/95	UQPO
308000	01	BERTH NO 308	ANNUAL	01	12	M	FA	011394	11/18/95	E407
308000	02	BERTH NO 308	ANNUAL	02	12	M	FA	120693	10/31/95	NONE
308000	03	BERTH NO 308	SEMIANNUAL	03	06	M	FA	051894	11/15/95	CQPO
308000	04	BERTH NO 308	QUARTERLY - U	10	03	M	FA	052395	07/10/95	UQPO
309000	01	BERTH NO 309	SEMIANNUAL	01	06	M	FA	011394	11/15/95	E406
309000	02	BERTH NO 309	SEMIANNUAL	02	06	M	FA	061394	11/15/95	M327
309000	03	BERTH NO 309	SEMIANNUAL	03	06	M	FA	051894	11/15/95	CQPO
309000	04	BERTH NO 309	QUARTERLY - U	10	03	M	FA	091394	08/14/95	UQPO
310000	01	BERTH NO 310	SEMIANNUAL	01	06	M	FA	011394	11/15/95	E406
310000	02	BERTH NO 310	SEMIANNUAL	02	06	M	FA	052794	11/15/95	M327
310000	03	BERTH NO 310	SEMIANNUAL	03	06	M	FA	051894	11/15/95	CQPO
310000	04	BERTH NO 310	QUARTERLY - U	10	03	M	FA	052395	08/14/95	UQPO
311000	01	BERTH NO 311	SEMIANNUAL	01	06	M	FA	100694	11/15/95	E406
311000	02	BERTH NO 311	ANNUAL	02	06	M	FA	062894	11/11/95	NONE
311000	03	BERTH NO 311	SEMIANNUAL	03	06	M	FA	081294	11/15/95	CQPO
311000	04	BERTH NO 311	QUARTERLY - U	10	03	M	FA	091394	08/14/95	UQPO
312000	01	BERTH NO 312	QUARTERLY/ANNUAL	01	03	M	FA	100694	06/27/95	E405

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312000	02	BERTH NO 312	SEMIANNUAL	02	06	M	FA	081894	06/25/95	M321
312000	03	BERTH NO 312	SEMIANNUAL	03	06	M	FA	091694	06/25/95	C102
312000	04	BERTH NO 312	QUARTERLY - U	10	03	M	FA	041995	06/27/95	UQPN
313000	01	BERTH NO 313	QUARTERLY/ANNUAL	01	03	M	FA	100694	06/27/95	E405
313000	02	BERTH NO 313	SEMIANNUAL	02	06	M	FA	051595	10/14/95	M322
313000	03	BERTH NO 313	SEMIANNUAL	03	06	M	FA	091694	06/25/95	C102
313000	04	BERTH NO 313	QUARTERLY - U	10	03	M	FA	092694	08/13/95	UQPN
313215	12	BERTH NO 313	ANNUAL PM	01	12	M	FA	081294	07/01/95	EASP
313215	13	BERTH NO 313	QUARTERLY PM	01	03	M	FA	052395	10/01/95	EQSP
313215	22	BERTH NO 313	ANNUAL PM	02	12	M	FA	081894	07/01/95	MASP
313215	23	BERTH NO 313	QUARTERLY PM	02	03	M	FA	100594	10/01/95	MQSP
314000	01	BERTH NO 314	QUARTERLY/ANNUAL	01	03	M	FA	100694	07/04/95	E405
314000	02	BERTH NO 314	SEMIANNUAL	02	06	M	FA	051595	09/01/95	M323
314000	03	BERTH NO 314	SEMIANNUAL	03	06	M	FA	091694	06/25/95	C102
314000	04	BERTH NO 314	QUARTERLY - U	10	03	M	FA	042095	06/27/95	UQPN
315000	01	BERTH NO 315	QUARTERLY P.M.	01	03	M	FA	100694	07/27/95	EQPN
315000	02	BERTH NO 315	SEMIANNUAL	02	06	M	FA	100594	07/27/95	MQ15
315000	03	BERTH NO 315	QUARTERLY P.M.	03	03	M	FA	050195	07/27/95	CQPN
315000	04	BERTH NO 315	QUARTERLY-U	10	03	M	FA	042095	07/27/95	UQPN
400000	01	ALL YARD AREAS	TRI-ANNUAL	03	04	M	FA	080294	07/30/95	O
400000	66	ALL YARD AREAS	SEMI-ANNUAL PM	06	06	M	FA	000000	08/28/95	CSGN
400100	12	ALL YARD AREAS	WINTERIZE	02	12	M	FA	100694	10/01/95	0000
400100	22	ALL YARD AREAS	ANNUAL TESTING	02	12	M	FA	100594	08/01/95	MFS
400100	23	ALL YARD AREAS	QUARTERLY TESTING	02	03	M	FA	032495	08/01/95	MWFS
400100	26	ALL YARD AREAS	SEMI-ANNUAL TESTING	02	06	M	FA	042993	08/01/95	MWFS
400251	22	ALL YARD AREAS	WINTERIZE YARD	02	12	M	FA	100694	10/01/95	0000
400251	32	ALL YARD AREAS	WINTERIZE YARD	03	12	M	FA	100694	10/01/95	0000
400251	42	ALL YARD AREAS	WINTERIZE YARD	10	12	M	FA	030995	10/01/95	0000
400252	22	ALL YARD AREAS	WINTERIZE YARD	02	12	M	FA	100694	10/01/95	0000
400252	32	ALL YARD AREAS	WINTERIZE YARD	03	12	M	FA	100694	10/01/95	0000
400252	42	ALL YARD AREAS	WINTERIZE YARD	10	12	M	FA	030995	10/01/95	0000
400345	26	ALL YARD AREAS	SEMI-ANNUAL P.M.	02	06	M	FA	051595	10/01/95	MSPB
400632	43	ALL YARD AREAS	OLD YARD CATCH BASINS	10	03	M	FA	052395	08/08/95	NONE
400633	43	ALL YARD AREAS	NEW YARD CATCH BASINS	10	03	M	FA	052395	08/08/95	NONE
401000	01	YARD AREA 1	QUARTERLY - U	10	03	M	FA	052395	07/30/95	U106
402000	01	YARD AREA 2	QUARTERLY - U	10	03	M	FA	052395	07/30/95	U106
402201	12	YARD AREA 2	ANNUAL ELECT. P.M.	01	12	M	FA	062394	10/01/95	EARP
402201	13	YARD AREA 2	QUARTERLY ELECT. P.M.	02	03	M	FA	100594	07/01/95	EQRP
402201	23	YARD AREA 2	QUARTERLY MECH. P.M.	02	03	M	FA	021194	07/01/95	MQRP
402201	26	YARD AREA 2	SEMI/ANNUAL MECH. P.M.	02	06	M	FA	051595	10/01/95	MSRP
403000	02	YARD AREA 3	QUARTERLY - U	10	03	M	FA	091494	08/24/95	U106
403000	26	YARD AREA 3	UTLY TUNNL PM SEMI-A	02	06	M	FA	052394	11/01/95	M328
404000	01	YARD AREA 4	QUARTERLY - U	10	03	M	FA	052395	07/10/95	U106
405000	01	YARD AREA 5	QUARTERLY - U	10	03	M	FA	050295	07/30/95	U106

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406000	01	YARD AREA 6	QUARTERLY - U	10	03	M	FA	052395	08/24/95	U106
406215	01	YARD AREA 6	MONTHLY/PM	10	01	M	FA	052395	07/03/95	NONE
410000	12	BALLAST WATER TREATMENT P	ANNUAL P.M.	01	12	M	FA	000000	03/01/96	EATF
410000	13	BALLAST WATER TREATMENT P	QUARTERLY P.M.	01	03	M	FA	000000	09/01/95	EQTF
410000	16	BALLAST WATER TREATMENT P	SEMI-ANNUAL P.M.	01	06	M	FA	000000	09/01/95	ESTF
410000	22	BALLAST WATER TREATMENT P	ANNUAL P.M.	02	12	M	FA	000000	03/01/96	MATF
410000	23	BALLAST WATER TREATMENT P	QUARTERLY P.M.	02	03	M	FA	000000	09/01/95	MQTF
410000	26	BALLAST WATER TREATMENT P	SEMI-ANNUAL P.M.	02	06	M	FA	000000	09/01/95	MSTF
410050	22	BALLAST WATER TREATMENT P	ANNUAL TESTING	02	12	M	FA	000000	04/01/96	NONE
410252	12	BALLAST WATER TREATMENT P	WINTERIZE	02	12	M	FA	100694	10/01/95	0000
410900	12	BALLAST WATER TREATMENT P	ANNUAL P.M.	01	12	M	FA	000000	04/01/96	EAZF
410900	13	BALLAST WATER TREATMENT P	QUARTERLY P.M.	01	03	M	FA	000000	07/01/95	EQZF
410900	22	BALLAST WATER TREATMENT P	ANNUAL P.M.	02	12	M	FA	000000	04/01/96	MAZF
410900	23	BALLAST WATER TREATMENT P	QUARTERLY P.M.	02	03	M	FA	000000	07/01/95	MQZF
410900	26	BALLAST WATER TREATMENT P	SEMI-ANNUAL P.M.	02	06	M	FA	000000	10/01/95	MSZF
411000	11	CARDLOCK FUEL STATION	MONTHLY P.M.	01	01	M	FA	020295	07/01/95	ECLM
411000	16	CARDLOCK FUEL STATION	SEMI-ANL P.M.	01	06	M	FA	062394	11/01/95	ECLS
411000	21	CARDLOCK FUEL STATION	MONTHLY P.M.	02	01	M	FA	051995	07/01/95	MCLM
411000	26	CARDLOCK FUEL STATION	SEMI-ANL P.M.	02	06	M	FA	103194	11/01/95	MCLS
411000	46	CARDLOCK FUEL STATION	SUMP P.M.	10	06	M	FA	052395	11/01/95	UCLS
411251	12	CARDLOCK FUEL STATION	WINTERIZE STATION	01	12	M	FA	100694	10/15/95	ECLW
420000	16	MCCARTHY PARK	SEMIANNUAL	01	06	M	FA	100694	11/01/95	EMP6
500000	22	ALL EQUIPMENT	PROPANE INSPECTION	02	12	M	FA	000000	12/01/95	NONE
501000	01	SRY #1 73 FORD PU	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/03/95	M121
502000	01	SRY #2 78 CHEV VAN	MONTHLY/SEMI/ANNUAL	02	01	M	FA	051895	07/12/95	M122
503000	01	SRY #3 81 DATSUN PU	MONTHLY/SEMI/ANNUAL	02	01	M	FA	060995	07/12/95	M118
504000	01	SRY #4 80FT 1980 JLG	MONTHLY/SEMI/ANNUAL	02	01	M	FA	080492	03/20/90	M103
504000	21	SRY #4 80FT 1980 JLG	MONTHLY P.M.	02	01	M	FA	060995	08/01/95	MEO4
504000	22	SRY #4 80FT 1980 JLG	ANNUAL P.M.	02	12	M	FA	000000	07/01/95	MEO4
504000	26	SRY #4 80FT 1980 JLG	SEMI-ANNUAL P.M.	02	06	M	FA	100694	12/01/95	MEO4
505000	01	SRY #5 73 FORD PU	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/08/95	M121
506000	01	SRY #6 80 CHEV LUV	MONTHLY/SEMI/ANNUAL	02	01	M	FA	051995	07/03/95	M115
507000	01	SRY #7 81 DATSUN PU	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/03/95	M118
508000	01	SRY #8 74 INTL 5-TON	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/03/95	M112
509000	01	SRY #9 70 LULL LIFT LOADE	MONTHLY/SEMI/ANNUAL	02	01	M	FA	060995	07/12/95	M108
510000	01	SRY #10 CAT LOADER	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/03/95	ME10
511000	01	SRY #11 78 LIFT TRUCK	MONTHLY/SEMI/ANNUAL	02	01	M	FA	051595	06/30/95	ME11
512000	01	SRY #12 79 SHORT MHST CAT	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/03/95	ME12
513000	21	SRY #13 CUSHMAN	MONTHLY P.M.	02	01	M	FA	051895	07/12/95	M111
513000	26	SRY #13 CUSHMAN	SEMI-ANNUAL P.M.	02	06	M	FA	071594	11/12/95	M111
514000	01	SRY #14 ELEC LIFT TRUCK	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/03/95	M109
515000	01	SRY # 15 FORD TORINO	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	06/30/95	M116
516000	23	SRY #16 WORK BOAT	QUARTERLY P.M.	02	03	M	FA	052295	07/29/95	NONE
517000	23	SRY #17 CENTERING BOAT	QUARTERLY P.M.	02	03	M	FA	072694	07/29/95	NONE

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518000	01	SRY #18 52 CAT	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/10/95	M104
519000	26	SRY #19 WHEEL MAGNET	SEMI-ANNUAL P.M.	02	06	M	FA	100694	11/01/95	MGNT
520000	21	LANDA PRESSURE WASHER	PM BY HOURS RUN	02	01	M	FA	052295	07/02/95	MW20
521000	21	SRY #21 MEGAWIND SWEEPER	MONTHLY P.M.	02	01	M	FA	051895	07/01/95	MM21
521000	22	SRY #21 MEGAWIND SWEEPER	ANNUAL P.M.	02	12	M	FA	081294	06/01/96	MA21
521000	26	SRY #21 MEGAWIND SWEEPER	SEMI-ANNUAL P.M.	02	06	M	FA	100694	11/01/95	MS21
522000	21	SRY #22 CUSHMAN 4 WHEELER	MONTLHY P.M.	02	01	M	FA	051995	07/05/95	M111
522000	26	SRY #22 CUSHMAN 4 WHEELER	SEMI-ANNUAL P.M.	02	06	M	FA	080194	11/05/95	M111
523000	01	SRY #23 90 HYSTER LIFT TR	MONTHLY/SEMI/ANNUAL	02	01	M	FA	060995	07/12/95	ME23
524000	01	SRY #24 81 CHEV LUV	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/03/95	M103
526000	01	SRY #26 81 DATSUN PU	MONTHLY/SEMI/ANNUAL	02	01	M	FA	051995	07/06/95	M118
527000	01	ALL EQUIPMENT	MONTHLY/PM	02	01	M	FA	052295	07/10/95	M127
528000	01	SRY #28 69 FORD STAKE TRU	MONTHLY/SEMI/ANNUAL	02	01	M	FA	060995	07/12/95	M117
529000	21	SRY #29 CUSHMAN	MONTLHY P.M.	02	01	M	FA	051995	07/05/95	M111
529000	26	SRY #29 CUSHMAN	SEMI-ANNUAL P.M.	02	06	M	FA	052295	11/05/95	M111
530000	01	SRY #30 78 FORD VAN	MONTHLY/SEMI/ANNUAL	02	01	M	FA	051995	06/24/95	M114
531000	21	SRY #31 BOB CAT	P.M./HOUR	02	01	M	FA	052295	07/01/95	ME31
532000	01	SRY #32 73 CHEV VAN	MONTHLY/SEMI/ANNUAL	02	01	M	FA	121490	05/10/90	M101
532000	21	SRY #32 73 CHEV VAN	MONTHLY P.M.	02	01	M	FA	060995	06/17/95	M122
532000	22	SRY #32 73 CHEV VAN	ANNUAL P.M.	02	12	M	FA	020795	08/17/95	M122
532000	26	SRY #32 73 CHEV VAN	SEMI-ANNUAL P.M.	02	06	M	FA	022894	08/17/95	M122
533000	01	86 PLYMOTH VAN	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/08/95	M110
534000	01	SRY #34 CLARK 8000# FORKL	MONTHLY/SEMI/ANNUAL	02	01	M	FA	060995	07/12/95	M111
535000	21	SRY #35	MONTLHY P.M.	02	01	M	FA	052295	07/05/95	M119
536000	01	SRY #36 ASPHALT PAVING RO	SEMI-ANNUAL	02	06	M	FA	060995	11/13/95	NONE
537000	01	SRY #37 70 DODGE VAN	MONTHLY/SEMI/ANNUAL	02	01	M	FA	051995	06/22/95	M119
538000	01	SRY #38 70 DODGE VAN	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/10/95	M119
539000	01	SRY #39 80 GMC PU	MONTHLY/SEMI/ANNUAL	02	01	M	FA	101185	11/11/85	M124
539000	21	SRY #39 80 GMC PU	MONTHLY P.M.	02	01	M	FA	060995	06/17/95	M122
539000	22	SRY #39 80 GMC PU	ANNUAL P.M.	02	12	M	FA	081693	08/17/95	M122
539000	26	SRY #39 80 GMC PU	SEMI-ANNUAL P.M.	02	06	M	FA	022294	08/17/95	M122
540000	21	SRY #40 CUSHMAN	MONTHLY P.M.	02	01	M	FA	051895	07/12/95	M111
540000	26	SRY #40 CUSHMAN	SEMI-ANNUAL P.M.	02	06	M	FA	100694	11/12/95	M111
541000	01	SRY #41 75 CHEV LUV	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	07/10/95	M113
542100	21	RAYMOND FORKLIFT	MONTHLY PM	02	01	M	FA	051995	06/26/95	FORK
543000	01	SRY #43, 16 WHEELER TRAIL	ANNUAL	02	12	M	FA	032495	01/26/96	NONE
544000	01	SRY #44, TANK TRAILER	ANNUAL	02	12	M	FA	032495	01/26/96	NONE
545000	01	SRY #45-PORTABLE WELDERS	MONTHLY/SEMI/ANNUAL	02	01	M	FA	060995	06/17/95	M126
546000	01	SRY #46	ANNUAL	02	12	M	FA	032495	01/26/96	NONE
547000	01	86 DATSUN PICKUP	MONTHLY/SEMI/ANNUAL	02	01	M	FA	051995	06/28/95	M118
548000	01	86 DATSUN PICKUP	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	06/28/95	M118
549000	01	WORK SKIPS	QUARTERLY P.M.	10	03	M	FA	040495	06/25/95	NONE
552000	22	SRY #52	ANNUAL P.M.	02	12	M	FA	000000	06/15/96	NONE
552000	26	SRY #52	SEMI-ANNUAL P.M.	02	06	M	FA	000000	12/15/95	NONE

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552100	22	SRY #52	ANNUAL P.M.	02	12	M	FA	000000	05/01/96	NONE
552100	26	SRY #52	SEMI-ANNUAL P.M.	02	06	M	FA	000000	11/01/95	NONE
552200	22	SRY #52	ANNUAL P.M.	02	12	M	FA	000000	05/01/96	NONE
552200	26	SRY #52	SEMI-ANNUAL P.M.	02	06	M	FA	000000	11/01/95	NONE
552300	22	SRY #52	ANNUAL P.M.	02	12	M	FA	000000	05/01/96	NONE
552300	26	SRY #52	SEMI-ANNUAL P.M.	02	06	M	FA	000000	11/01/95	NONE
553000	01	SRY #53	MONTHLY/SEMI/ANNUAL	02	01	M	FA	060995	06/17/95	M112
554000	01	SRY #54	MONTHLY/SEMI/ANNUAL	02	01	M	FA	060995	06/17/95	M119
555000	01	SRY #55	MONTHLY/SEMI/ANNUAL	02	01	M	FA	060995	06/17/95	M117
556000	01	SRY #56	VEHICLE P.M.	02	01	M	FA	060995	06/20/95	M119
557000	01	SRY #57 67 FORD	VEHICLE P.M.	02	01	M	FA	051995	06/20/95	M117
558000	01	SRY #58 66 FORD UT	MONTHLY/SEMI/ANNUAL	02	01	M	FA	052295	06/30/95	M117
559000	21	SRY #59 CUSHMAN	MONTHLY P.M.	02	01	M	FA	051895	07/12/95	M111
559000	26	SRY #59 CUSHMAN	SEMI-ANNUAL P.M.	02	06	M	FA	122194	11/12/95	M111
563000	21	LANDA HOT WATER WASHER	P.M. PRESSURE WASHER	02	01	M	FA	052295	07/04/95	ME63
564000	22	CLEASBY TAR KETTLE	ANNUAL P.M.	02	12	M	FA	100694	11/17/95	TPOT
564000	26	CLEASBY TAR KETTLE	SEMI-ANNUAL P.M.	02	06	M	FA	060995	11/17/95	TPOT
565000	21	SRY #65 CAT LIFTTRUCK	MONTHLY P.M.	02	01	M	FA	060995	06/18/95	ME12
565000	22	SRY #65 CAT LIFTTRUCK	ANNUAL P.M.	02	12	M	FA	100594	09/18/95	ME12
565000	26	SRY #65 CAT LIFTTRUCK	SEMI-ANNUAL P.M.	02	06	M	FA	040594	09/18/95	ME12
566000	21	SRY #66 CAT LIFTTRUCK	MONTHLY P.M.	02	01	M	FA	051995	06/18/95	ME12
566000	22	SRY #66 CAT LIFTTRUCK	ANNUAL P.M.	02	12	M	FA	100594	09/18/95	ME12
566000	26	SRY #66 CAT LIFTTRUCK	SEMI-ANNUAL P.M.	02	06	M	FA	051595	09/18/95	ME12
567000	21	HYSTER H80C	MONTHLY P.M.	02	01	M	FA	102495	06/18/95	ME67
567000	22	HYSTER H80C	ANNUAL P.M.	02	12	M	FA	100594	09/18/95	ME67
567000	26	HYSTER H80C	SEMI-ANNUAL P.M.	02	06	M	FA	062794	09/18/95	ME67
568000	21	SRY #68 CUSHMAN 4 WHEELER	MONTHLY P.M.	02	01	M	FA	052295	07/10/95	M111
568000	26	SRY #68 CUSHMAN 4 WHEELER	SEMI-ANNUAL P.M.	02	06	M	FA	051995	10/10/95	M111
570000	01	TRANSFORMERS	QUARTERLY/ANNUAL	01	03	M	FA	040987	07/09/87	E225
570000	14	TRANSFORMERS	BIANNUAL TESTING	01	24	M	FA	090793	05/15/97	NONE
570992	01	UNKNOWN	MONTHLY	01	01	M	FA	000000	09/01/85	E606
570993	01	UNKNOWN	MONTHLY	01	01	M	FA	000000	09/01/85	E606
570994	01	UNKNOWN	MONTHLY	01	01	M	FA	000000	09/01/85	E606
570995	01	UNKNOWN	MONTHLY	01	01	M	FA	000000	09/01/85	E606
570996	01	UNKNOWN	MONTHLY	01	01	M	FA	000000	09/01/85	E606
570997	01	UNKNOWN	MONTHLY	01	01	M	FA	000000	09/01/85	E606
570998	01	TRANSFORMERS	QUARTERLY	01	03	M	FA	000000	09/01/85	E606
570999	01	TRANSFORMERS	MONTHLY	01	01	M	FA	000000	10/01/85	E606
571000	23	EYEWASH STATION	QUARTERLY INSPECTION	02	03	M	FA	051895	08/01/95	NONE
581000	12	CUB COMPRESSOR #1	ANNUAL P.M.	01	12	M	FA	042294	02/01/96	EAIR
581000	13	CUB COMPRESSOR #1	QUARTERLY P.M.	01	03	M	FA	091994	08/01/95	EQIR
581000	22	CUB COMPRESSOR #1	ANNUAL P.M.	02	12	M	FA	113093	02/01/96	MAIR
581000	23	CUB COMPRESSOR #1	QUARTERLY P.M.	02	03	M	FA	113093	08/01/95	MQIR
582000	12	CUB COMPRESSOR #2	ANNUAL P.M.	01	12	M	FA	100594	09/01/95	EAIR

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582000	13	CUB COMPRESSOR #2	QUARTERLY P.M.	01	03	M	FA	020795	09/01/95	EQIR
582000	22	CUB COMPRESSOR #2	ANNUAL P.M.	02	12	M	FA	113093	09/01/95	MAIR
582000	23	CUB COMPRESSOR #2	QUARTERLY P.M.	02	03	M	FA	113093	09/01/95	MQIR
583000	12	CUB COMPRESSOR #3	ANNUAL P.M.	01	12	M	FA	062494	05/01/96	EAIR
583000	13	CUB COMPRESSOR #3	QUARTERLY P.M.	01	03	M	FA	100694	08/01/95	EQIR
583000	22	CUB COMPRESSOR #3	ANNUAL P.M.	02	12	M	FA	062494	05/01/96	MAIR
583000	23	CUB COMPRESSOR #3	QUARTERLY P.M.	02	03	M	FA	113093	08/01/95	MQIR
584000	12	CUB COMPRESSOR #4	ANNUAL P.M.	01	12	M	FA	011394	10/01/95	EAIR
584000	13	CUB COMPRESSOR #4	QUARTERLY P.M.	01	03	M	FA	020795	07/01/95	EQIR
584000	22	CUB COMPRESSOR #4	ANNUAL P.M.	02	12	M	FA	113093	10/01/95	MAIR
584000	23	CUB COMPRESSOR #4	QUARTERLY P.M.	02	03	M	FA	100694	07/01/95	MQIR
589000	12	BOILER #1 CUB	ANNUAL PM	01	12	M	FA	100694	07/01/95	EABL
589000	13	BOILER #1 CUB	QUARTERLY ELEC. PM	01	03	M	FA	020695	10/01/95	EQBL
589000	22	BOILER #1 CUB	ANNUAL PM	02	12	M	FA	092093	07/01/95	MABL
589000	26	BOILER #1 CUB	SEMI-ANNUAL PM	02	06	M	FA	040594	01/01/96	MSBL
590000	12	BOILER #2 CUB	ANNUAL PM	01	12	M	FA	100794	06/01/96	EABL
590000	13	BOILER #2 CUB	QUARTERLY ELEC. PM	01	03	M	FA	100694	09/01/95	EQBL
590000	22	BOILER #2 CUB	ANNUAL PM	02	12	M	FA	092093	06/01/96	MABL
590000	26	BOILER #2 CUB	SEMI-ANNUAL PM	02	06	M	FA	040594	12/01/95	MSBL
592100	12	FEEDWATER SYSTEM CUB	ANNUAL PM	01	12	M	FA	011394	08/01/95	EADA
592100	13	FEEDWATER SYSTEM CUB	ANNUAL PM	01	03	M	FA	021194	08/01/95	EQDA
592100	22	FEEDWATER SYSTEM CUB	ANNUAL PM	02	12	M	FA	113093	08/01/95	MA1D
592100	23	FEEDWATER SYSTEM CUB	QUARTERLY PM	02	03	M	FA	113093	08/01/95	MQ1D
592500	12	FEEDWATER SYSTEM CUB	ANNUAL PM	01	12	M	FA	100794	08/01/95	EADA
592500	13	FEEDWATER SYSTEM CUB	QUARTERLY PM	01	03	M	FA	021194	08/01/95	EQDA
592500	22	FEEDWATER SYSTEM CUB	ANNUAL PM	02	12	M	FA	113093	08/01/95	MAD2
592500	23	FEEDWATER SYSTEM CUB	QUARTERLY PM	02	03	M	FA	081294	08/01/95	MQD2
593000	12	CHILLER/DRYER #1	ANNUAL PM	01	12	M	FA	020795	12/16/95	EACD
593000	13	CHILLER/DRYER #1	QUARTERLY PM	01	03	M	FA	100794	09/01/95	EQCD
593000	22	CHILLER/DRYER #1	ANNUAL PM	02	12	M	FA	040594	12/16/95	MACD
593000	23	CHILLER/DRYER #1	QUARTERLY PM	02	03	M	FA	091994	06/16/95	MQCD
594000	12	CHILLER/DRYER #2	ANNUAL PM	01	12	M	FA	100694	01/01/96	EACD
594000	13	CHILLER/DRYER #2	QUARTERLY PM	01	03	M	FA	100794	07/01/95	EQCD
594000	22	CHILLER/DRYER #2	ANNUAL PM	02	12	M	FA	040594	01/01/96	MACD
594000	23	CHILLER/DRYER #2	QUARTERLY PM	02	03	M	FA	051595	07/01/95	MQCD
595000	12	COOLING TOWER #1 CUB	QRTRLY/ANNUAL	01	12	M	FA	040293	03/01/96	EABT
595000	13	COOLING TOWER #1 CUB	QRTRLY/ANNUAL	01	03	M	FA	020695	09/01/95	EQBT
595000	22	COOLING TOWER #1 CUB	QRTLY/ANNUAL PM	02	12	M	FA	032993	03/01/96	MABT
595000	23	COOLING TOWER #1 CUB	QRTLY/ANNUAL PM	02	03	M	FA	040594	09/01/95	MQBT
596000	12	COOLING TOWER #2 CUB	QRTRLY/ANNUAL	01	12	M	FA	040293	03/01/96	EABT
596000	13	COOLING TOWER #2 CUB	QRTRLY/ANNUAL	01	03	M	FA	020695	09/01/95	EQBT
596000	22	COOLING TOWER #2 CUB	QRTLY/ANNUAL PM	02	12	M	FA	032993	03/01/96	MABT
596000	23	COOLING TOWER #2 CUB	QRTLY/ANNUAL PM	02	03	M	FA	040594	09/01/95	MQBT
598000	12	COOLING TOWER #3 CUB	QRTRLY/ANNUAL	01	12	M	FA	042393	04/01/96	EAAT

EQUIPMENT NUMBER	TASK ID	LOC DESCRIPTION	PROCEDURE	LEAD GROUP	FREQUENCY CYCLE	UNITS	FREQ TYPE	COMP DATE	DUE DATE	CHECK LIST
598000	13	COOLING TOWER #3 CUB	QRTRLY/ANNUAL	01	03	M	FA	020695	07/01/95	EQAT
598000	22	COOLING TOWER #3 CUB	QRTLY/ANNUAL PM	02	12	M	FA	042393	04/01/96	MAAT
598000	23	COOLING TOWER #3 CUB	QRTLY/ANNUAL PM	02	03	M	FA	010394	07/01/95	MQAT
600251	12	ALL BUILDINGS	WINTERIZE YARD	01	12	M	FA	021194	10/01/95	0000
600251	22	ALL BUILDINGS	WINTERIZE YARD	02	12	M	FA	100594	10/01/95	0000
600251	32	ALL BUILDINGS	WINTERIZE YARD	03	12	M	FA	100594	10/01/95	0000
600252	12	ALL BUILDINGS	WINTERIZE YARD	01	12	M	FA	021194	10/01/95	0000
600252	22	ALL BUILDINGS	WINTERIZE YARD	02	12	M	FA	100594	10/01/95	0000
600252	32	ALL BUILDINGS	WINTERIZE YARD	03	12	M	FA	100594	10/01/95	0000
600330	22	ALL BUILDINGS	ANNUAL TESTING	02	12	M	FA	100594	08/01/95	MFS
600330	23	ALL BUILDINGS	QUARTERLY TESTING	02	03	M	FA	051595	08/01/95	NONE
600330	26	ALL BUILDINGS	SEMI-ANNUAL TESTING	02	06	M	FA	072694	08/01/95	MFS
600331	22	ALL BUILDINGS	O. Y. BLDGS. FIRE HOSES	02	12	M	FA	000000	01/01/96	MAFH
600332	22	ALL BUILDINGS	ANNUAL TESTING	02	12	M	FA	100594	08/01/95	MFS
600332	23	ALL BUILDINGS	QUARTERLY TESTING	02	03	M	FA	051595	08/01/95	NONE
600332	26	ALL BUILDINGS	SEMI-ANNUAL TESTING	02	06	M	FA	072694	08/01/95	MFS
600333	22	ALL BUILDINGS	N. Y. BLDGS. FIRE HOSES	02	12	M	FA	000000	01/01/96	MAFH
604000	01	BUILDING #4	SEMIANNUAL	03	06	M	FA	031589	04/09/86	C200
604525	11	BUILDING #4	MONTHLY TESTING	01	01	M	FA	051895	07/01/95	
604525	12	BUILDING #4	ANNUAL TESTING	01	12	M	FA	000000	09/01/95	
604600	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	000000	05/01/96	EAOH
604600	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	042294	11/01/95	ESOH
604600	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071594	05/01/96	MAOH
604600	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	010494	11/01/95	MSOH
604600	46	BUILDING #4	SEMI-ANNAUL P.M.	10	06	M	FA	100694	11/01/95	RSOH
604600	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE
604625	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	011394	05/01/96	EAOH
604625	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	042294	11/01/95	ESOH
604625	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071594	05/01/96	MAOH
604625	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	033094	11/01/95	MSOH
604625	46	BUILDING #4	SEMI-ANNAUL P.M.	10	06	M	FA	040695	11/01/95	RSOH
604625	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE
604650	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	000000	05/01/96	EAOH
604650	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	042294	11/01/95	ESOH
604650	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071494	05/01/96	MAOH
604650	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	033094	11/01/95	MSOH
604650	46	BUILDING #4	SEMI-ANNUAL P.M.	10	06	M	FA	040695	11/01/95	RSOH
604650	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE
604675	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	000000	05/01/96	EAOH
604675	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	042294	11/01/95	ESOH
604675	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071594	05/01/96	MAOH
604675	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	033094	11/01/95	MSOH
604675	46	BUILDING #4	SEMI-ANNUAL P.M.	10	06	M	FA	040595	11/01/95	RSOH
604675	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE

EQUIPMENT NUMBER	TASK ID	LOC DESCRIPTION	PROCEDURE	LEAD GROUP	FREQUENCY CYCLE	UNITS	FREQ TYPE	COMP DATE	DUE DATE	CHECK LIST
604700	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	011394	05/01/96	EAOH
604700	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	042294	11/01/95	ESOH
604700	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071594	05/01/96	MAOH
604700	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	033094	11/01/95	MSOH
604700	46	BUILDING #4	SEMI-ANNAUL P.M.	10	06	M	FA	040595	11/01/95	RSOH
604700	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE
604725	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	011394	05/01/96	EAOH
604725	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	042294	11/01/95	ESOH
604725	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071594	05/01/96	MAOH
604725	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	033094	11/01/95	MSOH
604725	46	BUILDING #4	SEMI-ANNAUL P.M.	10	06	M	FA	041195	11/01/95	RSOH
604725	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE
604750	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	011394	05/01/96	EAOH
604750	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	042294	11/01/95	ESOH
604750	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071594	05/01/96	MAOH
604750	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	033094	11/01/95	MSOH
604750	46	BUILDING #4	SEMI-ANNAUL P.M.	10	06	M	FA	040595	11/01/95	RSOH
604750	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE
604775	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	011394	05/01/96	EAOH
604775	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	042294	11/01/95	ESOH
604775	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071594	05/01/96	MAOH
604775	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	033094	11/01/95	MSOH
604775	46	BUILDING #4	SEMI-ANNAUL P.M.	10	06	M	FA	040595	11/01/95	RSOH
604775	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE
604800	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	011394	05/01/96	EAOH
604800	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	042294	11/01/95	ESOH
604800	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071594	05/01/96	MAOH
604800	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	033094	11/01/95	MSOH
604800	46	BUILDING #4	SEMI-ANNAUL P.M.	10	06	M	FA	040595	11/01/95	RSOH
604800	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE
604808	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	011394	05/01/96	EAOH
604808	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	100694	11/01/95	ESOH
604808	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071594	05/01/96	MAOH
604808	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	033094	11/01/95	MSOH
604808	46	BUILDING #4	SEMI-ANNAUL P.M.	10	06	M	FA	040595	11/01/95	RSOH
604808	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE
604825	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	011394	05/01/96	EAOH
604825	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	100694	11/01/95	ESOH
604825	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071594	05/01/96	MAOH
604825	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	033094	11/01/95	MSOH
604825	46	BUILDING #4	SEMI-ANNAUL P.M.	10	06	M	FA	040595	11/01/95	RSOH
604825	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE
604850	12	BUILDING #4	ANNUAL P.M.	01	12	M	FA	000000	05/01/96	EAOH
604850	16	BUILDING #4	SEMI-ANNUAL P.M.	01	06	M	FA	100694	11/01/95	ESOH

EQUIPMENT NUMBER	TASK ID	LOC DESCRIPTION	PROCEDURE	LEAD GROUP	FREQUENCY CYCLE	UNITS	FREQ TYPE	COMP DATE	DUE DATE	CHECK LIST
604850	22	BUILDING #4	ANNUAL P.M.	02	12	M	FA	071594	05/01/96	MAOH
604850	26	BUILDING #4	SEMI-ANNUAL P.M.	02	06	M	FA	033094	11/01/95	MSOH
604850	46	BUILDING #4	SEMI-ANNAUL P.M.	10	06	M	FA	040595	11/01/95	RSOH
604850	96	BUILDING #4	SEMI ANNUAL LUBE	09	06	M	FA	000000	11/01/95	LUBE
609600	12	BUILDING #9	ANNUAL P.M.	01	12	M	FA	100694	01/01/96	EAOH
609600	16	BUILDING #9	SEMI-ANNUAL P.M.	01	06	M	FA	100594	07/01/95	ESOH
609600	22	BUILDING #9	ANNUAL P.M.	02	12	M	FA	012094	01/01/96	MAOH
609600	26	BUILDING #9	SEMI-ANNUAL P.M.	02	06	M	FA	081894	07/01/95	MSOH
609600	46	BUILDING #9	SEMIANNUAL P.M.	10	06	M	FA	040795	07/01/95	RSOH
609600	96	BUILDING #9	SEMIANNUAL P.M.	09	06	M	FA	000000	07/01/95	LUBE
610000	36	BUILDING #10	SEMI-ANNUAL P.M.	03	06	M	FA	051895	09/01/95	CSBD
610533	33	BUILDING #10	QUARTERLY PM	03	03	M	FA	041795	09/01/95	XXXX
610600	12	BUILDING #10	ANNUAL P.M.	01	12	M	FA	081294	07/01/95	EAOH
610600	16	BUILDING #10	SEMI-ANNUAL P.M.	01	06	M	FA	030794	01/01/96	ESOH
610600	22	BUILDING #10	ANNUAL P.M.	02	12	M	FA	072894	07/01/95	MAOH
610600	26	BUILDING #10	SEMI-ANNUAL P.M.	02	06	M	FA	012094	01/01/96	MSOH
610600	46	BUILDING #10	SEMI-ANNUAL P.M.	10	06	M	FA	100494	07/01/95	RSOH
610600	96	BUILDING #10	SEMI-ANNUAL P.M.	09	06	M	FA	000000	07/01/95	LUBE
610700	12	BUILDING #10	ANNUAL P.M.	01	12	M	FA	090793	07/01/95	EAOH
610700	16	BUILDING #10	SEMI-ANNUAL P.M.	01	06	M	FA	030794	01/01/96	ESOH
610700	22	BUILDING #10	ANNUAL P.M.	02	12	M	FA	072694	07/01/95	MAOH
610700	26	BUILDING #10	SEMI-ANNUAL P.M.	02	06	M	FA	012094	01/01/96	MSOH
610700	46	BUILDING #10	SEMI-ANNUAL P.M.	10	06	M	FA	100494	07/01/95	RSOH
610700	96	BUILDING #10	SEMI-ANNUAL P.M.	09	06	M	FA	000000	07/01/95	LUBE
610800	12	BUILDING #10	ANNUAL P.M.	01	12	M	FA	081294	07/01/95	EAOH
610800	16	BUILDING #10	SEMI-ANNUAL P.M.	01	06	M	FA	100694	01/01/96	ESOH
610800	22	BUILDING #10	ANNUAL P.M.	02	12	M	FA	072694	07/01/95	MAOH
610800	26	BUILDING #10	SEMI-ANNUAL P.M.	02	06	M	FA	012094	01/01/96	MSOH
610800	46	BUILDING #10	SEMI-ANNUAL P.M.	10	06	M	FA	100494	07/01/95	RSOH
610800	96	BUILDING #10	SEMI-ANNUAL P.M.	09	06	M	FA	000000	07/01/95	LUBE
612000	02	BUILDING #12	SEMIANNUAL	02	06	M	FA	011295	08/13/95	M406
613000	02	BUILDING #13	SEMIANNUAL	02	06	M	FA	011295	08/13/95	M406
614000	02	BUILDING #14	SEMIANNUAL	02	06	M	FA	011295	08/13/95	M406
643000	01	BUILDING #43	SEMIANNUAL	03	06	M	FA	031589	05/09/88	C200
650000	01	BUILDING #50	QUARTERLY/ANNUAL	01	03	M	FA	100694	08/11/95	E410
650000	02	BUILDING #50	SEMIANNUAL	02	06	M	FA	011295	08/11/95	M406
650000	03	BUILDING #50	SEMIANNUAL	03	06	M	FA	052388	05/09/88	C200
654000	01	UNKNOWN	SEMIANNUAL	03	06	M	FA	060988	05/09/88	C200
658000	01	BUILDING #58	SEMIANNUAL	03	06	M	FA	052388	05/09/88	C200
660000	01	BUILDING #60	QUARTERLY/ANNUAL	01	03	M	FA	100694	08/11/95	E415
660000	02	BUILDING #60	SEMIANNUAL	02	06	M	FA	051595	08/11/95	M404
660000	03	BUILDING #60	SEMIANNUAL	03	06	M	FA	031589	04/09/86	C200
660590	46	BUILDING #60	SEMI-ANNUAL P.M.	10	06	M	FA	062494	12/01/95	RSOH
660595	46	BUILDING #60	SEMI-ANNUAL P.M.	10	06	M	FA	062494	12/01/95	RSOH

EQUIPMENT NUMBER	TASK ID	LOC DESCRIPTION	PROCEDURE	LEAD GROUP	FREQUENCY CYCLE	UNITS	FREQ TYPE	COMP DATE	DUE DATE	CHECK LIST
660600	12	BUILDING #60	O.H. CRANE P.M.	01	12	M	FA	041195	04/15/96	EAOH
660600	16	BUILDING #60	O.H. CRANE P.M.	01	06	M	FA	011394	10/15/95	ESOH
660600	22	BUILDING #60	O.H. CRANE P.M.	01	12	M	FA	051595	04/15/96	MAOH
660600	26	BUILDING #60	O.H. CRANE P.M.	02	06	M	FA	101294	10/15/95	MSOH
660600	46	BUILDING #60	O.H. CRANE P.M.	10	06	M	FA	101794	10/15/95	RSOH
660600	96	BUILDING #60	SEMI ANNUAL LUBE	09	06	M	FA	000000	09/15/95	LUBE
663000	01	BUILDING #63	QUARTERLY/ANNUAL	01	03	M	FA	020695	07/04/95	E414
663000	36	BUILDING #63	SEMI-ANNUAL P.M.	03	06	M	FA	091694	09/01/95	CSBD
663600	12	BUILDING #63	ANNUAL P.M.	01	12	M	FA	071894	07/01/95	EAOH
663600	16	BUILDING #63	SEMI-ANNUAL P.M.	01	06	M	FA	042294	01/01/96	ESOH
663600	22	BUILDING #63	ANNUAL P.M.	02	12	M	FA	021194	07/01/95	MAOH
663600	26	BUILDING #63	SEMI-ANNUAL P.M.	02	06	M	FA	022294	01/01/96	MSOH
663600	46	BUILDING #63	SEMI-ANNUAL P.M.	10	06	M	FA	062494	07/01/95	RSOH
663600	96	BUILDING #63	SEMI-ANNUAL P.M.	09	06	M	FA	000000	07/01/95	LUBE
663700	12	BUILDING #63	ANNUAL P.M.	01	12	M	FA	071894	07/01/95	EAOH
663700	16	BUILDING #63	SEMI-ANNUAL P.M.	01	06	M	FA	042294	01/01/96	ESOH
663700	22	BUILDING #63	ANNUAL P.M.	02	12	M	FA	020695	07/01/95	MAOH
663700	26	BUILDING #63	SEMI-ANNUAL P.M.	02	06	M	FA	022294	01/01/96	MSOH
663700	46	BUILDING #63	SEMI-ANNUAL P.M.	10	06	M	FA	051694	07/01/95	RSOH
663700	96	BUILDING #63	SEMI-ANNUAL P.M.	09	06	M	FA	000000	07/01/95	LUBE
664000	01	LIPS PROPELLER	SEMIANNUAL	03	06	M	FA	071188	05/10/88	C200
664600	31	UNKNOWN	QRTRLY ELEC. P.M.	01	03	M	FA	102390	12/10/90	E605
664600	32	UNKNOWN	QRTRLY MECH. P.M.	02	03	M	FA	092890	12/10/90	M605
664600	96	UNKNOWN	SEMI ANNUAL LUBE	09	06	M	FA	000000	03/15/91	LUBE
671000	01	BUILDING #71	SEMIANNUAL	03	06	M	FA	052388	04/20/88	C200
672000	01	BUILDING #72	SEMIANNUAL	03	06	M	FA	052388	04/20/88	C200
672000	02	BUILDING #72	SEMIANNUAL	02	06	M	FA	000000	09/13/85	M407
672600	96	BUILDING #72	SEMI ANNUAL LUBE	09	06	M	FA	000000	09/15/95	LUBE
673000	01	BUILDING #73	SEMIANNUAL	03	06	M	FA	052388	04/20/88	C200
680000	01	BUILDING #80	SEMIANNUAL	03	06	M	FA	052388	05/11/88	C200
684252	22	LIFE FLIGHT	WINTERIZE BLDG.	02	12	M	FA	100694	11/01/95	XXXX
689000	01	C.U.S.	QUARTERLY/ANNUAL	01	03	M	FA	111789	01/05/90	PACK
690000	32	C.U.B.	ANNUAL/QUARTERLY PM	03	12	M	FA	022594	12/16/95	C600
690000	33	C.U.B.	ANNUAL/QUARTERLY PM	03	03	M	FA	032395	09/01/95	CSBD
690600	16	C.U.B.	SEMI-ANNUAL P.M.	01	06	M	FA	100694	07/01/95	ESBC
690600	26	C.U.B.	SEMI-ANNUAL P.M.	02	06	M	FA	082294	07/01/95	MSBC
690600	46	C.U.B.	SEMI-ANNUAL P.M.	10	06	M	FA	041195	07/01/95	RSJC
690600	96	C.U.B.	SEMI ANNUAL LUBE	09	06	M	FA	000000	07/01/95	LUBE
692000	01	SUB 2	ANNUAL	01	12	M	FA	100694	10/25/95	E220
693000	01	SUB 3	QUARTERLY/ANNUAL	01	03	M	FA	100694	08/15/95	NONE
694000	01	SUB 4	QUARTERLY/ANNUAL	01	03	M	FA	100694	08/15/95	NONE
697000	01	SUB 7	ANNUAL	01	12	M	FA	100694	11/11/95	0000

PERMIT AND RIGHT-OF-ENTRY

FOR USE OF BALLAST WATER TREATMENT PLANT

PORTLAND SHIP YARD

Date Issued:_____

Permit No.:_____

PERMITTEE:

_____

_____

_____ Contact: _____

Phone: _____

E.P.A. ID No.: _____

Cascade General Inc. ("Cascade") hereby grants to Permittee the right to enter upon and use the below-described Premises in accordance with the terms and conditions set forth below.

A. Premises and Permitted Use: The "Premises" consist of those portions of the Portland Ship Yard ("PSY"), owned by the Port of Portland ("Port") over which Permittee must pass to reach the Ballast Water Treatment Plant ("BWTP"). Permittee may use the Premises for the limited purpose of transfer by truck of oily marine ballast water or slops to the BWTP. Cascade may accept oily marine ballast water or slops only if the material meets the Cascade's standards for acceptability and the facility has capacity at the BWTP to handle the material. Permittee shall not deliver or attempt to deliver non-marine material to the BWTP. Oily marine ballast water or slops generated outside PSY must be pre-approved by special application to Cascade by the company generating the product. **CASCADE RESERVES THE RIGHT TO REFUSE OILY MARINE BALLAST WATER OR SLOPS FOR ANY REASON AND TO REQUIRE A CERTIFICATE OF CHEMICAL ANALYSIS PRIOR TO ACCEPTANCE OF ANY MATERIAL.**

Permittee agrees to comply with all policies, procedures, rules and regulations relating to use of the BWTP. Permittee shall furnish its E.P.A. Identification number, a Coast

Guard Certificate of Adequacy, and current licenses, permits or inspection certificates for vehicles coming into PSY.

B. Term of Permit: The term of the Permit shall be _____ through _____ _____, unless terminated as provided herein.

C. Compensation to be Paid by Permittee: _____
_____
_____
_____

D. Cascade's Right to Terminate: Notwithstanding any provision contained herein, Cascade may terminate this Permit, verbally or in writing, at any time for its convenience or for Permittee's default. Upon notice of termination, the Permittee shall immediately leave the Premises. Permittee's obligations and liability to Cascade shall survive termination. Unless waived by Cascade, the Permittee shall restore the Premises to its condition at the commencement hereof, ordinary wear and tear excepted.

E. Indemnity: Permittee is an independent contractor and agrees to fully indemnify, hold harmless and defend Cascade and the Port, and their respective commissioners, directors, officers, agents and employees from and against all claims, penalties, actions, damages, injuries, any financial loss or expenses incidental to the investigation and defense thereof, including reasonable attorney's fees, based upon or arising out of the acts or omissions of, or use or occupancy of the Premises by Permittee, its agents, contractors, invitees, employees, or any person or entity acting at the direction or under the control of Permittee.

F. Benefit to Third Parties: Permittee agrees that the Port is an intended third party beneficiary of each of the covenants contained in the Permit and Right-of-Entry, including but not limited to, any indemnity and insurance provisions. Except as otherwise provided in this Section, Cascade and Permittee are the only parties to this Permit and as such are the only parties entitled to enforce its terms. Nothing in this Permit gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

G. Insurance: In addition to any special insurance requirements, Permittee shall maintain an occurrence form commercial general and automobile liability insurance policy or policies for the protection of Permittee, Cascade and the Port and its commissioners, directors, officers, agents, and employees, and insuring Permittee, Cascade and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to this Permit or occasioned by reason of operations of the Permittee on or from the Premises with insurance of not less than $1,000,000 combined single

limit per occurrence for bodily injury and property damage. Policies shall be endorsed to provide coverage for sudden and accidental pollution. Such insurance shall name Cascade and the Port, its commissioners, directors, officers, and employees as additional insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Permittee. The coverage provided by this policy shall be primary and any other insurance carried by Port is excess.

Permittee shall maintain in force Workers' Compensation insurance coverage for Employers' Liability and, if applicable, Longshore and Harbor Workers' Compensation Act. If Permittee is a qualified self-insured employer, a copy of Contractor's Certificate of Compliance and a certificate of insurance evidencing excess insurance shall be forwarded to Cascade and to the Port upon execution of this Permit.

Permittee shall furnish to Cascade and to the Port a certificate evidencing the date, amount and type of insurance that has been procured pursuant to this Permit. All policies of insurance will provide for written notice to Cascade, the Port and the Permittee before such policies may be revised, nonrenewed, or cancelled. Upon request, Permittee shall provide Cascade and the Port with a copy or copies of any insurance policy provided pursuant to this Permit.

H. **Liens:** The Permittee agrees to pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies, utilities, furnishings, machinery, or equipment which have been furnished or ordered with the Permittee's consent to be furnished to or for the Permittee in, upon, or about the Premises or improvements thereon, which may be secured by any mechanic's, materialmen's, or other lien against the Premises or improvements or the Port's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, provided that the Permittee may in good faith contest any mechanic's or other liens filed or established, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest, provided that the Port may require the Permittee to procure a payment bond in the amount of the contested lien.

I. **Assignment of Interest of Rights:** The Permittee shall not, in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign, transfer or encumber any of Permittee's rights granted by this instrument. Any attempted assignment or transfer shall be void.

J. **Warranties/Guarantees:** The Permittee acknowledges that it has inspected the Premises and has found them to be completely acceptable and safe for Permittee's intended use. Cascade makes no warranty, guarantee, or averment of any nature whatsoever concerning the physical condition of the Premises, and it is agreed that

Cascade will not be responsible for any loss, damage or costs which may be incurred by Permittee by reason of any such physical condition.

K. Compliance With Law: Permittee shall comply with all applicable state, federal, and local laws, including but not limited to, City of Portland zoning ordinances and laws, rules, regulations, and policies concerning equal opportunity, nondiscrimination, Workers' Compensation, and minimum and prevailing wage requirements.

L. Notices: All notices required under this Permit shall be sent to the addresses set forth below:

_____	_____
_____	_____
_____	_____

M. Hazardous Substances: No use may be made of, on, or from the Premises relating to the handling, storage, disposal, transportation, or discharge of Hazardous Substances, as that term is defined in Section N below, except for uses which are incidental to any business conducted on the Premises, the primary purpose of which is not the handling, storage, disposal, transportation, or discharge of Hazardous Substances. All of such uses shall be in strict conformance with all applicable federal, state, or local laws, rules, and regulations, as the same may be amended from time to time.

The Permittee shall immediately notify Cascade and the Port upon becoming aware of: (1) any leak, spill, release, or disposal of a Hazardous Substance, as defined herein, on, under, or adjacent to the Premises, or threat of or reasonable suspicion of any of the same; and/or (2) any notice or communication to or from a governmental agency or any other person directed to the Permittee or any other person relating to such Hazardous Substances on, under, or adjacent to the Premises or any violation of any federal, state, or local laws, regulations or ordinances with respect to the Premises or activities on the Premises. In the event of a leak, spill, or release of a Hazardous Substance on the Premises or the threat of or reasonable suspicion of the same, for which Permittee is responsible under this Permit or any law or regulation, the Permittee shall, at its own cost and expense, immediately undertake all emergency response necessary to contain, clean up, and remove the Hazardous Substance and shall undertake within a reasonable time all investigatory, remedial, and/or removal action necessary or appropriate to ensure that any contamination by the Hazardous Substances is eliminated, and the Premises restored to clean, safe, good, and serviceable condition. Any such cleanup shall be in conformance with all applicable governmental rules and regulations, and the Cascade shall have the right to approve all investigatory, remedial, and removal procedures and the company(ies) and/or individual(s) conducting said procedures. Within 30 days following completion of such investigatory, remedial,

and/or removal action, the Permittee shall provide Cascade and the Port with a certification that all such contamination has been eliminated. Any costs incurred by or assessed against the Port shall be paid by Permittee promptly after the Port incurs the obligation to pay such amounts or determines that an assessment is duly owing and so notifies the Permittee.

N. Hazardous Waste Indemnity: In addition to the indemnity provided in Section E above, Permittee agrees to indemnify, hold harmless, and defend Cascade and the Port and the Port's commissioners, directors, officers, employees, agents, and contractors from and against all Costs (as defined below) incurred or assessed under Environmental Laws (as defined below), which Costs arise out of, are in connection with, or are a result of the acts or omissions of the Permittee, or Permittee's officers, directors, employees, agents, representatives, contractors, invitees or any other person or entity acting by or on behalf of the Permittee:

(A) "Costs" shall include, but not be limited to: (i) all claims of third parties, including governmental agencies, for damages, response costs, or other relief; (ii) the cost, expense or loss to Cascade or to the Port of any injunctive relief, including preliminary or temporary injunctive relief, applicable to Cascade, the Port or the Premises; (iii) all expenses of evaluation, testing, analysis relating to Hazardous Substances (as defined below), including fees of attorneys, engineers, consultants, paralegals and experts; (iv) all expenses of reporting the existence of Hazardous Substances to any agency of the State of Oregon or the United States as required by applicable Environmental Laws; (v) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before, and after any trial or appeal therefrom or any administrative proceeding or appeal therefrom whether or not taxable as costs, including, without limitation, attorneys' and paralegal fees, witness fees (expert and otherwise), deposition costs, copying and telephone charges and other expenses; and (vi) any damages, costs, liabilities and expenses which are claimed to be owed by any federal or state regulating and administering agency.

(B) "Environmental Laws" shall be interpreted in the broadest sense to include any and all federal, state, and local statutes, regulations, rules, and ordinances now or hereafter in effect, as the same may be amended from time to time, which govern Hazardous Substances (as defined below) or relate to the protection of health, safety or the environment.

(C) "Hazardous Substances" shall be interpreted in the broadest sense to include any substances, materials, wastes, pollutants, oils, or regulated substances, or contaminants as are defined or designated as hazardous, toxic, radioactive, dangerous, or any other similar term in or under any of the Environmental Laws, and shall specifically include without limitation asbestos and asbestos-containing materials, petroleum products, including crude oil or any fraction thereof, and urea formaldehyde, and any other substance that, because of its quantity, concentration, or physical, chemical, or infectious characteristics, may cause or threaten a present or potential hazard to human health or the environment when

improperly generated, used, stored, handled, treated, discharged, disposed of, or released.

(D) "Premises" shall be deemed to include the soil and water table thereof.

Permittee shall, at its sole expense, defend any and all actions, suits, and proceedings for which Permittee is responsible relating to matters covered by the indemnity set forth in Section N which may be brought against the Port or in which the Port may be impleaded, and shall satisfy, pay, and discharge any and all judgments, orders, and decrees that may be entered against the Port in any such action or proceeding.

O. Security of Oily Marine Ballast Water or Slops: Permittee shall take all reasonable steps to ensure that nobody will add anything to oily marine ballast water or slops delivered pursuant to this Permit between the time Permittee receives the oily marine ballast water or slops from the Company and the time Permittee delivers it to the BWTP. Reasonable steps shall include but not be limited to locking and sealing tanks on trucks used to transport oily marine ballast water or slops to PSY under this Permit.

P. Entire Agreement: This Permit represents the entire agreement between the parties, and supersedes all prior or contemporaneous agreements or communication, written or oral. No amendment to this Permit shall be effective unless in writing and signed by the parties hereto.

Permittee	Cascade General, Inc.
_____	_____
Signature	Authorized by
_____	_____
Typed Name	Title
_____	
Title	
_____	
Date	

CONTRACT FOR

DISPOSAL OF NON-PSY OILY MARINE BALLAS WATER OR SLOPS

COST: $____ PER BARREL PLUS LABOR. $____ MINIMUM PER TRUCK TRANSFEI

COMPANY REQUESTING SERVICE:_____("Company") TELEPHONE:_____

BILLING ADDRESS: Street City State Zip

NAME OF VESSEL GENERATING PRODUCT:_____

QUANTITY (in 42 gallon barrels):_____ EXPECTED DATE AND TIME OF ARRIVAL:_____

PRODUCT SOURCE, CONTENT, AND METHOD OF GENERATING PRODUCT:_____

_____

P.O.#_____

If foreign flag vessel ( ) or emergency weekend work ( ), provide name and telephone number of vessel representative:

_____

Name Telephone

TRANSPORTER INFORMATION

NAME OF TRANSPORTER:_____ TELEPHONE:_____

TRANSPORTER'S PORT PERMIT NUMBER:_____

LIMITATIONS

1. Cascade General, Inc. ("Cascade") may accept oily marine ballast water or slops for processing at the Ballast Water Treatment Plant provided it meets Cascade's standards for acceptability and Cascade has capacity available at the facility to handle the material. Non-marine waste water or contaminated marine waste water will not be accepted. Cascade reserves the right to refuse any material for any reason or for no reason.

2. Only non-emulsifying tank cleaners may be used to clean tanks. Tank cleaning compounds must be approved by Cascade. Cascade requires a Material Safety Data Sheet (MSDS) on tank cleaners.

3. Cascade may require a certificate of chemical analysis from an independent laboratory prior to acceptance of any oily marine ballast water or slops. Testing shall be at the expense of the Company generating the oily marine ballast water or slops.

4. A Company purchase order must be provided to Cascade prior to acceptance of any oily marine ballast water or slops. Company will be invoiced after completion of the job. Payments are due no later than 30 days after the date of the invoice and delinquent if not paid when due. Payment shall be mailed to _____

_____

5. Company agrees to fully indemnify, hold harmless, and defend Cascade, the Port of Portland ("Port") and the Port's commissioners, directors, officers, agents and employees from and against all claims, actions, damages, injuries, financial loss, or expenses incidental to the investigation and defense thereof, including reasonable attorney's fees, based upon or arising out of the acts or omissions of, or use of the Ballast Water Treatment Plant by, the Company, its agents, contractors, invitees, employees, or any person or entity acting at the direction or under the control of the Company.

6. In addition to the indemnity provided in Section 5 above, Company agrees to indemnify, hold harmless, and defend Cascade and the Port and the Port's commissioners, employees, agents and contractors from and against all Environmental Costs (as defined below) incurred or assessed under Environmental Laws (as defined below), which Costs arise out of, are in connection with, or are a result of the acts or omissions of the Company, or Company's officers, directors, employees, agents, representatives, contractors, invitees or any other person or entity acting by or on behalf of the Company:

(A) "Environmental Costs" shall be interpreted in the broadest sense to include, but shall not necessarily be limited to: (i) costs or expenses relating to any actual or claimed violation of or noncompliance with any Environmental Law; (ii) all claims of third parties, including governmental agencies, for damages, response costs or other relief; (iii) the cost, expense or loss to Cascade or the Port as a result of any injunctive relief, including preliminary or temporary injunctive relief, applicable to Cascade, the Port or the Portland Ship Yard; (iv) all expenses of evaluation, testing, analysis, clean-up, remediation, removal and disposal relating to Hazardous Substances (as defined below), including fees of attorneys, engineers, consultants, paralegals and experts; (v) all expenses of reporting the existence of Hazardous Substances or the violation of Environmental Laws to any agency of the State of Oregon or the United States as required by applicable Environmental Laws; (vi) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before, and after any trial or appeal therefrom or any administrative proceeding or appeal therefrom whether or not taxable as costs, including, without limitation, attorneys' and paralegal fees, witness fees (expert and otherwise), deposition costs, copying, telephone and telefax charges and other expenses; and (vii) any damages, costs, fines, liabilities and expenses which are claimed to be owed by any federal, state or local regulating or administrative agency.

(B) "Environmental Laws" shall be interpreted in the broadest sense to include any and all federal, state, and local statutes, regulations, rules, and ordinances now or hereafter in effect, as the same may be amended from time to time, which in any way govern materials, substances or products and/or relate to the protection of health, safety or the environment.

(C) "Hazardous Substances" shall be interpreted in the broadest sense to include any substance, material, or product defined or designated as hazardous, toxic, radioactive, dangerous, or regulated wastes or substances or any other similar term in or under any Environmental Laws.

(D) "Premises" shall be deemed to include the soil and water table thereof.

7. Company shall, at its sole expense, defend any and all actions, suits, and proceedings for which Company is responsible relating to matters covered by the indemnity set forth in Section 6 which may be brought against Cascade or the Port or in which Cascade or the Port may be impleaded, and shall satisfy, pay, and discharge any and all judgments, orders, and decrees that may be entered against Cascade or the Port in any such action or proceeding.

8. Company certifies that this oily marine ballast water or slops is not a hazardous or toxic waste or substance or a mixture containing a hazardous or toxic waste or substance, other than oil or tank cleaning compounds approved by Cascade, as defined by EPA Regulations 40 CFR Part 261, OAR 340-101, or any other federal, state, or local environmental law or regulation related to the protection of human health or the environment.

9. This Contract constitutes the entire agreement of the parties regarding Cascade's acceptance of oily marine ballast water or slops, and supersedes all prior and contemporaneous agreements or communications regarding that subject. This Contract may be amended only by a writing signed by each party's representative.

10. The Port as Intended Third Party Beneficiary. Company agrees that the Port shall be an intended third party beneficiary of each of the covenants contained in this Contract for Disposal of Non-PSY Oily Marine Ballast Water or Slops, including but not limited to, any payment, idemnity and insurance provisions.

_____
Name of Company (Type or Print)

By: _____
Signature Date

_____
Name (Type or Print)

_____
Title (Type or Print)

_____
Cascade Representative (Type or Print)

By: _____
Signature Date

Comments: _____

EXHIBIT L
Page 9 of 9

EXHIBIT M

This Exhibit is bound separately.

NORTHWEST NATURAL GAS COMPANY

SERVICE AGREEMENT
(General)

This Agreement, entered into between Northwest Natural Gas Company, an Oregon Corporation, hereinafter called "Company", and Port of Portland
Ship Repair Facility
hereinafter called "Buyer", WITNESSETH:

In consideration of the mutual convenants and agreements herein contained, the parties hereto agree as follows:

1. Subject to the terms, conditions and limitations hereof, Company shall sell and deliver to Buyer, and Buyer shall purchase and receive from Company such volume of gas as is required for operation of the following facilities at Buyer's plant:

Equipment	Volumes (Therms)		Priority
	Hourly	Daily	
Two (2) Johnson Steam Boilers	418	7,500	N/A

estimated at a maximum of 7,500 therms per day (Maximum Day Delivery Volume) and 418 therms per hour.

2. A single Point of Delivery for all gas purchased under this Agreement shall be at:

Central Utility ~~Plant~~ Building #4
North Channel Avenue
Portland, Oregon 97217
Multnomah County

3. The pressure at which gas shall be delivered hereunder shall be not less than:

Ten (10) p.s.i.g.

4. This agreement in all respects shall be and remain subject to the provisions of Company's Rate Schedule 55 and its General Rules and Regulations as filed with the State regulatory authority having jurisdiction, and any amendments or revisions of such Rate Schedule and General Rules and Regulations which may become effective from time to time, all of which are made a part hereof by this reference, and Buyer shall pay for service hereunder in accordance therewith. Copies of the currently effective Rate Schedule and General Rules and Regulations are attached hereto.

NORTHWEST NATURAL GAS COMPANY

SERVICE AGREEMENT
(General - continued)

5. Buyer shall take and pay or pay for service under this Agreement for a period of three (3) year(s) from the date of initial delivery of gas hereunder, which shall be October 1, 1986, or not more than sixty (60) days from the date Company is prepared to deliver gas to Buyer, and thereafter until said Agreement is terminated by either party on the giving of not less than twelve (12) months' notice to the other.

Company shall use its best efforts to complete the installation of the facilities required to render the gas service contemplated hereunder on or before October 1, 1986, unless such facilities previously have been provided. In the event Company is not prepared to deliver gas to Buyer on the date specified herein, Buyer may terminate this Agreement on sixty (60) days' written notice.

6. Unless otherwise specified, all notices and communications shall be in writing and sent prepaid mail to the addresses stated below or at such other addresses as may be designated in writing.

Company: Northwest Natural Gas Company
One Pacific Square
220 N.W. Second Avenue
Portland, Oregon 97209

Buyer: Port of Portland
P. O. Box 3529
Portland, Oregon 97208

7. This Agreement shall bind and benefit the successors and assigns of the respective parties hereto, and cancel and supersede previous Agreement between parties on Rate Schedule 23 dated December 15, 1977.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officials this 30th day of Sept. 19, 86.

NORTHWEST NATURAL GAS COMPANY

By _____
Vice President
Title Market Services

PORT OF PORTLAND

By _____
David N. Neset
Title Director, Marine Services

SIC — 4469

COPY

Sent original 11-21-88

NORTHWEST NATURAL GAS COMPANY

ELECTION
OF IOS OPTION SERVICE

(1988-89)

The undersigned customer served by the Company under Schedule 55 or 56, as indicated below, hereby elects/declines* the "IOS Option" service as defined in said schedule, at the IOS Option charge stated from time to time in Schedule 55A/56A, for the IOS Option period between November 1, 1988, and February 28, 1989.

* Circle one.

Customer: Port of Portland, Shipyard

Rate Schedule: 55

By: James Durrance

Title: Operations Manager

Date: Nov. 21 1988

NORTHWEST NATURAL GAS COMPANY

ELECTION
OF IOS OPTION SERVICE

(1987-88)

The undersigned customer served by the Company under Schedule 55 or 56, as indicated below, hereby elects/declines* the "IOS Option" service as defined in said schedule, at the IOS Option charge stated from time to time in Schedule 55A/56A, for the IOS Option period between November 1, 1987 and February 29, 1988.

* Circle one.

Customer: Port of Portland Ship Repair Facility
Ship Repair Facility

Rate Schedule: 55

By: [signature]

Title: Finance Manager - PSRY

Date: 9/29/87

NORTHWEST NATURAL GAS COMPANY

ELECTION
OF IOS OPTION SERVICE

(1986-87)

The undersigned customer served by the Company under Schedule 55 or 56, as indicated below, hereby elects/declines* the "IOS Option" service as defined in said schedule, at the IOS Option Rate stated from time in Schedule 55A/56A, for the IOS Option period between November 1, 1986 (or the effective date of the IOS Option per approval of the Oregon Public Utility Commissioner, whichever is later) and February 28, 1987.

*Circle one.

Customer: Portland Ship Repair Yard - Port of Portland

Rate Schedule: 55

By: [signature]

Title: Director, Marine Services

Date: 12-4-86

NORTHWEST NATURAL GAS COMPANY

SCHEDULE 55
LONG-TERM INTERRUPTIBLE
INCENTIVE GAS SERVICE

Available:

This service is available in all territory served by the Company under the tariff of which this schedule is a part, provided that: (i) adequate gas volumes for such service are available; (ii) adequate capacity exists in the company's distribution system; and (iii) the customer (Buyer) has executed a Long-Term Interruptible Service Agreement with the Company for service under this schedule.

Applicable:

This service applies to incentive interruptible gas offered by the Company to Buyer from the Company's system supplies, or from gas made available to the Company by Northwest Pipeline Corporation or other suppliers under the terms of pipeline rate schedules or other programs for incentive interruptible gas. This rate applies only to customers who otherwise would use residual fuel oil (#6 or Bunker C), and who have the installed standby capacity to use residual fuel oil, in equipment listed in their service agreements. This rate does not apply to gas for use in electric cogeneration turbines or other similar electric cogeneration equipment.

Service rendered under this Rate Schedule shall be subject to curtailment by the Company when in the Company's judgment such curtailment is necessary, and shall have a lower priority than service under Rate Schedule 23. The Company shall not be liable in damages for or on account of any curtailment of service.

Term of Service:

Not less than three years with monthly payments for service taken, and on a year-to-year basis thereafter with a one-year written notice of cancellation.

(continue to Sheet 155A)

NORTHWEST NATURAL GAS COMPANY

SCHEDULE 55
LONG-TERM INTERRUPTIBLE
INCENTIVE GAS SERVICE
(continued)

Monthly Rate:

Block 1: Base Price, as defined below, plus a Service Charge of 3.082 cents per therm, for the first 750,000 therms;

Block 2: Base Price, as defined below, times 90 percent, for the next 1,250,000 therms;

Block 3: Base Price, as defined below, times 80 percent, for all additional therms;

subject to Special Provisions 3 and 4, below.

Minimum Monthly Bill:

The Minimum Monthly Bill specified in Rate Schedule 23.

Special Provisions:

1. The Special Provisions of Rate Schedule 23 are incorporated herein by this reference.

2. The Base Price for incentive gas under this schedule will be determined monthly as:

(a) the equivalent price per therm of Bunker C oil, as defined herein; plus

(b) an amount equivalent to the state excise tax payable by the Company, if any, on sales of natural gas.

For this purpose, the "equivalent price per therm of Bunker C oil" to be applied in any calendar month will be defined as the average of the price quotations for Bunker C oil at Portland, Oregon listed in Bunkerfuels Report between the 16th day of the third preceding month and the 15th day of the second preceding month. For example, the equivalent price per therm of Bunker C oil to be applied in April 1987 will be the average of the price quotations between January 16 and February 15, 1987.

(continue to Sheet 155B)

NORTHWEST NATURAL GAS COMPANY

SCHEDULE 55
LONG-TERM INTERRUPTIBLE
INCENTIVE GAS SERVICE
(continued)

Special Provisions (continued):

The conversion factor to be used from dollars per metric ton to dollars per barrel is 6.436 BBLS per metric ton. The conversion factor to be used from dollars per barrel to dollars per therm is 63 therms per barrel.

3. The rate in any block of the monthly rate will be no lower, in any month, than a floor price calculated as (a) the commodity charge in Northwest Pipeline Corporation's Rate Schedule ODL-1, plus (b) 2.000 cents per therm, plus (c) an amount equal to the amount of state excise tax payable by the Company, if any, on the sum of (a) and (b).

4. The ceiling price for a customer in any month will be the lowest-block rate then in effect on Rate Schedule 23, after removal of any temporary increments therein, measured against the average price of all incentive gas delivered to the customer in that month. For this purpose, the average price will be calculated using actual prices and volumes through each block as appropriate, but excluding the amount of the Service Charge in Block 1.

5. Buyer shall take and pay or pay for incentive gas under this Schedule, as well as for such additional gas (hereinafter called 'base gas') which Buyer may be required to purchase in order to qualify for purchase of incentive gas under terms of any applicable pipeline rate schedule or other program, to the extent Company offers the incentive gas to Buyer on a daily basis. However, if in any month the Base Price is equal to or lower than the floor price, both as defined above, then in that month Buyer will have the option of switching all or any portion of its energy requirements for equipment listed on its service agreement from gas to an alternate fuel, subject only to Buyer's payment of the Service Charge on each of its first 750,000 equivalent therms of the alternate fuel usage. Company may elect not to offer incentive gas to Buyer if, in Company's sole judgment, it would be uneconomic to offer the incentive gas at the price determined in this Schedule.

(continue to Sheet 155C)

NORTHWEST NATURAL GAS COMPANY

SCHEDULE 55A
MONTHLY RATES
FOR
LONG-TERM INTERRUPTIBLE
INCENTIVE GAS SERVICE

Applicable:

The rates in this schedule apply to service under Schedule 55, "Long-Term Interruptible Incentive Gas Service." The terms and conditions for such service are as defined in Schedule 55 and in the customer's Long-Term Interruptible Service Agreement with the Company for service under this schedule.

Monthly Rate:

Month: November 1988

Block 1: 28.586 cents per therm, plus a Service Charge of 3.082 cents per therm, for the first 750,000 therms or less;

Block 2: 28.586 cents per therm for the next 1,250,000 therms;

Block 3: 28.586 cents per therm for all additional therms.

Floor Price:

The floor price, as defined in Special Provision 3 of Schedule 55, is: 28.586 cents per therm.

IOS Option Charge:

The charge applicable to IOS Option service in the months of November, December, January, and February, for customers electing this service as defined under Special Provision 6. of Schedule 55, is: 6.851 cents per therm.

Ceiling Price:

The ceiling price, as defined in Special Provision 4 of Schedule 55, to be measured against the average price of all incentive gas delivered to a customer in a month, is: 42.344 cents per therm.

General Rules and regulations:

Service under this schedule is subject to the General Rules and Regulations contained in this tariff and to those prescribed by regulatory authorities.

Issued September 23, 1988

Effective with service on and after November 1, 1988

NORTHWEST NATURAL GAS COMPANY

SCHEDULE 55
LONG-TERM INTERRUPTIBLE
INCENTIVE GAS SERVICE
(continued)

Special Provisions (continued):

A customer must elect by October 15 of each year whether to take IOS Option Service during the four-month IOS Option season commencing on the following November 1. An election once made will be effective for the entire IOS Option season.

The Schedule 55 rates will continue to apply in these months to customers electing the IOS Option for purposes of calculating the Net Margin for use as a base transportation unit rate under Schedule 57.

The IOS Option service shall be available on these terms through February 28, 1989, at which time such service shall terminate.

Charge for Unauthorized Takes:

Gas taken by Buyer under this Rate Schedule by reason of Buyer's failure to comply with a curtailment order shall be considered as an unauthorized overrun volume. Company shall bill and Buyer shall pay for such unauthorized overrun at the rate of $2.00 per therm. The payment of an overrun charge shall not under any circumstances be considered as giving Buyer the right to take unauthorized overrun gas or exclude any other remedies which may be available to the Company.

General Rules and Regulations:

Service under this schedule is subject to the General Rules and Regulations contained in this tariff and to those prescribed by regulatory authorities.

NORTHWEST NATURAL GAS COMPANY

SCHEDULE 55
LONG-TERM INTERRUPTIBLE
INCENTIVE GAS SERVICE
(continued)

Special Provisions (continued):

6. The Company will offer to each customer served under this schedule an elective "IOS Option" service available during the months of November, December, January, and February. A customer electing the IOS Option will qualify for service provided through the Company's optional purchases of IOS-1 gas supplies from Northwest Pipeline Corporation on days when IOS-1 gas is required to meet the Company's requirements.

The charges for this service will be determined by calculating the number of IOS-1 therms purchased by the Company in each month for service to Schedule 55 and Schedule 56 IOS Option customers, then by allocating these total therms to the IOS Option customers in proportion to such customers' total gas purchases under this schedule during the month, then by multiplying each customer's allocation of IOS-1 therms by the IOS Option Charge set forth in Schedule 55A. The IOS Option Charge will be the sum of (a) the difference between the commodity charge in Northwest Pipeline Corporation's Rate Schedule IOS-1 and the commodity charge in Northwest Pipeline Corporation's Rate Schedule ODL-1, both as in effect from time to time; plus (b) an amount sufficient to recover average business license and franchise fees at a rate of 2.827 percent; the net charge to be calculated as the amount in (a) divided by 0.97173. The Company will file adjustments in the IOS Option Charge consistent with this definition for approval by the OPUC, to be effective concurrently with each change in the factors comprising the charge.

The IOS Option Charge will be paid on all IOS-1 therms allocated to the customer in a month, in addition to the charges on such therms (Service Charge and Block 1, Block 2, or Block 3, as appropriate) defined in Schedule 55 and specified in Schedule 55A.

The Company will not commit to offer gas under this schedule to a customer not electing the IOS Option, on days when the Company in its discretion considers IOS-1 gas to be required to meet the customer's requirements. If a customer that did not elect the IOS Option uses gas in violation of a curtailment order issued by the company, the charge for unauthorized takes ($2.00 per therm) shall apply to such gas.

(continue to Sheet 155CA)

Issued July 10, 1987

Effective with service on
and after August 25, 1987

Issued by NORTHWEST NATURAL GAS COMPANY

One Pacific Square, 220 N.W. Second Avenue, Portland, Oregon 97209

NORTHWEST NATURAL GAS COMPANY

SCHEDULE 55
LONG-TERM INTERRUPTIBLE
INCENTIVE GAS SERVICE
(continued)

Special Provisions (continued):

The conversion factor to be used from dollars per metric ton to dollars per barrel is 6.436 BBLS per metric ton. The conversion factor to be used from dollars per barrel to dollars per therm is 63 therms per barrel.

3. The rate in any block of the monthly rate will be no lower, in any month, than a floor price calculated as (a) the commodity charge in Northwest Pipeline Corporation's Rate Schedule ODL-1, plus (b) 2.000 cents per therm, plus (c) an amount equal to the amount of state excise tax payable by the Company, if any, on the sum of (a) and (b).

4. The ceiling price for a customer in any month will be the lowest-block rate then in effect on Rate Schedule 23, after removal of any temporary increments therein, measured against the average price of all incentive gas delivered to the customer in that month. For this purpose, the average price will be calculated using actual prices and volumes through each block as appropriate, but excluding the amount of the Service Charge in Block 1.

5. Buyer shall take and pay or pay for incentive gas under this Schedule, as well as for such additional gas (hereinafter called 'base gas') which Buyer may be required to purchase in order to qualify for purchase of incentive gas under terms of any applicable pipeline rate schedule or other program, to the extent Company offers the incentive gas to Buyer on a daily basis. However, if in any month the Base Price is equal to or lower than the floor price, both as defined above, then in that month Buyer will have the option of switching all or any portion of its energy requirements for equipment listed on its service agreement from gas to an alternate fuel, subject only to Buyer's payment of the Service Charge on each of its first 750,000 equivalent therms of the alternate fuel usage. Company may elect not to offer incentive gas to Buyer if, in Company's sole judgment, it would be uneconomic to offer the incentive gas at the price determined in this Schedule.

(continue to Sheet 155C)

NORTHWEST NATURAL GAS COMPANY

SCHEDULE 55
LONG-TERM INTERRUPTIBLE
INCENTIVE GAS SERVICE
(continued)

Charge for Unauthorized Takes:

Gas taken by Buyer under this Rate Schedule by reason of Buyer's failure to comply with a curtailment order shall be considered as an unauthorized overrun volume. Company shall bill and Buyer shall pay for such unauthorized overrun at the rate of $2.00 per therm. The payment of an overrun charge shall not under any circumstances be considered as giving Buyer the right to take unauthorized overrun gas or exclude any other remedies which may be available to the Company.

General Rules and Regulations:

Service under this schedule is subject to the General Rules and Regulations contained in this tariff and to those prescribed by regulatory authorities.

EXHIBIT O

This Exhibit is Confidential
See separate, sealed envelope

LEASE INFORMATION FOR
THE PORTLAND SHIP YARD
7/27/95

TENANT	PREMISES	PERMITTED USE
American Fabricators dba Harris Thermal Transfer Products	Bay 2, Building 4	Industrial fabrication for the manufacture of heat exchangers and tanks; storage of materials, supplies and equipment
American Bureau of Shipping	Bldg 10 office	Offices related to ship repair industry
Amsco Refrigeration	Bldg 43 office & shop	Office/shops for refrigeration/heating business
Cavi-Tech, Inc.	180 sf office space 2 parking spaces	Offices in support of Lessee's hydroblasting business
Diamond K	Bldg 80 - 540 sf office 1 parking space	Office for surface preparation & painting business
DSU Peterbilt & GMC, Inc.	Channel site - 2 acres of yard area	Permit & Right of Entry to park trucks
Foss Environmental Services	Small Boat Basin	Permit & Right of Entry to store ready response boat
Farr West Marine, Inc.	Bldg 10 office-580 sf office space	Offices related to ship repair
Fraser Boiler & Diesel	Bldg 10 shop - 4,800 sf	Shop/office for ship repair business
HAZMAT Solutions, Inc.	Bldg 10 Upstairs office - 440 sf office 1 parking space	Offices for hazardous materials training & environmental consultant business
Jiggs Floors, Inc.	Bldg 10 office - 484 sf	Offices for ship repair business
Kleen Blast	Yard area near Berth 305	Permit & Right of Entry to store equipment
Lips Propellers	Yard space for Bldg 64 - 5,000 sf	Propeller repair & storage

TENANT	PREMISES	PERMITTED USE
Mar Com Inc.	Bldg 4 Annex office - 420 sf office 1 parking space	Offices for ship repair business
Mar Com Inc.	Bldg 10 Bay 3 - 12,468 sf	Offices/storage for industrial fabrication & machining; ship repair
Marine Vacuum Service	Bldg 4 - 1,020 sf office space 4 parking spaces Paved yard area	Office/storage for tank, bilge & boiler cleaning business
Marine Propulsion Services	Yard space for blast shed - 1,500 sf Bldg 50 Bay 2 - 3,125 sf Bay 4 - 3,310 sf Bldg 80 shop - 1,106 sf 5,066 sf yard space 12 parking spaces Bldg 4, Bay 3 storage 1,898 sf	Surface preparation of turbines, fans & other equipment fabricated or repaired by Lessee. Offices/shops/storage for turbine repair business; machinery repair; manufacturing
John C. Murdoch, Inc.	Bldg 10, Office Suite B - 230 sf	Offices for marine surveying business
Oregon Iron Works, Inc.	Bays 4 and 5, Building 4	Industrial fabrication fro the manufacture of trash racks and cladding panels for use at Lake Shasta dam; storage of materials, supplies and equipment
Oregon Steel Mills, Inc.	Bay 1, Building 4	Storage and assembly of parts to be used for steel rolling mill expansion
Gary J. Strait	Bldg 10 office space - 800 sf Bldg 10 office space - 1,200 sf 9 parking spaces	Office/storage for ship repair testing & inspection service
Northwest Envirocon Inc.	Bldg 10, Shop 1 - 3,560 sf	Office/shop for manufacturing of insulation
Pacific Dynamics	Bldg. 80, Office - 450 sf 2 parking spaces	Office for tank, bilge & industrial cleaning business
Portland Shipyards Training	Bldg 10 Training Center (pays utilities only)	Offices for classroom & practical training in welding, painting, etc.

TENANT	PREMISES	PERMITTED USE
Thermal Services, Inc.	Bldg 4 Annex office - 640 sf 4 parking spaces	Office/storage for thermal mechanical insulation business
U. S. Coast Guard	Bldg 10 office	Offices for marine inspectors
Walashek Industries, Inc.	Bldg 10 Shop 3 - 1,680 sf	Office for light machine work; welding; fitting of boiler & machinery parts; boiler repair business
W & O Supply, Inc.	Bldg 72 Bay 1 shop - 5,000 sf 3 parking spaces	Warehouse/storage of valves & fittings used in ship repair, construction & conversion

LEASE - PORTLAND SHIP YARD

THE PORT OF PORTLAND and CASCADE GENERAL, INC.

SUBLEASE PROVISIONS:

Prime Lease. This Sublease is subject to the provisions of the lease of the Portland Ship Yard dated July 15, 1995 between The Port of Portland (the "Port")and Cascade General, Inc. (Cascade"), having Port Agreement Number 95-____, (the "Prime Lease"). By exercising its rights under this sublease to occupy the subleased Premises, Sublessee, to the extent the Prime Lease relates to the subleased Premises or to the exercise by Sublessee of any rights under this sublease, agrees to comply with all of the terms and conditions of the Prime Lease, as the same may be amended from time to time, and agrees to be jointly and severally liable with Cascade for the occupation and use of the subleased Premises or the exercise of any rights granted to Sublessee under this sublease. This sublease shall in all ways be subject to the terms and conditions of the Prime Lease. In no event shall the term of this Sublease extend beyond the expiration of the Prime Lease.

Sublease. Cascade and Sublessee warrant that this Sublease constitutes the entire agreement between Cascade and Sublessee with respect to the Subleased Premises and there are no other oral or written agreements between them with respect to the Subleased Premises. No material modification or amendment of the Sublease may be made without written notice to the Port.

Sublessee's Remedies. Neither the Prime Lease nor the Sublease gives the Sublessee any rights against the Port. Rights and remedies of the Sublessee, if any, will be solely against Cascade.

The Port as Intended Third Party Beneficiary. Sublessee agrees that the Port shall be an intended third party beneficiary of each of the covenants contained in this Sublease, including but not limited to, any rent, indemnity and insurance provisions.

Permitted Use and Compliance with all Laws. This Sublease is subject to the limits on use contained in the Prime Lease. Sublessee shall use the Premises only for the following purpose(s): _____. No other use may be made of the Premises without the prior written approval of Cascade. Sublessee shall also comply with all applicable laws, ordinances, rules and regulations of the state or federal government and all other government authorities with jurisdiction over the Premises. Sublessee shall promptly provide to Cascade and to the Port copies of all communications to or from any such government entity which relate to Sublessee's noncompliance or alleged noncompliance with any law or other government requirement.

Limits on Use. Sublessee shall not use or permit anyone else to use the Premises, or permit anything to be done in the Premises, which (a) adversely affects, or is likely to adversely affect, the Premises or any element or part of the Premises, or the operations of the Premises; (b) creates any condition that may be a safety hazard; (c) creates a condition that may increase the rate of fire

insurance for the Premises or prevent Cascade or the Port from taking advantage of any ruling of an insurance rating bureau that would allow Cascade or the Port to obtain reduced rates for its insurance policies or violates any requirements of Sublessee's insurance carrier; or (d) creates a hazard or a nuisance to other tenants or occupants of nearby facilities.

Crane Use. Sublessee shall not in any manner overload any cranes or other equipment located within the Premises, or operate said equipment in a manner inconsistent with its design or intended use.

SUBLESSEE'S OTHER OBLIGATIONS

Construction of Improvements.

Approval. Sublessee shall undertake no construction, alteration, or changes ("Work"), on or to the Premises, without the prior written consent of Cascade and the Port. All Work shall comply with the applicable provisions of the Prime Lease.

No Liens. Sublessee agrees to pay, when due, all sums for labor, services, materials, supplies, utilities, furnishings, machinery or equipment which have been provided or ordered with Sublessee's consent to the Premises. If any lien is filed against the Premises which Sublessee wishes to protest, then Sublessee shall immediately notify Cascade and the Port of the basis for its protest and must deposit cash with the Port, or procure a bond acceptable to the Port, in an amount sufficient to cover the cost of removing the lien from the Premises. Failure to remove the lien or furnish the cash or a bond acceptable to the Port within ten (10) days shall constitute an Event of Default under this Sublease and shall obligate Cascade to satisfy the lien without further notice to Sublessee and Sublessee shall immediately reimburse Cascade for any sums so paid to remove any such lien.

Port Access to Premises. The Port shall have the right to enter upon the Premises for the purposes of: (1) confirming the performance by Sublessee of all obligations under this Sublease; (2) doing any other act which the Port may be obligated or have the right to perform under this Sublease; and (3) for any other lawful purpose. Such entry shall be made on reasonable advance notice and during normal business hours, where practical, except in cases of emergency or a suspected violation of this Sublease or the law. Sublessee waives any claim against the Port for damages for any injury or interference with Sublessee's business, any loss of occupancy or quiet enjoyment of the Premises or any other loss occasioned by such entry except to the extent caused by the gross negligence or willful misconduct of the Port. The Port shall, at all times, retain a key with which to unlock all doors in, upon or about the Premises, and the Port shall have the right to use any and all means which the Port may deem reasonable to open such doors in an emergency in order to obtain entry into the Premises.

Safety Requirements.

Sublessee shall conduct its operations, activities and duties under this Sublease in a safe manner, and shall comply with all safety standards imposed by applicable federal, state and local laws and regulations. Sublessee shall require the observance of the foregoing by all subcontractors and all other persons transacting business with or for the Sublessee in any way connected with the conduct of Sublessee pursuant to this Sublease.

Sublessee shall exercise due and reasonable care and caution to prevent and control fire on the Premises and to that end shall provide and maintain such fire suppression and other fire protection equipment as may be required pursuant to applicable governmental laws, ordinances, statutes and codes for the purpose of protecting the Improvements adequately and restricting the spread of any fire from the Premises to any property adjacent to the Premises.

ENVIRONMENTAL OBLIGATIONS OF SUBLESSEE

Definitions. As used in this Sublease, the following terms shall be defined as follows:

"Environmental Laws" shall be interpreted in the broadest sense to include any and all federal, state and local statutes, regulations, rules and ordinances now or hereafter in effect, as the same may be amended from time to time, which in any way govern materials, substances or products and/or relate to the protection of health, safety or the environment.

"Hazardous Substances" shall be interpreted in the broadest sense to include any substance, material or product defined or designated as hazardous, toxic, radioactive, dangerous or regulated wastes or substances or any other similar term in or under any Environmental Laws.

"Environmental Costs" shall be interpreted in the broadest sense to include, but shall not necessarily be limited to: (i) costs or expenses relating to any actual or claimed violation of or noncompliance with any Environmental Law; (ii) all claims of third parties, including governmental agencies, for damages, response costs or other relief; (iii) the cost, expense or loss to the Port as a result of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the Premises; (iv) all expenses of evaluation, testing, analysis, clean-up, remediation, removal and disposal relating to Hazardous Substances, including fees of attorneys, engineers, consultants, paralegals and experts; (v) all expenses of reporting the existence of Hazardous Substances or the violation of Environmental Laws to any agency of the State of Oregon or the United States as required by applicable Environmental Laws; (vi) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before and after any trial or appeal therefrom or any administrative proceeding or appeal therefrom whether or not taxable as costs, including, without limitation, attorneys' and paralegal fees, witness fees (expert and otherwise), deposition costs, copying, telephone and telefax charges and other expenses; and (vii) any damages, costs, fines, liabilities and expenses which are claimed to be owed by any federal, state or local regulating or administrative agency.

Limited Business Use of Hazardous Substances. Sublessee may, in the normal course of Sublessee's business and to the extent necessary for Sublessee's permitted use of the Premises, use certain Hazardous Substances on the Premises in compliance with all of the following conditions: (a) use of such Hazardous Substances is in compliance with all Environmental Laws; (b) use of such Hazardous Substances does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage; (c) other than ordinary office and janitorial supplies and substances fully contained inside of automobiles located on the Premises, Sublessee shall be permitted to use only those Hazardous Substances as have been specifically identified and consented to, in writing, by Cascade and only in such quantities as have been so consented to by Cascade. Cascade may condition its consent to the use or presence of any Hazardous Substance on the Premises upon Sublessee's giving Cascade such additional assurances as Cascade, in its discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination, injury or liability therefrom, including, but not limited to, the installation (and removal on or before termination of the Sublease) of reasonable protective modifications to the Premises or an increase in the security deposit and insurance coverage. Cascade reserves the right to inventory or cause to be inventoried any such Hazardous Substances being used and to approve or deny use of the same. Ordinary janitorial supplies which are available over the counter for use by the general public may be used on the Premises without written permission from Cascade so long as they are used in small quantities for normal clean-up activities and in accordance with all laws and the provisions of this Sublease. In no event shall Sublessee store, handle, transport, dispose, or treat any Hazardous Substances on the Premises which are generated by or from cleanup, removal, or remediation operations or activities from third party sources outside PSY. Tanks located on the Premises must be located on a paved or concrete surface to prevent any runoff of materials that might spill or leak out of the tanks. The tank area must also have a screening berm maintained around it to Cascade's satisfaction.

Environmental Inspection. The Port reserves the right to inspect for Hazardous Substances and/or Sublessee's management of Hazardous Substances on the Premises at any time, and from time to time, without notice to Sublessee or any subtenant. If the Port, at any time during the term of this Sublease or any extension thereof, has reason to believe that Sublessee is handling Hazardous Substances contrary to the requirements of this Sublease, in violation of this Sublease or in any manner that may allow contamination of the Premises, the Port may, without limiting its other rights and remedies, cause to be conducted , at the Port's expense, an environmental audit with respect to the matters of concern to the Port. The Port and Cascade shall be given an original copy of the audit results. Sublessee shall cooperate with all such requests.

Safety. Pursuant to the terms of this Sublease, Sublessee must comply with all applicable state, federal and local laws and ordinances. As a part of this requirement, Sublessee shall maintain Material Safety Data Sheets for each and every Hazardous Substance used by Sublessee, Sublessee's agents, employees, contractors, licensees or invitees on the Premises, as required under the Hazard Communication Standard in 29 CFR §1910.1200, as it may be amended, redesignated or retitled from time to time, and comparable state and local statutes and regulations. In order to ensure that such information is available to the Port in the event of a spill or other

emergency, all such information shall be kept current at all times and a copy of all such materials shall be kept in a place known to and easily accessible to the Port.

Disposal of Hazardous Substances. Sublessee shall not dispose of any Hazardous Substance, regardless of the quantity or concentration, within the storm and/or sanitary sewer drains and plumbing facilities within the Premises, or other property of the Port. The disposal of Hazardous Substances shall be in approved containers and removed from the Premises only in accordance with the law. If Sublessee knows, or has reasonable cause to believe, that any release of a Hazardous Substance has come to be located on or beneath the Premises, Sublessee must immediately give written notice of that condition to the Port.

Notice to Port. Sublessee shall immediately notify the Port and Cascade upon becoming aware of a violation or alleged violation of any Environmental Law and/or: (1) any leak, spill, release or disposal of a Hazardous Substance on, under or adjacent to the Premises or threat of or reasonable suspicion of any of the same; and/or (2) any notice or communication to or from a governmental agency or any other person directed to Sublessee or any other person relating to such Hazardous Substances on, under or adjacent to the Premises or any violation or alleged violation of or noncompliance or alleged noncompliance with, any Environmental Laws with respect to the Premises.

Certification. Not later than thirty (30) days after receipt of written request from the Port, Sublessee shall provide a written certification to the Port, signed by Sublessee, which certifies that Sublessee has not received any notice from any governmental agency regarding a violation of or noncompliance with any Environmental Law; or, if such notice was received, Sublessee shall explain the reason for the notice, what has been done to remedy the problem and shall attach a copy of the notice. Sublessee shall also certify that Sublessee has obtained and has in force all permits required under Environmental Law. Copies of all such permits shall be made available to the Port upon request.

Documentation of Hazardous Substances. Sublessee shall maintain for periodic inspection by the Port and deliver to the Port, at the Port's request, true and correct copies of the following documents (hereinafter referred to as the "Documents") related to the handling, storage, disposal and emission of Hazardous Substances, concurrently with the receipt from or submission to a governmental agency: Permits; approvals; reports and correspondence; storage and management plans; spill prevention control and countermeasure plans; other spill contingency and emergency response plans; documents relating to taxes for Hazardous Substances; notice of violations of any Environmental Laws; plans relating to the installation of any storage tanks to be installed in, under or around the Premises (provided said installation of tanks shall only be permitted after the Port has given Sublessee its written consent to do so, which consent may be withheld in the Port's sole discretion); and all closure plans or any other documents required by any and all federal, state and local governmental agencies and authorities for any storage tanks or other facilities installed in, on or under the Premises.

INDEMNITY, INSURANCE

General Indemnity. Sublessee agrees to defend (using legal counsel acceptable to the Port), indemnify, and hold harmless the Port from and against any and all actual or alleged claims, damages, expenses, costs, fees (including, but not limited to, attorney, accountant, paralegal, expert, and escrow fees), fines, and/or penalties (collectively "Costs") which may be imposed upon or claimed against the Port and which, in whole or in part, directly or indirectly, arise from or are in any way connected with: (1) any act, omission or negligence of Sublessee or Sublessee's subtenants or licensees or any of their respective partners, officers, directors, agents, employees, invitees or contractors; (2) any use, occupation, management or control of the Premises by Sublessee, whether or not due to Sublessee's own act or omission and whether or not occurring on the Premises; (3) any condition created in or about the Premises by any party, other than the Port or an agent of the Port, including any accident, injury or damage occurring on or about the Premises after the Commencement Date; (4) any breach, violation or nonperformance of any of Sublessee's obligations under this Sublease; (5) any damage caused by Sublessee on or to the Premises. For purposes of the indemnity provisions of this Sublease, "Sublessee" shall be deemed to include Sublessee and Sublessee's sublessees and licensees and all respective partners, officers, directors, agents, employees, invitees and/or contractors.

Environmental Indemnity. Without in any way limiting the generality of the foregoing General Indemnity, Sublessee shall be solely responsible for and agrees to defend (using legal counsel acceptable to the Port), indemnify and hold harmless the Port from and against all Environmental Costs claimed against or assessed against the Port arising, in whole or in part, directly or indirectly, from acts or omissions of any person or entity at or about the Premises after the Commencement Date of this Sublease or earlier if caused by Sublessee or Sublessee's agents or invitees. This indemnification shall require Sublessee to reimburse the Port for any diminution in value of the Premises or other adjacent or nearby Port property, caused by Hazardous Substances, including damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or any other Port property, including damages arising from any adverse impact on marketing of space in or near the Premises, including other Port property. Sublessee's obligations shall not apply if the Hazardous Substances were deposited on the Premises by the Port or the Port's agents. Sublessee shall be solely responsible to assure that no person brings Hazardous Substances onto the Premises. Notwithstanding the foregoing, Sublessee shall not be responsible for, and does not indemnify the Port for, any actions of the Port that cause environmental damage or a violation of any Environmental Law on the Premises.

Insurance Requirements.

Insurance requirements set forth below do not in any way limit the amount or scope of liability of Sublessee under this Sublease. The amounts listed indicate only the minimum amounts of insurance coverage the Port is willing to accept to help insure full performance of all terms and conditions of this Sublease. All insurance required by this Sublease shall meet the following minimum requirements:

Certificates; Notice of Cancellation. On or before the Commencement Date, Sublessee shall provide the Port with certificates of insurance establishing the existence of all insurance policies required under this Sublease. Thereafter, the Port must receive notice of the expiration or renewal of any policy at least thirty (30) days prior to the expiration or cancellation of any insurance policy. No insurance policy may be canceled, revised, terminated or allowed to lapse without at least thirty (30) days prior written notice being given to the Port. Insurance must be maintained without any lapse in coverage continuously for the duration of this Sublease. Insurance canceled without Port consent shall be deemed an immediate Event of Default under this Sublease. The Port shall also be given certified copies of Sublessee's policies of insurance upon request.

Additional Insured. The Port shall be named as an additional insured in each required policy and, for purposes of damage to the Premises, as a loss payee. Such insurance shall not be invalidated by any act, neglect or breach of contract by Sublessee.

Primary Coverage. The required policies shall provide that the coverage is primary, and will not seek any contribution from any insurance or self-insurance carried by the Port.

Company Ratings. All policies of insurance must be written by companies having an A.M. Best rating of "A" or better, or equivalent. The Port may, upon thirty (30) days written notice to Sublessee, require Sublessee to change any carrier whose rating drops below an "A" rating.

Required Insurance

At all times during this Sublease, Sublessee shall provide and maintain the following types of coverage:

General Liability Insurance. Sublessee shall maintain an occurrence form commercial general liability policy (including coverage for broad form contractual liability; sudden and accidental spill coverage on land and on water; and any personal injury liability) for the protection of Sublessee and the Port, insuring Sublessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of Sublessee. Such coverage shall name the Port as an additional insured. Coverage shall be in an amount of not less than FIVE MILLION DOLLARS ($5,000,000) combined single limit per occurrence for bodily injury and property damage for all coverage specified herein.

Fire Legal Liability Insurance. The Port shall insure the building space and all improvements affixed thereto, considered to be part of the building, being leased by Sublessee as a part of the leased Premises. Sublessee is responsible to insure all of Sublessee's own personal property and trade fixtures, which items shall not be covered by Port insurance. Furthermore, Sublessee must at all times carry Fire Legal Liability insurance coverage in an amount not less than ONE HUNDRED THOUSAND DOLLARS ($100,000).

Automobile Liability Insurance. Sublessee shall maintain an occurrence form automobile liability policy insuring Sublessee and the Port against liability for damage because of bodily injury, death, or damage to property, including loss of use thereof, and occurring or in any way related to the use, loading or unloading of Sublessee's owned, hired and non-owned vehicles on and around the Premises. Such insurance shall name the Port as an additional insured. Coverage shall be in an amount of not less than ONE MILLION DOLLARS ($1,000,000) combined single limit per occurrence.

Workers' Compensation Insurance. Sublessee shall maintain in force Workers' Compensation insurance or self-insurance for all of Sublessee's employees, including coverage for Employer's Liability, and, if applicable, Longshore and Harbor Workers' Compensation Act. In lieu of such insurance, Sublessee may maintain a self-insurance program meeting the requirements of the State of Oregon and a policy of Excess Workers' Compensation with a limit of at least ONE MILLION DOLLARS ($1,000,000) per accident above the self-insured retention.

GENERAL PROVISIONS

Covenants, Conditions, and Restrictions. This Sublease is subject and subordinate to the effect of any covenants, conditions, restrictions, easements, mortgages, deeds of trust, ground leases, rights of way, and any other matters of record now or hereafter imposed upon the Premises and to any applicable land use or zoning laws or regulations. Sublessee shall, upon request of the Port, execute and deliver agreements of subordination in the form requested by the Port.

Sublease Subject to Bonds and Ordinances. This Sublease shall be subject and subordinate to the bonds and ordinances which create liens and encumbrances as are now on the land which constitutes the Premises herein. Sublessee acknowledges that the Port may hereafter adopt such bond ordinances which impose liens or encumbrances on said land and the Port's interest in the leasehold, and Sublessee shall, upon request of the Port, execute and deliver agreements of subordination consistent herewith.

After recording return to:
Division of State Lands
775 Summer ST NE, #100
Salem, OR. 97301
Attn: Jerry Hedrick

STATE OF OREGON
DIVISION OF STATE LANDS
SUBMERGED AND SUBMERSIBLE LAND LEASE

22654-ML

The Oregon State Land Board and the Division of State Lands (STATE) hereby lease to the person(s) herein named (LESSEE), the following described lands on the terms and conditions stated herein, to wit:

NAME of LESSEE:	ADDRESS:
Portland Shipyard LLC	5555 N Channel Avenue
ATTN: Wayne Cozad	Portland OR 97217

Legal classification of LESSEE is an "Oregon corporation",

Land situated in Multnomah County more fully described as follows:

A tract of land situated in the South one-half of Section 17, Township 1 North, Range 1 East of the Willamette Meridian, in the City of Portland, Multnomah County, Oregon, described as follows:

Commencing at a point which is 1,262.39 feet West and 859.49 feet South of the Northeast corner of said Section 20 said point being a centerline angle point of North Lagoon Avenue;

thence along the centerline of North Lagoon Avenue, North 52°30'00" West, a distance of 695.12 feet;

thence North 37°30'00" East, a distance of 40.00 feet to a point on the Northeasterly right-of-way line of North Lagoon Avenue at the most Westerly corner of that tract of land recorded March 20, 1967 in Deed Book 552, Page 1034, Multnomah County Deed Records;

thence along the Northwesterly line of said Deed Book 552, Page 1034, North 37°30'00" East, a distance of 161.33 feet to the Ordinary High Water line of the Swan Island Lagoon (established at NGVD 29/47 elevation 17.00 feet above mean sea level);

thence along said Ordinary High Water line, North 51°21'15" West, a distance of 383.83 feet;

thence North 52°55'19" West, a distance of 205.58 feet to the TRUE POINT OF BEGINNING;

thence continuing along said Ordinary High Water line, the following six (6) courses:

Recorded in the County of Multnomah, Oregon
C. Swick, Deputy Clerk
Total : 104.00
2000-119798 08/29/2000 12:10:13pm ATKLM
A87 18 REC SUR DOR OLIS
98.00 3.00 10.00 1.00

18

Chicago Title 19377

1) thence North 52°55'19" West, a distance of 606.49 feet;
2) thence North 51°51'06" West, a distance of 329.79 feet;
3) thence North 66°22'48" West, a distance of 69.65 feet;
4) thence North 47°33'08" West, a distance of 207.85 feet;
5) thence North 55°59'25" West, a distance of 228.49 feet;
6) thence North 18°13'01" East, a distance of 9.64 feet to a point on the lagoon side face of a existing concrete retaining wall;

thence along the face of said retaining wall, North 52°27'04" West, a distance of 1504.65 feet to the end of said retaining wall and the beginning of a retaining wall/cell line;

thence along said cell line the following five (5) courses:

1) thence North 36°48'33" East, a distance of 50.81 feet;
2) thence North 53°08'15" West, a distance of 56.69 feet to a point-of-non-tangency (the radial bearing being South 36°58'19" West);
3) thence 84.45 feet along the arc of a 205.00 non-tangent radius curve to the left, concave to the Southwest, through a central angle of 23°36'12" (the long chord bears North 64°49'47 West, a distance of 83.85 feet) to a point of non-tangency (the radial bearing being South 13°22'07" West);
4) thence North 75°31'20" West, a distance of 200.46 feet;
5) thence South 16°29'56" West, a distance of 208.39 feet;

thence departing said cell line, North 74°38'25" West, a distance of 625.12 feet;

thence North 16°29'56" East, a distance of 315.00 feet;

thence South 74°38'25" East, a distance of 910.03 feet to a point that is a 100.00 feet parallel with and Northerly of when measured at right angles to the Federal Harbor Line as established by the U.S. Army Corps of Engineers in a document dated February 23, 1968;

thence parallel with and 100.00 feet from when measured at right angles to said Federal Harbor Line, South 52°26'48" East, a distance of 2091.82 feet;

thence South 57°12'37" East, a distance of 240.86 feet;

thence South 62°26'47" East, a distance of 712.98 feet;

thence departing said 100.00 foot offset to the Harbor Line, South 37°30'00" West, a distance of 174.89 feet to the TRUE POINT OF BEGINNING, containing 16.63 acres more or less, and as shown on the attached Exhibit "A".

The bearings in this description are based upon private survey no. 56596 (W.B. Wells and Associates, Inc. Survey), Multnomah County Survey Records.

Total number of acres: 16.63 acres more or less.

Hereinafter referred to as "leasehold".

SECTION 1 - LEASE TERM AND RENEWAL

1.1 Term: This Lease shall continue for a period of 15 years commencing on August 1, 2000 the month and date of which shall be known as the LEASE ANNIVERSARY DATE, and expiring on July 31, 2015, the month and date of which shall be known as the LEASE EXPIRATION DATE.

1.2 Renewal: LESSEE shall have an option to renew this Lease for an additional period of 15 years after the original and each renewal lease term provided that LESSEE has submitted a completed lease renewal application form to the STATE not less than one hundred and eighty (180) days prior to LEASE EXPIRATION DATE. Upon receipt of such application, this Lease shall be renewed by the STATE unless:

1.2.1 The STATE determines, in its sole discretion, that the LESSEE has not complied with the terms of this Lease, the applicable statutes and Oregon Administrative Rules; or

1.2.2 The LESSEE is no longer the preference right holder as defined by applicable state law, or

1.2.3 The STATE determines that the renewal of this Lease for all or portions of the leasehold would be contrary to local, state, or federal law, or would be inconsistent with the policies set forth in OAR 141-082-0010.

1.3 STATE shall provide LESSEE two (2) years advance written notice of its intent to not renew this Lease for all or portions of the leasehold pursuant to the provisions of this Section. In the event that the STATE determines not to renew this Lease, but less than two (2) years remain in the Lease term, the STATE shall utilize the holdover provisions (Section 7.11) of this Lease to complete the two (2) year notice period and to allow the LESSEE sufficient time to vacate the authorized area and to relocate any sublessees in an orderly fashion.

SECTION 2 - AUTHORIZED USES

2.1 Purpose: This Lease shall grant the LESSEE the right to use the above described land for the specific purpose(s) described below in accordance with these LEASE TERMS and CONDITIONS, applicable local (including local comprehensive land use planning and zoning ordinances), state and federal laws and the applicable Oregon Administrative Rules.

Ship Repairs and Dry Dock, Piers
(Marine Industrial/Marine Services)

SECTION 3 - ANNUAL LEASE RENTAL PAYMENT CALCULATION AND ADJUSTMENTS

3.1 Annual Lease Rental Payment: The Lease rental payment to be paid by LESSEE to STATE shall be $181,101.00 for the first year of the Lease as provided in Section 3.1.1 based on the Riparian Land Value as shown below. Receipt of the first year's Lease rental payment is hereby acknowledged.

3.1.1 The initial annual Lease rent payment shall be calculated as follows:

Use Class	Area (square ft.)	Rate Choice	Annual Rent
Marine Industrial Marine Services	724,403 square feet	Riparian Land Value	$181,101.00
		TOTAL	$181,101.00

3.2 Annual Lease Rental Payment Adjustment: The annual lease rental payment shall be adjusted annually in accordance with the provisions of the Oregon Administrative Rule in effect at the time. The second year's rent shall be $186,534.00. The third year's rent shall be $N/A. Each payment shall be due on the Lease Anniversary Date as shown in Section 1.1.

SECTION 4 - MODIFICATION OF LEASEHOLD AREA OR USE

4.1 Modification of Leasehold Area or Use: LESSEE may request that the STATE expand or reduce the size, or change the use of the leasehold using a form provided by the STATE. However, no such change shall occur unless authorized in writing by the STATE.

4.1.1 The STATE may amend this Lease to reduce the leasehold area as requested if the portion of the leasehold is not in use, or does not contain any leasable structures. Structures and improvements within the vacated leasehold area shall be treated as in Section 9.3. If the modification results in a reduction of rental(s) due hereunder, such reduction shall become effective commencing on the first (1st) full year after the later of: (1) the date of the change of area or use, or (2) the date of the issuance of the STATE's written approval.

4.1.2 Requests to change an authorized use, or increase the leasehold shall be processed and reviewed in the same manner as a new lease application.

SECTION 5 - RESERVATIONS AND RESTRICTIONS

5.1 Compliance: The STATE shall have access to the leasehold at all reasonable times for the purpose of evaluating and ensuring compliance with the terms and

conditions of this Lease. The State shall have the right to examine pertinent records of LESSEE for the purpose of ensuring compliance with the Lease.

5.2 Reservations: The STATE reserves:

5.2.1 The right to lease and dispose of all coal, oil, gas, geothermal resources and other minerals, and all deposits of clay, stone, gravel and sand valuable for building, mining, or commercial purposes together with the right to explore, mine, develop, produce and remove such minerals and other deposits with the right of ingress and egress thereto, and to terminate this Lease as to all or any portion of the leasehold when required for these purposes with one hundred twenty (120) days prior written notice to LESSEE or as otherwise provided in law.

5.2.2 The right to enter in and upon the leasehold at any time for purposes of inspection or management.

5.2.3 The right at any time to grant easements across the premises for tunnels, telephone and fiber optic cable lines, pipelines, power lines, or other lawful purpose, with right of ingress and egress thereto. The STATE shall include in any such grant of easement a requirement that the easement holder take all reasonable precautions to ensure that exercise of their easement rights does not unreasonably interfere with LESSEE's use(s) authorized in the Lease.

5.2.4 All rights not expressly granted to LESSEE are reserved by the STATE.

5.3 Public Access and Recreational Use Reservation: All state-owned submerged and submersible land shall remain available and open to the public for commerce, navigation, fishing and recreation unless restricted or closed by the STATE to public entry pursuant to the provisions of applicable Oregon Administrative Rules. LESSEE may request the STATE to close the leasehold to public entry or restrict recreational use by the public on all or portions of the leasehold to protect persons or property from harm arising from or in connection with the LESSEE's activities.

This reservation shall not grant the public any right to use or occupy LESSEE-owned property or structures authorized under this lease without LESSEE's permission.

5.4 Restriction on Use: In connection with use of the leasehold, the LESSEE shall:

5.4.1 Comply with all applicable local, state and federal laws and regulations affecting the leasehold and the use thereof, including local comprehensive land use planning and zoning ordinances, and correct at the LESSEE's own expense any failure of compliance

created through the LESSEE's fault or by reason of the LESSEE's use;

5.4.2 Dispose of all waste in a proper manner and not allow debris, garbage or other refuse to accumulate within the leasehold. If LESSEE allows debris, garbage or other refuse to accumulate within the leasehold, the STATE shall have the right to remove the debris, garbage and other refuse, and collect the cost of such removal from LESSEE;

5.4.3 Not cut, destroy or remove, or permit to be cut, destroyed or removed, any vegetation that may be upon the leasehold except with written permission of the STATE. The LESSEE shall promptly report to the STATE the cutting or removal of vegetation by other persons;

5.4.4 Conduct all operations within the leasehold in a manner which conserves fish and wildlife habitat, protects water quality, and does not contribute to soil erosion or growth of noxious weeds;

5.4.5 Maintain all buildings, docks, pilings, floats, gangways, similar structures, and other improvements located within the leasehold in a good state of repair; and .

5.4.6 Not unreasonably interfere with the public's trust rights of commerce, navigation, fishing or recreation.

5.5 Waste Water Disposal: In addition to any other applicable laws and regulations, LESSEE shall comply with Oregon Department of Environmental Quality and Oregon State Marine Board requirements for sewage collection and disposal for on water boat and floating structures.

5.6 Hazardous Materials: LESSEE shall use, place, store or release, or allow to be used, placed, stored or released, any material that may pose a danger to the public, wildlife, or its habitat, including, but not limited to, hazardous wastes, pesticides, or toxic substances only in strict compliance with all laws and manufacturer's instructions and shall take all necessary precautions to protect the leasehold and its soil and vegetation. LESSEE shall keep and maintain accurate and complete records of the amount of such materials stored and/or used on the leasehold and shall immediately notify STATE of any potential risk to the leasehold, adjacent lands, waters, structures or property.

SECTION 6 - REQUIREMENTS

6.1 Assignment and Sublease: Except as noted in Section 6.2, the LESSEE may not assign or sublease nor enter into any third party agreement without first obtaining the prior written consent of the STATE pursuant to the requirements of the applicable Oregon Administrative Rules. Requests must be received by the STATE, in writing at least thirty (30) calendar days prior to the effective date of

sublease or assignment. The STATE shall make a good faith effort to complete its review of such applications within thirty (30) days. If the application is incomplete, or if the STATE requests additional information concerning the proposed assignment or sublease, the time period for reviewing applications shall be extended. The STATE reserves the right to condition its consent as it deems reasonably prudent, including the right to require changes to the terms of this Lease. Each assignee, sublessee, and third party interest shall be required to comply with all of LESSEE's obligations under this Lease, and the applicable Oregon Administrative Rules. LESSEE shall remain liable for the performance of the obligations under this Lease unless the STATE's written consent expressly releases LESSEE from further liability hereunder. For the purposes of this section, if LESSEE is a corporation or partnership, the transfer of any corporate stock or partnership interest (including by operation of law) shall be deemed an assignment subject to the provisions of this Section if the result of said transfer shall be the change of management control or controlling interest of LESSEE.

6.1.1 LESSEE may not grant a mortgage or security interest in this Lease without prior written consent of the STATE which shall not be unreasonably withheld. Any subsequent assignment by the creditor or civil recovery shall require the prior written approval of the STATE.

6.2 Permitted Assignments and Subleases: Notwithstanding the provisions of Section 6.1 of this Lease, the following assignments, mortgages and security interests, and subleases of the LESSEE's interest in the Leased Premises shall be allowed without further STATE approval:

6.2.1 Subleases of portions of the LESSEE's interest in the leasehold area, in the ordinary course of LESSEE's business for the purposes approved under this Lease as specified in Section 2.1.

6.2.2 Subleases of the entire leasehold for a term that is less than one year for the purpose specified in Section 2.1.

6.2.3 The transfer or ownership of the Lease caused by the death of the LESSEE shall be considered an assignment requiring the STATE's approval. However, a transfer of ownership to a spouse or immediate family member is an assignment that does not require the STATE's prior approval.

6.3 Condition of Premises and Improvements: The leasehold area has been inspected and is accepted in its present condition, and LESSEE takes the leasehold and improvements, if any, AS IS. The STATE has made no oral representations concerning the condition of the leasehold, nor its fitness or suitability for any purpose.

6.4 Liability: LESSEE agrees to defend and hold STATE harmless from any and all claims suffered or alleged to be suffered within the leasehold or arising out of the LESSEE's operations on the premises. Further, LESSEE shall be responsible for the payment of any fines or penalties charged against the leasehold as a

result of LESSEE's action in not complying with laws or regulations affecting the leasehold.

6.5 Assessments: LESSEE shall pay all taxes and/or assessments that may be legally charged on public lands or related improvements which are levied against the property subject to this Lease, whether or not such taxes and/or assessments have been levied against the leasehold or STATE by the assessing agency.

6.6 Bond: The STATE reserves the right to require the LESSEE to furnish to the STATE a surety bond or an equivalent cash deposit or certificate of deposit which names the State of Oregon as co-owner to ensure that the LESSEE will perform in accordance with all terms and conditions of the Lease.

SECTION 7 - MISCELLANEOUS

7.1 No Partnership: The STATE is not a partner nor in a joint venture with LESSEE in connection with the business carried on under this Lease and shall have no obligation with respect to LESSEE's debts or other liabilities.

7.2 Non-Waiver: Waiver by either party of strict performance or any provisions of this Lease shall not be a waiver nor prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

7.3 Binding Interest: This Lease shall be binding upon and inure to the benefit of the parties, and the respective heirs, administrators, successors, and assigns of the parties hereto.

7.4 Notices: Any official STATE notice required under this Lease shall be sent by certified mail and shall expressly be deemed to be delivered after the certified letter is mailed to the address given by the LESSEE in the signature block of this Lease or as shown on the most recent written notice of record with this Lease. LESSEE shall provide the STATE with a written notice of any change of address, change in corporation/partnership/ownership, or change in person(s) authorized to represent the LESSEE. The STATE shall provide written acknowledgment of such LESSEE written notices and retain copies of both the LESSEE notice(s) and STATE acknowledgment(s) with this Lease. LESSEE's failure to receive such written acknowledgment within thirty (30) days of the date LESSEE sent the original notice shall be constructive notice to LESSEE that: (1) the STATE has not properly received the notice, and (2) that such attempted notice shall be of no force and effect until such time as the notice is actually received and acknowledged by STATE.

7.5 Liens: In the event liens or other charges are placed on the leasehold premises, including land or improvements, arising out of LESSEE's actions directly or indirectly, the LESSEE shall immediately cause such liens to be discharged. The STATE may terminate this Lease if LESSEE fails to discharge such liens or charges or provide the STATE with a sufficient bond covering the full amount of

the lien after ten (10) days notice to do so by the STATE. LESSEE shall pay and indemnify the STATE for all costs, damages or charges of whatsoever nature, including attorney's fees, necessary to discharge such liens or charges whether such costs, damages or charges are incurred prior or subsequent to any termination of this Lease.

7.6 Default: The following shall be events of default:

7.6.1 Failure of the LESSEE to pay any rent, tax, reimbursement or other charge or payment due hereunder within twenty (20) days of the date such payment is due. For the purposes of this subsection, if the due date for such payment is not otherwise stated in this Lease or otherwise defined in statute or administrative rule, such payment shall be due on the date set forth in the notice from the STATE to the LESSEE informing the LESSEE of its obligation to pay such charge or payment.

7.6.2 Failure of LESSEE to comply with applicable laws, Oregon Administrative Rules or any non-payment related terms or conditions or obligations of the Lease within thirty (30) days after written notice by the STATE specifying the nature of the deficiency. Upon timely request from the LESSEE, the STATE may in its good faith discretion permit the deadline for curing such non-compliance to be extended if it finds that: (1) the default cannot reasonably be cured within the thirty (30) day period, (2) the interests of the STATE will not be harmed by an extension, (3) such default was not due to the willful acts or gross negligence of the LESSEE, and (4) the STATE and the LESSEE are able to mutually agree upon a written plan and timeline for remediation.

7.6.3 Insolvency of LESSEE; the filing by LESSEE of a voluntary petition in bankruptcy; an adjudication that LESSEE is bankrupt or the appointment of a receiver of the properties of LESSEE; the filing of any involuntary petition of bankruptcy and failure of LESSEE to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of LESSEE to secure discharge of the attachment or release of the levy of execution within ten (10) days. If LESSEE consists of two (2) or more individuals or business entities, the events of default specified in this paragraph shall apply to each individual unless within ten (10) days after an event of default occurs the remaining individuals produce evidence satisfactory to STATE that they have unconditionally acquired the interest of the one causing the default. If the Lease has been assigned in compliance with Section 6.1 of this Lease, the events of default so specified in this subsection shall apply only with respect to the one then exercising the rights of LESSEE under the Lease.

7.6.4 Notwithstanding the above, if the STATE in good faith believes that a material default has occurred which may imperil the STATE's rights in the land or its fiduciary duties under law, the STATE may declare an immediate default without any right of LESSEE to cure the deficiency.

7.7 Termination Upon Default: In the event of a default by LESSEE, the STATE shall have the right to terminate this Lease if it has given LESSEE notice of the default and of the STATE's intent to terminate this Lease if the default is not completely cured by the deadline contained in the notice and if the listed default has not been cured by the stated deadline. The deadline contained in the notice must be at least twenty (20) calendar days from the date the notice is sent by certified mail, or if earlier, the date LESSEE actually receives said notice. The STATE shall be entitled to recover from LESSEE all costs arising out of the re-entry and all costs of re-letting the premises. The STATE shall be entitled to recover the amount of unpaid rent required to be paid under the Lease from the date of default until a new Lease has been, or with the exercise of reasonable efforts could have been, secured, if the STATE was determined to re-let the leasehold. All improvements located thereon shall be disposed of as provided by Section 9.3 of this Lease. If the LESSEE owns a floating home and has placed such home on the property pursuant to the provisions of Section 2.1 of this Lease, the lease termination provisions of ORS 90.630 shall apply to the extent that they are inconsistent with the provisions of this Lease.

7.8 STATE's Right to Cure Defaults:

7.8.1 If the LESSEE fails to perform any obligation under this Lease, the STATE shall have the option to perform the obligation of the Lease after thirty (30) days written notice to the LESSEE. All of the STATE's expenditures to carry out the obligation shall be reimbursed by the LESSEE on demand with interest at the rate of one percent (1%) per month accrued from the date of expenditure by the STATE.

7.8.2 In the event any violation or breach of the provision of this Lease is causing damage to the leasehold or the LESSEE is utilizing the leasehold in a manner not permitted by the provision of this Lease, or in any case damages are occurring to the leasehold, the STATE may immediately enter upon the leasehold and take such action as necessary to cease such damages or use. In the event the damage or use is occurring by reason of a violation or breach of the provisions of this Lease, the LESSEE shall be liable for all costs incurred by the STATE by reasons of such violations. The STATE, at its option, may send notice to the LESSEE of such violations and LESSEE shall immediately cease such use or violation and correct such violation.

7.9 Termination Upon Mutual Consent: This Lease may also be terminated by mutual written consent of LESSEE and STATE.

7.10 Weed Control: The LESSEE shall control noxious weeds including aquatic weeds, plant pests and diseases within the leasehold as directed by the local county weed control district, the Oregon Department of Agriculture and/or any other governmental authority which may now or in the future have authority with regard to the prevention and/or control of noxious weeds, plant pests and/or diseases, or as may be authorized or directed by the STATE.

7.11 Holdover: If LESSEE does not vacate the leasehold at the time required at expiration or upon termination of a Lease, STATE shall have the option to treat LESSEE as a tenant from month to month, subject to all of the provisions of this Lease except the provisions for term, renewal, and rental. The STATE shall have the option to unilaterally establish a new rental for the month-to-month tenancy, with said rental payable in advance. If a month-to-month tenancy results from holdover by LESSEE under this paragraph, the tenancy shall be terminable at the end of any monthly rental period upon written notice from STATE given not less than thirty (30) days prior to the termination date which shall be specified in the notice.

7.12 Governing Law: This Lease and all matters related to the rights and responsibilities hereunder are governed by and subject to the laws of the State of Oregon and the administrative rules of the Division of State Lands and the State Land Board, as they may change from time to time. The Oregon Administrative Rules contain terms and conditions which relate to the rights and responsibilities of the parties hereunder, and such terms and conditions (as they may change from time to time) are hereby incorporated by reference and made a part of this Lease.

7.13 Binding on Successors: This Lease shall be binding on and shall inure to the benefit of the successors and assigns of the parties hereto, but nothing in this section shall be construed as a consent by STATE to any disposition or transfer of the Lease or any interest herein by LESSEE except as otherwise expressly provided in this Lease.

7.14 Nondiscrimination: The leasehold shall be used in a manner, and for such purposes, that assure fair and nondiscriminatory treatment of all persons without respect to race, creed, color, religion, handicap, disability, age, gender, or national origin.

7.15 Right To Sue More Than Once: STATE may sue periodically to recover damages for the period corresponding to the remainder of the lease term and no action for damages shall bar later actions for damages subsequently accruing.

7.16 Remedies Cumulative: The remedies contained in this Lease shall be in addition to, and shall not exclude any other remedy available at law or in equity, and exercise by either party of any one or more of such remedies shall not preclude the exercise by it at the same or different times of any other such remedies for the same default or breach by the other party.

7.17 Attorney Fees: If suit or action is instituted in connection with any controversy arising out of or in connection with this Lease, the prevailing party shall be entitled to recover all costs and disbursements incurred, including such sum as the court may adjudge reasonable as attorney fees at trial and on any appeal of the suit or action, and in any bankruptcy case or proceedings.

7.18 Exhibits: All Exhibits to which reference is made in this Lease are incorporated in this Lease by the respective references to them, whether or not they are actually attached. References to "this Lease" include matters incorporated by reference.

7.19 Compliance With Applicable Law: The STATE's performance under this Contract is conditioned on the LESSEE's compliance with the provision of ORS 279.312, 279.314, 279.316, 279.320 and 279.555, which are incorporated by reference herein.

7.20 Late Charges and Interest: It is understood by both parties that late payments by the LESSEE of rent and other charges due hereunder will cause the STATE to incur costs not contemplated by this Lease, the exact amount of which will be difficult to ascertain, including costs associated with administrative processing and accounting. As such, the parties agree that, notwithstanding other remedies permitted hereunder, if the LESSEE has not made full payment of amounts due within twenty (20) days of the date such payment is due, LESSEE shall pay an additional charge equal to five percent (5%) of the amount of the late rent or other charge. In addition, all amounts due and owing under this agreement, including late charges, shall bear interest at the lower of: (1) the highest interest rate allowable by law, or (2) twelve percent (12%) per year.

SECTION 8 - INSURANCE

8.1 Commercial General Liability: LESSEE shall obtain at LESSEE's expense, and keep in effect during the term of this Lease, comprehensive or commercial general liability insurance covering bodily injury and property damage with an insurance company acceptable to the STATE. This insurance shall include personal injury coverage, contractual liability coverage for the indemnity provided under this Lease and products/completed operations liability. Combined single limit per occurrence shall not be less than $10,000,000, or the equivalent. Each annual aggregate limit shall not be less than $10,000,000, when applicable.

8.2 Revisions/Amendments/New Requirements: The amounts and types of insurance (including those specified in Section 8) and the party responsible for procuring the insurance shall be established and reviewed when circumstances warrant. The requirements may be revised or amended by the STATE periodically at the STATE's sole discretion after STATE:

(a) consults with its insurance advisor;
(b) consults with LESSEE;
(c) considers the commercial reasonableness of any requirements, amendments or revisions; and

(d) considers the STATE's need for adequate insurance protection and the STATE's fiduciary obligations.

Within thirty (30) days notice to LESSEE of the STATE'S revision or amendment of the insurance requirements, LESSEE shall provide the STATE with satisfactory evidence that the LESSEE has obtained new insurance coverage which conforms with the revised/amended insurance requirements. If mutually agreed in writing, LESSEE may have additional time to obtain such insurance.

8.3 Named Insured Parties: The liability insurance coverages required for performance of the Lease shall include the State of Oregon, the Division of State Lands and their sections, officers and employees as additional insured but only with respect to the LESSEE's activities to be performed under this Lease.

8.4 Certificate(s) of Insurance: As evidence of the insurance coverages required by this Lease, the LESSEE shall furnish certificate(s) of insurance to the STATE prior to the issuance of this Lease, and not less often than annually thereafter and as reasonably requested by STATE. The certificate(s) will specify all of the parties who are additional insured (or loss payees). Insurance coverages required under this Lease shall be obtained from acceptable insurance companies or entities. The LESSEE shall be financially responsible for all deductibles, self-insured retentions and/or self-insurance included hereunder.

SECTION 9 - IMPROVEMENTS

9.1 Authorized Improvements or Structures: No improvement that exceeds fifteen thousand dollars ($15,000) in cost or value may be constructed or placed upon the leasehold unless the LESSEE shall have first obtained the prior written authorization of the STATE. Approval for improvements consistent with the purposes of this Lease shall not be unreasonably withheld or delayed. All improvements must be consistent with the authorized use(s) of this Lease as stated in Section 2.1.

9.2 Unauthorized Improvements or Structures: Unauthorized improvements shall, at the election of the STATE, either be removed from the leasehold by LESSEE (or if STATE so elects, by the STATE at LESSEE's cost and expense), or remain within the leasehold.

9.3 Removal of Structures and Improvements: Any LESSEE-owned structure or improvement must be removed within ninety (90) days of the termination of the Lease or modification of the lease as in Section 4.1.1 unless otherwise agreed by the parties as in the case of a structure exempt from authorization under OAR 141-082-0030(4). LESSEE shall be responsible for any damage done to the leasehold as a result of the removal of the structure improvements. Any structure or improvements remaining on the leasehold after the ninety (90) day period may at the option of the STATE become the property of STATE, unless otherwise agreed by the parties.

SECTION 10 - ADDITIONAL CONDITIONS AND STIPULATIONS

10.1 Notwithstanding the provisions of Section 6.1 and 6.2 above, the following assignments, mortgages and security interests, and in subleases of the LESSEE's interest in the Leased Premises shall be allowed without further State approval:

10.1.1 Any mortgage, trust deed or other encumbrance which LESSEE may cause to attach the LESSEE's interest in the Leased Premises:

a) In connection with the acquisition or refinancing of the acquisition of the improvements in, on or about the Lease Premises or the Portland shipyards;

b) In connection with financing and refinancing of development, construction, reconstruction, maintenance or repair of improvements on the Leased Premises or the shipyards and operations on or about the Leased Premises or Portland shipyards.

Within ten (10) days of any transfer pursuant to this subsection, LESSEE shall provide to the STATE the name and business address of any entity obtaining a security interest pursuant to this subsection.

10.1.2 Transfers to any entity or entities which controls, is controlled by, or is under common control with LESSEE.

10.1.3 A sublease of all or part of the Leased Premises to Cascade General, Inc. Within the (10) days of any sublease pursuant to this subsection 10.1.3, LESSEE shall provide the STATE with notice.

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SECTION 11 ENTIRE AGREEMENT

11.1 ENTIRE AGREEMENT: THIS LEASE, TOGETHER WITH THE ATTACHED EXHIBITS AND ATTACHMENTS, CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES. NO WAIVER, CONSENT, MODIFICATION OR CHANGE OF TERMS OF THIS LEASE SHALL BIND EITHER PARTY UNLESS IN WRITING. SUCH WAIVER, CONSENT, MODIFICATION OR CHANGE, IF MADE, SHALL BE EFFECTIVE ONLY IN THE SPECIFIC INSTANCE AND FOR THE SPECIFIC PURPOSE GIVEN, AND SHALL BE VALID AND BINDING ONLY IF IT IS SIGNED BY EACH PARTY. THERE ARE NO UNDERSTANDINGS, AGREEMENTS OR REPRESENTATIONS, ORAL OR WRITTEN, NOT SPECIFIED HEREIN REGARDING THIS LEASE. LESSEE, BY THE SIGNATURE BELOW OF ITS AUTHORIZED REPRESENTATIVE, HEREBY ACKNOWLEDGES THAT LESSEE HAS READ THIS LEASE, UNDERSTANDS IT AND AGREES TO BE BOUND BY ITS TERMS AND CONDITIONS. THIS LEASE SUPERSEDES ALL PRIOR OR EXISTING LEASE OR RENTAL AGREEMENTS BETWEEN THE PARTIES.

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The LESSEE expressly agrees to all covenants herein and binds him/herself for the payment of the rental herein before specified.

DIVISION OF STATE LANDS

Authorized Signature

July 19, 2000
Date

Division of State Lands
775 Summer ST NE, STE 100
Salem, OR 97301-1279

LESSEE

Signature/Title
(Note requirement below)

August 25, 2000
Date

Mailing Address

Note: If the LESSEE is a corporation, the signer warrants that s/he has the authority to sign the lease on behalf of the corporation by resolution of its Board of Directors, or through delegation of authority to the signer.

STATE OF Oregon)
)ss
County of Multnomah)

The foregoing instrument was acknowledged before me this 25 day of August, 2000, by Frank J. Foti (officer or agent of corporation), the President (title of officer or agent) of Portland Shipyard, LLC corporation, a Oregon (state or place of incorporation) corporation, on behalf of corporation.

Terry C Lenhart
Signature
My commission expires May 30, 2004

OFFICIAL SEAL
TERRY C LENHART
NOTARY PUBLIC-OREGON
COMMISSION NO. 333014
MY COMMISSION EXPIRES MAY 30, 2004

CERTIFICATE OF COMPLIANCE WITH OREGON TAX LAWS

I, the undersigned, hereby swear or affirm under penalty of perjury that to the best of my knowledge, I am not in violation of any Oregon Tax Laws.

For the purposes of this certificate, "Oregon Tax Laws" means those programs listed in ORS 305.380(4) which is incorporated herein by this reference. Examples include the state inheritance tax, personal income tax, withholding tax, corporation income and excise taxes, amusement device tax, timber taxes, cigarette tax, other tobacco tax, 9-1-1 emergency communications tax, the homeowners and renters property tax relief program and local taxes administered by the Department of Revenue (Lane Transit District Self-Employment Tax, Lane Transit District Employer Payroll Tax, Tri-County Metropolitan Transit District of Oregon ("Tri-Met") Employer Payroll Tax, and Tri-Met Self-Employment Tax).

Signature: _____

Date: August 25, 2000

Printed Name: FRANK J. FOTI

Title: President

J:\Attachment\West\LAS\ML Waterway Lease\22654-ML.doc

App # 22654-ML
Portland Shipyard LLC

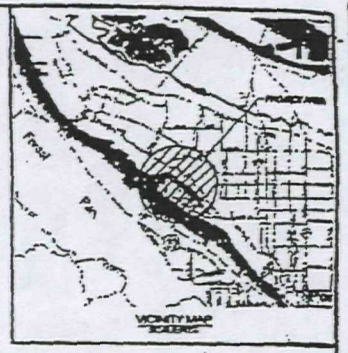
PSY LLC / DSL LEGAL DESCRIPTION

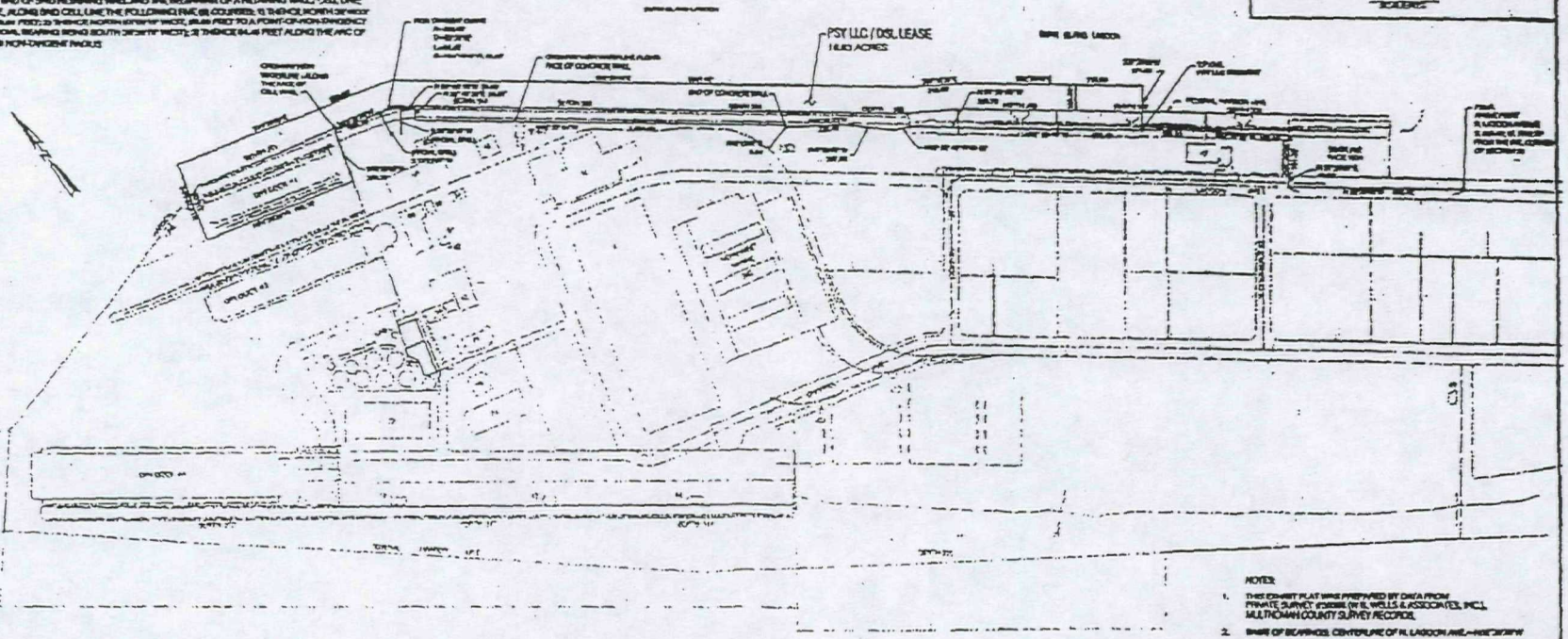
A TRACT OF LAND SITUATED IN THE SOUTH ONE-HALF OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN, IN THE CITY OF PORTLAND, MULTNOMAH COUNTY, OREGON, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT WHICH IS [illegible] FEET WEST AND [illegible] FEET SOUTH OF THE NORTHEAST CORNER OF SAID SECTION 17 AND POINT BEING A CENTERLINE ANGLE POINT OF N. LAGOON AVENUE; THENCE, ALONG THE CENTERLINE OF N. LAGOON AVENUE, NORTH [illegible] TWO, [illegible] 12 FEET; THENCE, NORTH 37°29'00" EAST, [illegible] FEET TO A POINT ON THE NORTHEASTERLY RIGHT-OF-WAY LINE OF N. LAGOON AVENUE AT THE MOST WESTERLY CORNER OF THAT TRACT OF LAND RECORDED IN BOOK [illegible], PAGE [illegible], MULTNOMAH COUNTY DEED RECORDS; THENCE, ALONG SAID NORTHEASTERLY LINE OF SAID DEED BOOK [illegible], PAGE [illegible], NORTH 52°31'00" EAST, [illegible] FEET TO THE ORDINARY HIGH WATER LINE OF THE SWAN ISLAND LAGOON (ESTABLISHED AT ELEVATION 7.88 FEET ABOVE MEAN SEA LEVEL); THENCE, ALONG SAID ORDINARY HIGH WATER LINE, NORTH 38°21'19" WEST, [illegible] FEET; THENCE, NORTH 38°31'19" WEST, [illegible] FEET TO THE TRUE POINT OF BEGINNING; THENCE, CONTINUING ALONG SAID ORDINARY HIGH WATER LINE, THE FOLLOWING SIX (6) COURSES: 1) THENCE, NORTH 45°39'19" WEST, [illegible] FEET; 2) THENCE, NORTH 51°31'19" WEST, [illegible] FEET; 3) THENCE, NORTH 46°28'19" WEST, [illegible] FEET; 4) THENCE, NORTH 37°31'19" WEST, [illegible] FEET; 5) THENCE, NORTH 38°31'19" WEST, [illegible] FEET; 6) THENCE, NORTH 18°31'19" EAST, [illegible] FEET TO A POINT ON THE LAGOON SIDE FACE OF A CRIBWORK CONCRETE REDHANG WALL; THENCE, ALONG THE FACE OF SAID REDHANG WALL, NORTH 52°31'00" EAST, [illegible] FEET TO THE END OF SAID REDHANG WALL AND THE BEGINNING OF A REDHANG WALL / CELL LINE; THENCE, ALONG SAID CELL LINE THE FOLLOWING FIVE (5) COURSES: 1) THENCE, NORTH 37°29'00" EAST, [illegible] FEET; 2) THENCE, NORTH 52°31'00" WEST, [illegible] FEET TO A POINT-OF-NON-TANGENCY (THE PRIOR, BEARING BEING SOUTH 37°29'00" WEST); 3) THENCE, [illegible] FEET ALONG THE ARC OF A [illegible] NON-TANGENT RADIUS

CURVE TO THE LEFT, CONCAVE TO THE SOUTHWEST, THROUGH A CENTRAL ANGLE OF [illegible] (THE LONG CHORD BEARS NORTH [illegible] WEST, [illegible] FEET) TO A POINT OF NON-TANGENCY (THE PRIOR, BEARING BEING SOUTH 37°29'00" WEST); 4) THENCE, NORTH 75°31'00" WEST, [illegible] FEET; 5) THENCE, SOUTH 14°29'00" WEST, [illegible] FEET; THENCE, DEPARTING SAID CELL LINE, NORTH 75°31'00" WEST, [illegible] FEET; THENCE, NORTH 38°29'00" EAST, [illegible] FEET; THENCE, SOUTH 75°31'00" EAST, [illegible] FEET TO A POINT THAT IS A [illegible] FEET PARALLEL, NW4 AND NORTHERLY OF THEN MONUMENTED AT RIGHT ANGLES TO THE PIERHEAD HARBOR LINE, AS ESTABLISHED BY THE U.S. ARMY CORPS OF ENGINEERS IN A DOCUMENT DATED FEBRUARY 23, 1944; THENCE, PARALLEL WITH AND [illegible] FROM SAID MEASURED AT RIGHT ANGLES TO SAID PIERHEAD HARBOR LINE, SOUTH 38°29'00" EAST, [illegible] FEET; THENCE, SOUTH 51°31'00" WEST, [illegible] FEET; THENCE SOUTH 38°29'00" EAST, [illegible] FEET; THENCE, DEPARTING SAID [illegible]-FOOT OFFSET TO THE HARBOR LINE, SOUTH 75°29'00" WEST, [illegible] FEET TO THE TRUE POINT OF BEGINNING. CONTAINING [illegible] ACRES, MORE OR LESS.

THE BEARINGS IN THIS DESCRIPTION ARE BASED UPON PRIVATE SURVEY NO. [illegible] (R.L.S. WELLS & ASSOCIATES, INC., SURVEY), MULTNOMAH COUNTY SURVEY RECORDS.





NOTES:

1. THIS EXHIBIT PLAT WAS PREPARED BY DATA FROM PRIVATE SURVEY [illegible] (R.L. WELLS & ASSOCIATES, INC.), MULTNOMAH COUNTY SURVEY RECORDS.
2. BASIS OF BEARINGS: CENTERLINE OF N. LAGOON AVE.—N38°29'00"W
3. BACKGROUND DRAWING IS A GRAPHICAL REPRESENTATION ONLY.

PORT OF PORTLAND
PORTLAND, OREGON

PROJECT MANAGER

PORTLAND SHIP YARD

PSY SALE
PSY LLC / DSL LEASE PARCEL

Marsh Marine & Energy
111 SW Columbia, Ste 500
Portland, OR 97201
(503) 248-6400

MARSH
An MMC Company

CERTIFICATE OF INSURANCE

To: State of Oregon
Division of State Lands
775 Summer Street NE, Ste 100
Salem, OR 97301-1279

Date: August 28, 2000

This is to certify that the following insurance coverages are in effect at date of this Certificate for:

Assured: Portland Shipyard, LLC
Cascade General, Inc.
P. O. Box 4367
Portland, OR 97208

Ltr.	Coverage	Policy Number	Policy Effective Date	Policy Expiration Date	Policy Limits	
A	Commercial General Liability including Marine General Liability and Ship Repairers Legal Liability Sudden Pollution / Accidental Pollution Liability included, Stop GAP	384FA4152	08/01/00	08/01/01	Each Occurrence Products-Comp/OP Agg Real Property Fire Legal Medical Payments	$1,000,000 $2,000,000 $300,000 $10,000
B	Bumbershoot Liabilities (Umbrella)	SE00LIA663781	08/01/00	08/01/01	Per Occurrence Limit	9,000,000

Company Letter	Company Name	Percent of Participation
A	St. Paul Fire & Marine Insurance Company	100%
B	Navigators Insurance Company (through Somerset Insurance Services of Washington)	100%

OTHER: Submerged and submersible land lease #APP#22654-ML

State of Oregon, the Division of State Lands and their sections, officers and employees shall be additional assured but only with respect to the LESSEE's activities to be performed under this Lease. Coverage shall be no broader nor shall limits of liability be increased as a result of the naming of this additional assured.

Should any of the above described policies be canceled before the expiration date thereof, the issuing company will endeavor to mail 30 days written notice to the Certificate Holder, but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives.

This Certificate of Insurance does not in any way amend, extend, alter or vary the coverage afforded by the policy or policies referred to herein. It is simply a synopsis or summary of the actual insurance contract. Existing coverage should only be determined from the actual policies.

Melissa L. Whitten

Marsh Marine & Energy

SUBLEASE OF DSL LANDS

BETWEEN

PORTLAND SHIPYARD LLC

AND

THE PORT OF PORTLAND

Dated: August 29, 2000

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SUBLEASE OF DSL LANDS

This **SUBLEASE OF DIVISION OF STATE LANDS (DSL) SUBMERGED AND SUBMERSIBLE LANDS** (the "Lease"), dated as of August 29, 2000, is between **THE PORT OF PORTLAND**, a port district of the State of Oregon (the "Port") and **PORTLAND SHIPYARD LLC**, a limited liability company organized under the laws of the state of Oregon ("Lessee").

RECITALS

A. The Port and the Oregon Division of State Lands ("DSL") entered into a lease of submerged and submersible lands adjacent to the Portland Ship Yard in the Swan Island Lagoon, dated June 12, 1996, having DSL Lease No. ML-10124 and Port Agreement No. 96-094 (the "Prior Lease"). The Port subleased the premises leased from DSL to Cascade General, Inc., an affiliate of Lessee.

B. The Port and Lessee have entered into an agreement for the sale of the Portland Ship Yard (the "Sale Agreement") which provides that the Prior Lease will terminate upon Closing of the sale of the Portland Ship Yard, as that term is defined in the Sale Agreement ("Closing").

C. The Port is entering into a new lease with DSL for a portion of the submerged and submersible lands leased under the Prior Lease. Lessee wishes to sublease a portion of these lands, as shown and legally described in **Exhibit A**.

Therefore, the parties, intending to be legally bound by the terms of this Lease, agree as follows:

1. PREMISES

1.1 Agreement to Lease and Description of Property

As of the Commencement Date, defined in Section 2 below, the Port subleases to Lessee the state-owned submerged and submersible lands in the Swan Island Lagoon consisting of approximately 35,779 square feet (the "Lagoon Segment") as shown on **Exhibit A**, hereinafter referred to as the "Premises."

1.2 Sublease with Division of State Lands APP#22755-ML

This Lease is subject to all terms of the Division of State Lands Lease APP#22755-ML ("DSL Lease"), **Exhibit B** hereto, which are incorporated herein.

1.3 Use of Premises

1.3.1 Permitted Uses

Lessee may use the Premises only for the purpose of mooring vessels during lay-up ("Permitted Uses").

1.3.2 Limits on Use

Lessee shall not permit any use of the Premises which would: (i) adversely affect or be likely to adversely affect the Premises; (ii) violate any noise law, ordinance or regulation,

or cause substantial noise, vibration, fumes, debris, electronic interference or nuisance on or adjacent to the Premises; (iii) create any condition that may be a safety hazard; or (iii) interfere with navigation on the Swan Island Lagoon. No use of the Premises other than Permitted Uses may be made without the prior written approval of the Port, which approval shall be in the sole discretion of the Port.

1.3.3 Compliance With All Laws

Lessee's activities on or use or possession of the Premises must comply with all applicable laws, ordinances, codes, rules and regulations of state, federal, city, county, the Port or other public government authority or agency, as they may be amended from time to time. Lessee shall promptly provide the Port with copies of all communications from any government entity which relate to Lessee's noncompliance or alleged noncompliance with any law, regulation or other governmental requirement relating to its operations on the Premises.

1.4 Ancillary Rights

Lessee shall have the following ancillary rights (the "Ancillary Rights"), provided, however, that any or all of the Ancillary Rights may be cancelled by the Port, upon sixty (60) days' written notice to Lessee, if the Port determines in its sole discretion that such Ancillary Rights will interfere with the Port's intended use of its upland property adjacent to and to the east of the Premises. The parties acknowledge that cancellation of any or all of the Ancillary Rights may make use of the Premises legally or economically infeasible for Lessee, and Lessee shall therefore have the right, if the Port exercises its right to cancel any or all of the Ancillary Rights, to terminate this Lease as provided in Section 9.2.

1.4.1 Access to Premises

Lessee shall have access to the Premises and the mooring anchors referenced in Section 1.4.3 below from its own property, and then along the existing access road near the top of the bank.

1.4.2 Fire lane access to Berth 307

Lessee shall have emergency access to the Premises via the fire lane crossing the Port's property, as shown on **Exhibit A**.

1.4.3 Mooring Anchors

Lessee shall be permitted to tie ship mooring lines to the anchors located on Port property, as designated on **Exhibit A**, for purposes of mooring ships located at Berth 307.

2. TERM

The term of this Lease (the "Lease Term") shall commence as of the date of Closing of the sale of the Portland Ship Yard pursuant to the Sale Agreement (the "Commencement Date") and shall continue, unless the Lease is sooner terminated under the provisions of this Lease, until June 30, 2005 (the "Expiration Date"). If the sale of the Portland Ship Yard does not close by the date specified in the Sale Agreement for Closing, this Lease shall have no force or effect and neither the Port nor Lessee shall be bound by its terms.

3. RENT

3.1 Processing Fee

Lessee shall pay to the Port an annual processing fee of $250. The term "Rent" as used in this Lease shall mean the annual processing fee and the Additional Rent specified in Section 3.2.

3.2 Oregon Submerged Land Rental

In addition, Lessee shall pay to the Port the submerged land lease rental and all other amounts which the Port is obligated to pay pursuant to the DSL Lease, as established or adjusted by the DSL from time to time ("Additional Rent"). Should Lessee terminate this Lease with the Port prior to the termination of the DSL Lease, Lessee shall not be entitled to a refund of any monies paid or due.

3.3 Time and Place for Payments; No Offset

Lessee shall pay any Rent or other payments due the Port within thirty (30) days of receipt of an invoice indicating the same. Payment of Rent shall be made without offset, abatement or deduction to the Port at the following address or such other place as the Port may designate:

The Port of Portland
Unit 27
P.O. Box 4900
Portland, OR 97208-4900

3.4 Delinquency Charge

All charges not paid by Lessee when due shall bear a "Delinquency Charge" at the rate of eighteen percent (18%) per annum or the maximum rate of interest allowed by law, whichever is less (the "Delinquency Rate"), from the date such Rent is due until it is paid in full. The Delinquency Rate is subject to periodic change by the Port. No change shall occur, however, without at least thirty (30) days prior written notice to Lessee. Imposition of a Delinquency Charge shall not constitute a waiver of any other remedies available to the Port for failure to timely pay Rent.

3.5 Acceptance of Rent

The Port's acceptance of a late or partial payment of the Rent and/or a Delinquency Charge shall not constitute a waiver of any Event of Default nor shall it prevent the Port from exercising any of its other rights and remedies granted to the Port under this Lease or by law. It is hereby agreed that any endorsements or statements on checks of waiver, compromise, payment in full or any other similar restrictive endorsement shall have no legal effect. Lessee shall remain in violation of this Lease and shall remain obligated to pay Rent and other fees due even if the Port has accepted a partial or late payment.

3.6 Utilities

No utility services shall be provided to the Premises by the Port. Lessee shall be responsible for provision of electrical service, water, sewer and any other utilities that may be required to serve the Premises. Lessee shall be responsible for all costs of installation, metering and operation of such lighting and other utilities. In the event any portion of the utilities are

billed to and paid by the Port, Lessee shall reimburse the Port for such utilities within thirty (30) days following invoice from the Port.

4. TAXES

Lessee agrees to pay before due all taxes, assessments, user fees and other charges, however named, which after the Commencement Date and before the expiration of this Lease may become a lien or which may be levied by the state, county, city, district or any other body upon the Premises, or upon any interest of Lessee acquired pursuant to this Lease, or any possessory right which Lessee may have in or to the Premises by reason of its occupancy thereof, as well as all taxes, assessments, user fees or other charges on all property, real or personal, owned by Lessee in or about said Premises, together with any other charge levied wholly or partly in lieu thereof (collectively, "Taxes"). If available by law, rule or order of the taxing authority, Lessee may, but only with the Port's prior written consent (which shall not be unreasonably withheld), make payments in installments. Lessee may contest the validity of an assessment against the Premises so long as Lessee deposits with an escrow agent approved by the Port, with irrevocable instructions to pay such funds to the taxing authority upon written instruction from the Port, sufficient funds to satisfy any amount determined to be owing at the conclusion of the proceeding to contest the assessment. Not later than ten (10) days after the date any Taxes are due, Lessee shall give to the Port a copy of the receipts and vouchers showing payment has been made as required by this Section. In the event that Lessee fails to pay Taxes on or before their due date, then, in addition to all other remedies set forth in this Lease, the Port shall automatically have the right, but not the obligation, to pay the Taxes and any interest and penalties due thereon, with no notice to Lessee and Lessee shall immediately reimburse the Port for any sums so paid. In the event that the term of this Lease ends after the end of any tax year, Lessee, unless exempt, shall be responsible for payment of property taxes for the entire tax year without proration, or, in the event of any change in property tax law, for any taxes due under such law (currently the tax year runs from July 1 to June 30). Lessee agrees Multnomah County, Oregon, is an intended third party beneficiary of Lessee's obligation under this Lease to pay Taxes owed to Multnomah County, and that Multnomah County may enforce such obligation directly, by an action for a money judgment, without affecting any right or remedy available under this Lease or otherwise.

5. LESSEE'S OTHER OBLIGATIONS

5.1 Improvements

Lessee shall make no improvements or alterations to the Premises of any kind.

5.2 Removal of Improvements Required by DSL

Upon termination of the DSL Lease and this Lease, DSL may require removal of any improvements which may exist within the Premises. Lessee shall be responsible, at its own cost and expense, for any such removal required by DSL.

5.3 Maintenance

The Port shall have no maintenance or repair responsibilities with respect to the Premises. Lessee shall, at Lessee's sole cost and expense, continually keep and maintain the Premises in a safe condition and in good repair and operating condition.

5.4 No Liens

Lessee agrees to pay, when due, all sums for labor, services, materials, supplies, utilities, furnishings, machinery, or equipment which have been provided to the Premises. Lessee shall not suffer or permit any liens to attach to the interest of Lessee in all or any part of the Premises by reason of any work, labor, services, or materials done for, or supplied to, or claimed to have been done for or supplied to, Lessee or anyone occupying or holding an interest of Lessee in all or any part of the improvements on the Premises through or under Lessee. If any lien is filed against the Premises, Lessee shall cause the lien to be discharged of record within thirty (30) days after the date of filing of the same, by either payment, deposit or bond. In the event that Lessee fails to remove the lien within thirty (30) days, then, in addition to all other remedies set forth in Section 10, the Port shall automatically have the right, but not the obligation, to pay the lien off with no notice to Lessee and Lessee shall immediately reimburse the Port for any sums so paid to remove any such lien.

5.5 Fire Safety

Lessee shall exercise due and reasonable care and caution to prevent and control fire on the Premises and, to that end, shall provide and maintain such fire suppression and other fire protection equipment as may be required pursuant to applicable governmental laws, ordinances, statutes and codes for the purpose of protecting the Premises and restricting the spread of any fire from the Premises.

5.6 Security

Lessee shall be fully responsible for security of the Premises. The Port will not provide security and shall have no liability under any circumstances for any damage, destruction, theft, or vandalism of Lessee's property or the property of others caused by any third party.

6. PORT AUTHORITY AND OBLIGATIONS

6.1 Condition of Premises

Lessee acknowledges that Cascade General, Inc., an affiliate of Lessee, has been occupying the Premises pursuant to sublease of the Prior Lease prior to the Commencement Date, and that Lessee has had full opportunity to inspect and become familiar with the Premises. The Port makes no warranties or representations regarding the condition of the Premises, including, without limitation, the environmental condition of the Premises or the suitability of the Premises for Lessee's intended uses. Lessee has inspected and accepts the Premises in "AS IS" condition upon taking possession, and assumes all risks of the condition of the Premises, known and unknown. The Port shall have no liability to Lessee, and Lessee shall have no claim against the Port, for any damage or injury caused by the condition of the Premises. The Port shall have no responsibility to bring the Premises into compliance with any laws. Notwithstanding the foregoing, however, the Port's responsibility for Cleanup Required by Law of Pre-existing Contamination (as those terms are defined in the Sale Agreement) shall be as specified in Section 10.3.2 of the Sale Agreement.

6.2 Port Access to Property

The Port shall have the right to enter upon the Premises for the purposes of: (i) confirming the performance by Lessee of all obligations under this Lease; (ii) doing any other act

which the Port may be obligated or have the right to perform under this Lease; and (iii) for any other lawful purpose. Lessee waives any claim against the Port for damages for any injury or interference with Lessee's business, any loss of occupancy or quiet enjoyment of the Premises or any other loss occasioned by such entry, except to the extent caused by the gross negligence or willful misconduct of the Port.

6.3 Port Access to Mooring Anchors

The Port shall have the right to tie ship mooring lines for ships anchored at the Port's Berth 308, to anchors located on Lessee's property, so long as such lines do not interfere with Lessee's intended use of its property as determined by Lessee in its sole discretion.

6.4 DSL Lease Notification

The Port agrees to use good faith efforts to notify Lessee of any events of default under the DSL Lease or any events which may cause the DSL Lease to terminate, and shall use good faith efforts to give Lessee an opportunity to cure the same; provided, however, that the Port shall have no liability to Lessee for any failure to comply with this Section 6.4.

7. ENVIRONMENTAL MANAGEMENT AND COMPLIANCE

7.1 Definitions

For the purposes of this Lease, the following definitions shall apply:

7.1.1 Environmental Law

"Environmental Law" shall be interpreted in the broadest sense to include any and all federal, State of Oregon and local laws, regulations, rules, permit terms, codes and ordinances now or hereafter in effect, as the same may be amended from time to time, and applicable decisional law, which in any way govern materials, substances, regulated wastes, emissions, pollutants, animals or plants, noise, or products and/or relate to the protection of health, natural resources, safety or the environment.

7.1.2 Hazardous Substance

"Hazardous Substance" shall be interpreted in the broadest sense to include any and all substances, emissions, pollutants, materials, or products defined or designated as hazardous, toxic, radioactive, dangerous or regulated wastes or materials or any other similar term in or under any Environmental Law. Hazardous Substance shall also include, but not be limited to, fuels, petroleum and petroleum-derived products.

7.1.3 Environmental Cost

"Environmental Cost" shall be interpreted in the broadest sense to include, but not be limited to, costs and damages arising from or relating to: (i) any actual or claimed violation of or noncompliance with any Environmental Law; (ii) claims for damages, response costs, fines, fees or other relief relating to matters addressed in any Environmental Law; (iii) injunctive relief relating to matters addressed in any Environmental Law; (iv) Hazardous Substance Releases (as defined in Section 7.1.4); and (v) violations of any environmental provisions of this Lease. Costs and damages as used in this Section shall include but not be limited to: (a) costs of evaluation, testing, analysis, cleanup, remediation, removal, disposal, monitoring and maintenance; (b) costs of reporting to or negotiating with any government agency; (c) fees of attorneys, engineers,

consultants, and experts, whether or not taxable as costs, incurred at, before or after trial, appeal or administrative proceedings; (d) lost revenue; and (e) diminution of value, loss, or restriction on use of property.

7.1.4 Hazardous Substance Release

"Hazardous Substance Release" shall be interpreted in the broadest sense to include the spilling, discharge, deposit, injection, dumping, emitting, releasing, leaking or placing of any Hazardous Substance into the air or into or on any land or waters, except as authorized by a then-current and valid permit issued under applicable Environmental Law.

7.2 General Environmental Obligations of Lessee

Lessee shall manage and conduct all of its activities on or relating to the Premises: (i) in compliance with Environmental Law and the environmental provisions of this Lease; (ii) in a manner designed to protect the environment; (iii) in cooperation with the Port in the Port's efforts to comply with Environmental Law; and (iv) in adherence with the Best Management Practices applicable to Lessee's use of the Premises. Lessee shall be responsible for ascertaining which Environmental Law governs its activities on or relating to the Premises and shall be responsible for maintaining a current understanding of such Environmental Law throughout the Lease Term. Lessee shall manage and, as appropriate, secure the Premises and its occupation or use of the Premises so as to prevent any violation of Environmental Law by any party on or relating to the Premises.

7.3 Use of Hazardous Substances

In conjunction with and in the ordinary course of the Permitted Uses, Lessee shall be permitted to use, handle or store, for their intended purposes in accordance with all manufacturers' instructions, Hazardous Substances consisting of: (i) small quantities of ordinary janitorial, office and landscaping supplies available at retail; (ii) petroleum-derived products fully contained within the fuel tanks of motor vehicles or vessels; and (iii) on board vessels but not otherwise, paint, fuel, lubricants and similar materials customarily used for minor maintenance of vessels while at berth. Lessee shall not otherwise store or use, or permit the storage or use of Hazardous Substances on or about the Premises.

7.4 Environmental Inspection

The Port reserves the right, at any time and from time to time, after notice to Lessee, to inspect the Premises and Lessee's operations on and use of the Premises: (i) for the presence of and/or Lessee's management of Hazardous Substances; (ii) for compliance with Environmental Law or the environmental provisions of this Lease; and (iii) to facilitate the Port's environmental management, permitting and analysis related to the Premises or any other property of the Port.

7.5 Lessee's Liability

7.5.1 Hazardous Substance Releases

Except as provided in Section 7.5.3, Lessee shall be responsible for any Hazardous Substance Release which occurs during the Lease Term on the Premises. Lessee shall also be responsible for any Hazardous Substance Release on the Premises, on other properties, in the air or in adjacent or nearby waterways (including groundwater) which results

from or occurs in connection with Lessee's occupancy or use of the Premises occurring during the Lease Term or occurring or continuing after the Lease Term.

7.5.2 Lessee's Liability for Environmental Cost

Except as provided in Section 7.5.3 of this Lease and in Section 10.3.2 of the Sale Agreement, Lessee shall be responsible for all Environmental Cost arising under this Lease. Any Environmental Cost for which Lessee is obligated or responsible under this Lease shall be paid by Lessee within thirty (30) days after the date of written notice or invoice from the Port or from the agency assessing such Environmental Cost directly against Lessee. Any Environmental Cost not paid when due shall bear interest at the Delinquency Rate from the date due until paid in full.

7.5.3 Limitation of Lessee's Liability

Notwithstanding anything to the contrary provided in this Lease, Lessee shall have no responsibility for: (i) Hazardous Substances or Hazardous Substance Releases, or Environmental Cost arising therefrom, that are caused by the Port or the agents, employees or contractors of the Port after the Commencement Date of this Lease, or (ii) Hazardous Substances or Hazardous Substance Releases or Environmental Costs which are the responsibility of the Port pursuant to Section 10.3.2 of the Sale Agreement.

7.6 Environmental Remediation

7.6.1 Immediate Response

In the event of a violation of Environmental Law, a violation of an environmental provision of this Lease, a Hazardous Substance Release, or the threat of or reasonable suspicion of the same for which Lessee is responsible under this Lease, Lessee shall immediately undertake and diligently pursue all acts necessary or appropriate to cure or correct the violation or investigate, contain and stop the Hazardous Substance Release.

7.6.2 Remediation and Removal

Lessee shall promptly undertake all remedial and/or removal actions necessary or appropriate to ensure that any Hazardous Substance Release is eliminated and that any violation of any Environmental Law or environmental provision of this Lease is cured or corrected, except to the extent such actions are the responsibility of the Port pursuant to Section 10.3.2 of the Sale Agreement. Lessee shall remove, at Lessee's sole expense, all Hazardous Substances for which Lessee is responsible under this Lease or under any Environmental Law and shall restore the Premises to the condition prior to any such release. In the event that any remediation or removal required by this Lease cannot reasonably be completed prior to the termination or expiration of this Lease, Lessee shall not be in default of its remediation obligations as long as Lessee immediately commences all investigation, containment, remediation and removal activities within thirty (30) days (or sooner if required by Environmental Law) and diligently and continuously pursues such activities until completion.

7.6.3 Report to the Port

Within thirty (30) days following completion of any investigatory, containment, remediation and/or removal action required by this Lease, Lessee shall provide the Port with a written report outlining, in detail, what has been done and the results thereof.

7.6.4 Port's Approval Rights

Except in the case of an emergency or an agency order requiring immediate action, Lessee shall give the Port advance notice before beginning any investigatory, remediation or removal procedures. The Port shall have the right to approve or disapprove the proposed investigatory, remediation and removal procedures and the company(ies) and/or individuals conducting such procedures which are required by this Lease or by Environmental Law, whether on the Premises or on any affected property or water. Lessee shall not initiate any risk assessment based remediation or closure without the prior written consent of the Port, which consent may be withheld or conditioned in the Port's sole discretion. The Port will have the right to require Lessee to request oversight from the Department of Environmental Quality ("DEQ") of any investigatory, containment, remediation and removal activities and/or require Lessee to seek a statement from DEQ of "No Further Action."

7.7 Notice to the Port

Lessee shall promptly notify the Port upon becoming aware of: (i) a violation or alleged violation of any Environmental Law related to the Premises or to Lessee's occupation or use of the Premises or any environmental provision of this Lease; (ii) any Hazardous Substance Release on, under or adjacent to the Premises or threat of or reasonable suspicion of any of the same; (iii) any notice or communication from a governmental agency directed to Lessee and relating to any Hazardous Substance Release or any violation or alleged violation of Environmental Law which relate to the Premises or to Lessee's occupation or use of the Premises; and (iv) any Hazardous Substance Release or violation of Environmental Law discovered by Lessee on property or in the air or water adjacent to the Premises. If notice must be given on the weekend or after 5:00 p.m. on any day, Lessee shall notify the Port by calling the Port's emergency telephone number. That number currently is: (503) 335-1111.

7.8 Lessee's Documentation of Environmental Management and Conduct

7.8.1 Annual Certification

If requested in writing by the Port, Lessee shall provide on or before each anniversary of the Commencement Date of this Lease, a written statement, certified by Lessee as true and complete to the best of their knowledge, that during the preceding year with respect to the Premises and Lessee's occupation and use of the Premises, Lessee has complied with applicable Environmental Law. If Lessee is unable to provide such certification at the time requested by the Port, then Lessee shall provide the Port with a written statement of the steps Lessee is taking to enable it to provide the Port with a certification of compliance.

7.8.2 Records

Lessee shall maintain for the duration of the Lease Term and for any period required by law, for periodic inspection by the Port, and deliver to the Port, at the Port's request, true and correct copies of all records required to be maintained pursuant to Environmental Law related to the Premises or to Lessee's occupation or use of the Premises. Such records shall include, but not be limited to, Material Safety Data Sheets ("MSDS") for all Hazardous Substances used or stored on the Premises, and shall be kept current and in a place known to and accessible to the Port.

7.9 Port's Right to Perform on Behalf of Lessee

In the event Lessee fails to perform any of its obligations under this Section 7 or under any Environmental Law, the Port shall have the right, upon giving Lessee seven (7) days written notice, to perform such obligations and charge Lessee the resulting Environmental Cost. The Port may not commence performance on behalf of Lessee under this Section 7.9 if, within the seven (7) day notice period, Lessee promptly begins and diligently pursues to completion the performance of the obligations set forth in the Port's notice. In the event the Port determines that an emergency exists and Lessee is unavailable, unwilling or unable to take immediate and appropriate action, the Port may take whatever immediate action it deems necessary and charge Lessee the resulting Environmental Cost.

8. INDEMNITY, INSURANCE

8.1 Lessee's General Indemnity; Reimbursement of Damage

Except to the extent the Port is responsible for the same under Section 10.3.2 of the Sale Agreement, Lessee agrees to defend (using legal counsel acceptable to the Port), indemnify, and hold harmless the Port from and against any and all claims, damages, expenses, costs, fees (including, but not limited to, attorney, accountant, paralegal, expert, and escrow fees), fines, Environmental Costs and/or penalties (collectively "Costs") which may be imposed upon or claimed against or incurred or suffered by the Port and which, in whole or in part, directly or indirectly, arise from or are in any way connected with any of the following, unless exclusively resulting from the Port's negligence or willful misconduct: (a) any act, omission or negligence of Lessee or Lessee's partners, officers, directors, agents, employees, invitees or contractors resulting in damages or loss to a third party; (b) any use, occupation, management or control of the Premises by Lessee, whether or not due to Lessee's own act or omission and whether or not occurring on the Premises; (c) any condition created in or about the Premises by Lessee, including any accident, injury or damage occurring on or about the Premises resulting from such condition; (d) any breach, violation or nonperformance of any of Lessee's obligations under this Lease; or (e) any damage caused by Lessee on or to the Premises. For purposes of this Section, "Lessee" shall be deemed to include Lessee and all of Lessee's assignees, sublessees, operators, partners, officers, directors, agents, employees, invitees, licensees, and/or contractors. This indemnification shall require Lessee to reimburse the Port for any diminution in value of the Premises, or other adjacent or nearby Port property, caused by Hazardous Substances, including damages for loss of, or restriction on use of, rentable or usable property or of any amenity of the Premises or any other Port property, including damages arising from any adverse impact on the leasing of property in or near the Premises, including other Port property.

8.2 Insurance Requirements

Insurance requirements set forth below do not in any way limit the amount or scope of liability of Lessee under this Lease. The amounts listed indicate only the minimum amounts of insurance coverage the Port is willing to accept to help insure full performance of all terms and conditions of this Lease. All insurance required by Lease under this Lease shall meet the following minimum requirements:

8.2.1 Certificates; Notice of Cancellation

On or before the Commencement Date, and thereafter during the Lease Term, Lessee shall provide the Port with current certificates of insurance, executed by a duly authorized representative of each insurer, as evidence of all insurance policies required under this Section. No insurance policy may be canceled, materially revised, or allowed to expire without at least thirty (30) days prior written notice being given to the Port. Insurance must be maintained without any lapse in coverage during the Term. The Port shall also be given certified copies of Lessee's policies of insurance, upon request. Failure of the Port to demand such certificates or other evidence of full compliance with these insurance requirements or failure of the Port to identify a deficiency from evidence that is provided, shall not be construed as a waiver of Lessee's obligation to maintain the insurance required by this Lease.

8.2.2 Additional Insured; Separation of Insureds

The Port shall be named as an additional insured in each general liability policy and as an additional insured and loss payee in each property insurance policy. Such insurance shall provide cross-liability coverage as provided under a standard Separation of Insureds clause published by the Insurance Services Office ("ISO"), or a successor organization or language to its equivalent.

8.2.3 Primary Coverage

The required policies shall provide that the coverage is primary, and will not seek any contribution from any insurance or self-insurance carried by the Port.

8.2.4 Company Ratings

All policies of insurance must be written by companies having an A.M. Best rating of "A-"or better, or equivalent. The Port may, upon thirty (30) days written notice to Lessee, require Lessee to change any carrier whose rating drops below an "A-" rating.

8.3 Required Insurance

At all times during the Lease Term, Lessee shall provide and maintain the following types of coverage:

8.3.1 Comprehensive Marine Liability Insurance

Lessee shall maintain an occurrence form comprehensive marine liability policy or policies including terminal operator's liability, stevedoring legal liability, wharfinger's legal liability, and other coverages as appropriate for: (i) goods under Lessee's care, custody, and control; (ii) other claims which may arise from Lessee's operations, independent contractors, products-completed operations, personal injury and advertising injury, the use of the Premises (including loss of use thereof), and liability insured under an insured contract (including the tort liability of another assumed in a business contract) occurring on or in any way related to the Premises or occasioned by reason of the operations of Lessee. If Lessee operates any owned or chartered vessels in conjunction with this Lease, including nonowned vessels in their care, custody and control, such insurance shall include protection and indemnity coverage as well as coverage for collision liability, tower's liability for tugs/barges, and Jones Act claims covering the master and members of crew of said vessel(s). Where Lessee is acting in the capacity of a ship repairer, such coverage shall be extended to include Ship Repairer's Legal Liability.

Such coverage shall be written on an ISO occurrence form CG 00 01 01 96 (or a substitute form providing equivalent coverage) in an amount of not less than TWENTY MILLION DOLLARS ($20,000,000) per occurrence.

8.3.2 Pollution Liability

Lessee shall maintain sudden and accidental pollution liability coverage, for liability arising out of the operations, in an amount of not less than ONE MILLION DOLLARS ($1,000,000) per claim for injury to or death of any persons, for property damage, fines, penalties, natural resource damages, and other costs of clean-up expenses as may be required under any Environmental Law.

Where Lessee is owner or operator or custodian of vessels, Lessee shall maintain sudden and accidental pollution liability coverage for liability arising from the owned/operated/custodial vessels, in an amount of not less than ONE MILLION DOLLARS ($1,000,000) per occurrence or such higher amount as may be required by the Oil Pollution Act of 1990. Such insurance shall provide coverage equivalent to a WQIS form. Lessee shall be responsible for meeting all financial responsibility requirements for the vessel pursuant to the Oil Pollution Act of 1990.

8.3.3 Automobile Liability Insurance

In the event that automobiles are used in connection with Lessee's business or operations at the Premises, Lessee shall maintain an automobile liability policy or policies insuring against liability for bodily injury, death, or damage to property and relating to the use, loading or unloading of any of Lessee's automobiles (including owned, hired and non-owned vehicles) on and around the Premises. Coverage shall be in an amount of not less than ONE MILLION DOLLARS ($1,000,000) each accident.

8.3.4 Workers' Compensation Insurance

Lessee shall maintain Workers' Compensation insurance with statutory limits covering all of Lessee's state and longshore employees and Employers Liability and Jones Act insurance with a limit of at least FIVE MILLION DOLLARS ($5,000,000) each accident or each employee for disease. In lieu of such insurance, Lessee may maintain a self-insurance program meeting the requirements of the State of Oregon (and the US Department of Labor, if applicable) and a policy of excess workers compensation and employers liability insurance with a limit of at least FIVE MILLION DOLLARS ($5,000,000) combined single limit.

8.3.5 Lessee's Risks

Lessee shall be responsible for obtaining any insurance it deems necessary to cover its own risks, including without limitation: (i) business interruption, such as business income, extra expense, or similar coverage, and/or (ii) personal property and/or (iii) hull & machinery coverage. In no event shall the Port be liable for any (a) business interruption or other consequential loss sustained by Lessee, or (b) damage to, or loss of, personal property, hull & machinery, and property in the Lessee's care, custody and control, whether or not such loss is insured, even if such loss is caused by the negligence of the Port.

8.4 Waiver of Subrogation

Lessee and the Port waive any right of action that they and/or their insurance carriers might have against each other (including their respective employees, officers, commissioners, or agents) or against other tenants of the Premises for any loss, cost, damage, or expense (collectively "Loss") to property insurance policy or policies (including hull and machinery) maintained or required to be maintained pursuant to this Lease and to the extent that such proceeds (which proceeds are free and clear of any interest of third parties) are received by the party claiming the Loss. Lessee also waives any right of action it and/or its insurance carrier might have against the Port (including its respective employees, officers, commissioners, or agents) for any Loss to the extent such Loss is a property loss covered under any applicable automobile liability policy or policies required by this Lease. If any of Lessee's property or automobile insurance policies do not allow the insured to waive the insurer's rights of subrogation prior to a Loss, Lessee shall cause it to be endorsed with a waiver of subrogation that allows the waivers of subrogation required by this Section 8.4.

8.5 Survival of Indemnities

The indemnity agreements set forth in this Section 8 shall survive the expiration or earlier termination of the Lease and be fully enforceable thereafter.

9. TERMINATION

9.1 Termination of DSL Lease

If the DSL Lease is terminated for any reason, this Lease shall terminate immediately.

9.2 Cancellation of Ancillary Rights

In the event the Port exercises its right to cancel any or all of the Ancillary Rights, Lessee shall have the option to terminate this Lease by giving written notice to the Port not later than sixty (60) days following the Port's notice of cancellation of the Ancillary Rights. Termination will be effective thirty (30) days following such notice by Lessee, or such other date as may be mutually agreed to by the Port and Lessee.

9.3 Duties on Termination

Upon expiration or earlier termination of the Lease as provided in this Lease, Lessee shall surrender the Premises in good and clean condition, ordinary wear and tear excepted, in the state of repair required by this Lease. Ordinary wear and tear shall not include deterioration that could have been prevented by proper maintenance practices or by Lessee performing Lessee's obligations under this Lease. Lessee shall remove all debris, moveable fixtures and any other personal property of Lessee from the Premises and from areas to which Lessee has been provided access by the ancillary rights outlined in Section 1.4. Lessee shall remove any improvements required by DSL to be removed from the Premises.

9.4 Holding Over

If Lessee holds over after the expiration or earlier termination of this Lease, and the Port and Lessee have not otherwise agreed in writing upon the terms and provisions of such holding over, Lessee shall be deemed by the Port to be either a month-to-month holdover tenant or a tenant at sufferance and Lessee shall remain bound by all terms, covenants, and agreements

hereof. If Lessee is deemed to be a holdover tenant, Lessee and the Port agree that: (i) the tenancy shall be from month-to-month and may be terminated at any time by thirty (30) days prior written notice from either party to the other; and (ii) the Port shall have the right to adjust the rental payments, charges or use fees upon thirty (30) days written notice to Lessee. In the event that the Port deems Lessee a tenant at sufferance, all of the provisions of the previous sentence shall apply, except that the Port may take immediate action to evict Lessee without notice and may otherwise exercise any other rights and remedies available to it at law or in equity for breach of this Lease. In the event that Lessee is a holdover tenant or a tenant at sufferance beyond June 30 of any year, Lessee shall be responsible for payment of property taxes, if applicable, for the entire following tax year without proration.

10. DEFAULT

10.1 Event of Default

The occurrence of any of the following shall constitute an "Event of Default" (also referred to as a "Default"):

10.1.1 Default in Rent

An Event of Default shall occur if Lessee fails to pay any Rent within ten (10) days of the date such payment is due. No notice by the Port that Rent is past due shall be required.

10.1.2 Default in Other Covenants

An Event of Default shall occur if Lessee violates any term, covenant or condition of this Lease (other than the payment of Rent) and such violation is not cured within thirty (30) days after written notice by the Port describing the nature of the violation. If the violation is of such a nature that it cannot be completely cured within the thirty (30) day period, this provision shall be complied with if Lessee begins correction of the violation within such thirty (30) day period and thereafter proceeds in good faith and with all due diligence to effect the cure as soon as practical. Notwithstanding the foregoing, the Port shall not be required to give notice for a violation of the same provision more than twice during any twelve-month period of this Lease. Thereafter a violation of the same provision shall constitute an Event of Default for which no further notice or opportunity to cure need be given. Furthermore, if any violation of this Lease threatens to cause serious harm to the Port or other tenants or persons, then the Port shall not be required to serve any notice before proceeding to request immediate injunctive relief or specific performance.

10.1.3 Insolvency

The insolvency of Lessee shall be an Event of Default for which no notice or opportunity to cure need be given. For the purposes of this Lease, "Insolvency" shall, to the extent permitted by the United States Bankruptcy Code, be deemed to include an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee and the receiver is not discharged within thirty (30) days; the filing of an involuntary petition of bankruptcy and failure of Lessee to secure a dismissal of the petition within thirty (30) days after

filing; attachment of or the levying of execution on the leasehold interest and failure of Lessee to secure discharge of the attachment or release of the levy of execution within thirty (30) days.

10.2 Remedies on Default

Immediately upon the occurrence of an Event of Default, the Port may, at its option, after notice is provided to Lessee of such Event of Default, and same has not been cured within the applicable cure periods provided above, or, if none has been given, within ten (10) days of such notice, terminate this Lease and Lessee's right to possession of the Premises and at any time may exercise any or all of the rights and remedies available at law or equity. Any notice to terminate may be given before or within the applicable cure period and may be included in a notice of failure of compliance.

10.3 Curing Lessee's Default

If Lessee fails to perform any of Lessee's obligations under this Lease, the Port, without waiving such failure, may (but shall not be obligated to) perform the same for the account of and at the expense of Lessee, without notice in a case of emergency, and in any other cases, only if such failure continues after the expiration of thirty (30) days from the date the Port gives Lessee notice of the failure. The Port shall not be liable to Lessee for any claim for damages resulting from such action by the Port. Lessee agrees to reimburse the Port, upon demand, any amounts the Port may spend in complying with the terms of this Lease on behalf of Lessee. The Port shall have the same rights and remedies in the event of the nonpayment of sums due to be reimbursed under this Section as in the case of Default by Lessee in the payment of any other Rent. Any sums to be so reimbursed shall bear interest at the Delinquency Rate.

11. ASSIGNMENT, SUBLEASE, MORTGAGE AND TRANSFER

11.1 Prohibited Transfers

Except as otherwise specifically provided by this Lease, no part of the Premises, nor any interest in this Lease, may be sold, assigned, pledged, transferred, mortgaged, or subleased by Lessee, nor may a right of use of any portion of the Premises be conveyed or conferred on any third party by Lessee by any other means (all of the foregoing sometimes referred to in this Lease as a "Transfer"), without the prior written consent of the Port.

11.2 Permitted Transfers

Notwithstanding the foregoing Section 11.1, the Port hereby consents to a Transfer of Lessee's rights under this Lease by Lessee, on the terms and conditions stated in Section 18.1 of the Sale Agreement, to any party to whom an assignment is made under Section 18.1 of the Sale Agreement.

11.3 Approval by DSL

Any Transfer requested by Lessee and consented to by the Port must also be approved by DSL pursuant to the provisions of the DSL Lease, but approval by DSL pursuant to the DSL Lease shall not constitute consent to such Transfer by the Port.

11.4 Unpermitted Transfer Void

Any Transfer or attempted Transfer without the Port's prior written consent or as otherwise permitted herein shall be void.

11.5 Transfer by the Port

The Port shall have the right to transfer its interest in the Premises or in this Lease. In the event of such a transfer, the Lessee shall attorn to said transferee and recognize transferee as the new owner of the Premises under the Lease. Thereafter, the Port shall be relieved, upon notification to Lessee of the name and address of the Port's successor, of any obligations accruing from and after the date of the transfer so long as the transferee agrees to assume all obligations of the Port under this Lease.

12. CONDEMNATION

In the event any public or private entity having the power of eminent domain exercises its right or power of eminent domain over any portion of the Premises, this Lease shall terminate and the parties' rights and obligations shall be governed by Oregon law. Lessee and the Port agree to cooperate in good faith to resolve any issues relating to value and/or authority to condemn.

13. GENERAL PROVISIONS

13.1 Covenants, Conditions, and Restrictions

This Lease is subject and subordinate to the effect of any covenants, conditions, restrictions, easements, mortgages, deeds of trust, ground leases, rights of way, and any other matters of record now or hereafter imposed upon the Premises and to any applicable land use or zoning laws or regulations. Lessee shall, upon request of the Port, execute and deliver agreements of subordination in the form requested by the Port.

13.2 Governing Law

This Lease shall be governed and construed according to the laws of the State of Oregon.

13.3 No Benefit to Third Parties

The Port and Lessee are the only parties to this Lease and as such are the only parties entitled to enforce its terms.

13.4 Port Consent or Action

In the event this Lease is silent as to the standard for any consent, approval, determination, or similar discretionary action, the standard shall be the sole and unfettered discretion of the Port, rather than any standard of good faith, fairness or reasonableness. Wherever this Lease requires the Port's consent or approval or permits the Port to act, such consent, approval or action may be given or performed by the Port's Commission, the Executive Director of the Port or the Executive Director's designee. If Lessee requests the Port's consent or approval pursuant to any provision of the Lease and the Port fails or refuses to give such consent, Lessee shall not be entitled to any damages as a result of such failure or refusal, whether or not unreasonable. In the event the Port has expressly agreed, in writing, not to act unreasonably in withholding its consent or may not unreasonably withhold its consent as a matter of law and the Port has, in fact, acted unreasonably in either of those instances, Lessee's sole remedy shall be an action for specific performance or injunction.

13.5 No Implied Warranty

In no event shall any consent, approval, acquiescence, or authorization by the Port be deemed a warranty, representation, or covenant by the Port that the matter approved, consented to, acquiesced in or authorized is appropriate, suitable, practical, safe or in compliance with any applicable law or this Lease. Lessee shall be solely responsible for such matters and the Port shall have no liability therefor.

13.6 Notices

All notices required under this Lease shall be deemed to be properly served if sent by certified mail, return receipt requested, or delivered by hand or sent by facsimile during normal business hours, to the last address previously furnished by the parties hereto. Until hereafter changed by a party by notice in writing, notices shall be sent as follows:

If by mail or facsimile, to the Port at:

The Port of Portland
Attention: Senior Manager, Property & Development Services
P.O. Box 3529
Portland, Oregon 97208
Facsimile No.: (503) 944-7466

with a copy to:

The Port of Portland
Attention: General Counsel
P.O. Box 3529
Portland, Oregon 97208
Facsimile No.: (503) 944-7038

or if by hand delivery, to the Port at:

The Port of Portland
Attention: Senior Manager, Property & Development Services
121 N.W. Everett Street
Portland, Oregon 97209

with a copy to:

The Port of Portland
Attention: General Counsel
121 N.W. Everett Street
Portland, Oregon 97209

To Lessee at:

Portland Shipyard LLC

Attn: President
5555 N. Channel Avenue
Portland, Oregon 97217
Facsimile No. (503) 247-1686

With a copy to:

Ater Wynne LLP
Attn: Jonathan Ater
222 S.W. Columbia, Suite 1800
Portland, OR 97201
Facsimile No. (503) 226-0079

The date of service of such notice by mail is agreed to be five (5) days after the date such notice is deposited in a post office of the United States Post Office Department, postage prepaid, return receipt requested, certified mail, or, if delivered by hand or by facsimile during normal business hours, then the actual date of hand delivery or receipt of the facsimile transmission. The burden of proof concerning receipt of the facsimile will be on the sender who may satisfy the burden by presenting a receipt of the transmission showing the date the transmission successfully occurred, the facsimile number that the transmission was sent to, the name of the party to whom the facsimile was sent, and a description of the document sent. If notice is given by hand delivery or facsimile other than during normal business hours, such notice shall be deemed served at 9:00 a.m. Pacific time on the next normal business day.

13.7 Time of the Essence

Time is of the essence in the performance of and adherence to each and every covenant and condition of this Lease.

13.8 Nonwaiver

Waiver by the Port of strict performance of any provision of this Lease shall not be deemed a waiver of or prejudice the Port's right to require strict performance of the same provision in the future or of any other provision of this Lease.

13.9 Survival

Any covenant or condition (including, but not limited to, indemnification provisions), set forth in this Lease, the full performance of which is not specifically required prior to the expiration or earlier termination of this Lease, and any covenant or condition which by its terms is to survive the termination of this Lease, shall survive the expiration or earlier termination of this Lease and shall remain fully enforceable thereafter.

13.10 Partial Invalidity

If any provision of this Lease is held to be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

13.11 Force Majeure

If the performance by either of the parties of their respective obligations under this Lease (excluding monetary obligations) is delayed or prevented by any extraordinary acts of nature (including floods, explosions, earthquakes), fires, epidemics, war, labor strikes, riots, orders of or restraints by government authorities, or other extraordinary casualty which is not reasonably within the party's control and is not due to the fault or negligence of that party ("Force Majeure"), then that party shall be excused from performance to the extent that performance is prevented by any of the foregoing, without liability under this Lease. Lessee agrees, however, to proceed with all reasonable dispatch to perform its obligations under this Lease after the Force Majeure preventing Lessee from carrying out its obligations under this Lease ceases to exist.

13.12 Limitation on Port Liability

The Port shall have no liability to Lessee for loss, damage or injury suffered by Lessee on account of theft or any act or omission of any third party, including other tenants. The Port shall only be liable for its own breaches of this Lease, willful misconduct, or gross negligence, and then only to the extent of actual and not consequential damages. Although this Lease gives the Port certain rights of inspection, such rights shall impose no obligation on the Port to make any inspections nor impose liability on the Port if the Port fails to make such inspections.

13.13 Calculation of Time

Unless referred to as Business Days, all periods of time referred to in this Lease shall include Saturdays, Sundays, and Legal Holidays. However, if the last day of any period falls on a Saturday, Sunday, or legal holiday, then the period shall be extended to include the next day which is not a Saturday, Sunday or Legal Holiday. "Legal Holiday" shall mean any holiday observed by the Federal Government. "Business Days" shall mean Monday through Friday and shall exclude Saturday, Sunday and Legal Holidays.

13.14 Headings, Table of Contents and Table of Definitions

The article and section headings, table of contents and table of definitions contained in this Lease are for convenience in reference and are not intended to define or limit the scope of any provision of this Lease.

13.15 Exhibits Incorporated by Reference

All Exhibits attached to this Lease are incorporated by reference in this Lease for all purposes.

13.16 Modification

This Lease may not be modified except by a writing signed by the Port and Lessee.

13.17 Attorney Fees

If a suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U.S. Bankruptcy Code), is instituted in connection with any controversy arising out of this Lease or to interpret or enforce any rights or obligations hereunder, the prevailing party shall be entitled to recover attorney, paralegal, accountant, and other expert fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, as determined by the court or body at trial or on any appeal or review, in addition to all other

amounts provided by law. Payment of all such fees shall also apply to any administrative proceeding, trial, and/or any appeal or petition for review. Whenever this Lease requires Lessee to defend the Port, it is agreed that such defense shall be by legal counsel acceptable to the Port.

13.18 Entire Agreement

This Lease represents the entire agreement between the Port and Lessee relating to Lessee's leasing of the Premises from and after the Commencement Date, and shall supersede all previous communications, representations, or agreements, whether verbal or written, between the parties hereto with respect to such leasing. It is understood and agreed by Lessee that neither the Port nor the Port's agents or employees have made any representations or promises with respect to this Lease or the making or entry into this Lease, except as in this Lease expressly set forth, and that no claim or liability or cause for termination shall be asserted by Lessee against the Port for, and the Port shall not be liable by reason of, the claimed breach of any representations or promises not expressly stated in this Lease, any other oral agreement with the Port being expressly waived by Lessee.

13.19 Provisions Applicable to Others

All provisions of this Lease governing Lessee's use of the Premises and Lessee's activities and conduct on, about or from the Premises shall apply to Lessee's officers, agents, employees invitees, and contractors.

13.20 Successors; the Parties

The rights, liabilities and remedies provided for in this Lease shall extend to the heirs, legal representatives, and, so far as the terms of this Lease permit, successors and assigns of the parties hereto. The words "Port" and "Lessee" and their accompanying verbs or pronouns, wherever used in this Lease, shall apply equally to all persons, firms, or corporations which may be or become such parties hereto.

13.21 Joint and Several Obligations

If Lessee consists of more than one individual or entity, the obligations of all such individuals and entities shall be joint and several.

13.22 Interpretation of Lease; Status of Parties

This Lease is the result of arms length negotiations between the Port and Lessee and shall not be construed against the Port by reason of its preparation of this Lease. Nothing contained in this Lease, including the method of computation of rentals or construction of improvements on the Premises, shall be deemed or construed as creating the relationship of principal and agent, partners, joint ventures, or any other similar such relationship, between the parties hereto.

13.23 Execution of Multiple Counterparts

This Lease may be executed in multiple counterparts, each of which shall be an original, but all of which shall constitute one instrument.

13.24 Defined Terms

Capitalized terms shall have the meanings given them in the text of this Lease. See the Table of Contents for a list of defined terms.

13.25 No Limit on Port's Powers

Nothing in this Lease shall limit, in any way, the power and right of the Port to exercise its governmental rights and powers, including its powers of eminent domain.

13.26 Capacity to Execute

The Port and Lessee each warrant and represent to one another that this Lease constitutes a legal, valid and binding obligation of that party. The individuals executing this Lease personally warrant that they have full authority to execute this Lease on behalf of the entity for whom they purport to be acting.

IN WITNESS HEREOF, the parties have subscribed their names hereto effective as of the year and date first written above.

LESSEE

PORTLAND SHIPYARD LLC

By: _____

LESSOR

THE PORT OF PORTLAND

By: _____
Mike Thorne, Executive Director

APPROVED AS TO LEGAL SUFFICIENCY
FOR THE PORT OF PORTLAND

By: _____
Counsel for Port of Portland

APPROVED BY COMMISSION ON:
6/14/00

EXHIBIT A

THE PREMISES

MAP NOT INCLUDED

STATE OF OREGON
DIVISION OF STATE LANDS
SUBMERGED AND SUBMERSIBLE LAND LEASE

22755-ML

The Oregon State Land Board and the Division of State Lands (STATE) hereby lease to the person(s) herein named (LESSEE), the following described lands on the terms and conditions stated herein, to wit:

NAME of LESSEE:
Port of Portland

ADDRESS:
PO Box 3529
Portland OR 97208

Legal classification of LESSEE is a "Political Subdivision",

Land situated in Multnomah County more fully described as follows:

A tract of land situated in the Southeast one-quarter of Section 17 and the Northeast one-quarter of Section 20, Township 1 North, Range 1 East of the Willamette Meridian, in the City of Portland, Multnomah County, Oregon, described as follows:

Commencing at a point which is 1,262.39 feet West and 859.49 feet South of the Northeast corner of said Section 20 said point being a centerline angle point of North Lagoon Avenue;

thence along the centerline of North Lagoon Avenue, North 52°30'00" West, a distance of 695.12 feet;

thence North 37°30'00" East, a distance of 40.00 feet to a point on the Northeasterly right-of-way line of North Lagoon Avenue at the most Westerly corner of that tract of land recorded March 20, 1967 in Deed Book 552, Page 1034, Multnomah County Deed Records;

thence along the Northwesterly line of said Deed Book 552, Page 1034, North 37°30'00" East, 161.33 feet to the Ordinary High Water line of the Swan Island Lagoon (established at NGVD 29/47 elevation 17.00 feet above Mean Sea Level) and the TRUE POINT OF BEGINNING:

thence along said Ordinary High Water line, North 51°21'15" West, a distance of 383.83 feet;

thence North 52°55'19" West, a distance of 205.58 feet;

thence departing said Ordinary High Water line, North 37°30'00" East, a distance of 174.89 feet to a point that is a 100.00 foot parallel with and Northerly of when measured at right angles to the Federal Harbor Line as established by the U.S. Army Corps of Engineers in a document dated February 23, 1968;

thence parallel with and 100.00 feet from when measured at right angles to said Federal Harbor Line, South 52°26'47" East, a distance of 205.58 feet;

thence departing said 100.00 foot offset line, South 37°30'00" West, a distance of 100.00 feet to a point on said Federal Harbor Line;

thence along said Federal Harbor Line, South 52°26'47" East, a distance of 383.75 feet to a point on the Northerly extension of the Northwesterly line of said Deed Book 552, Page 1034;

thence departing said Federal Harbor Line and running along said Northerly extension, South 37°30'00" West, a distance of 80.50 feet to the TRUE POINT OF BEGINNING, containing 65,269 square feet (1.50 acres), more or less, and as shown on the attached Exhibit "A".

The bearings in this description are based upon private survey no. 56596 (W.B. Wells and Associates, Inc. Survey), Multnomah County Survey Records.

Total number of acres: 1.50 acres more or less.

Hereinafter referred to as "leasehold".

SECTION 1 - LEASE TERM AND RENEWAL

1.1 Term: This Lease shall continue for a period of 5 years commencing on August 1 , 2000 the month and date of which shall be known as the LEASE ANNIVERSARY DATE, and expiring on July 31, 2005, the month and date of which shall be known as the LEASE EXPIRATION DATE.

1.2 Renewal: LESSEE shall have an option to renew this Lease for an additional period of N/A years after the original and each renewal lease term provided that LESSEE has submitted a completed lease renewal application form to the STATE not less than one hundred and eighty (180) days prior to LEASE EXPIRATION DATE. Upon receipt of such application, this Lease shall be renewed by the STATE unless:

1.2.1 The STATE determines, in its sole discretion, that the LESSEE has not complied with the terms of this Lease, the applicable statutes and Oregon Administrative Rules; or

1.2.2 The LESSEE is no longer the preference right holder as defined by applicable state law, or

1.2.3 The STATE determines that the renewal of this Lease for all or portions of the leasehold would be contrary to local, state, or federal law, or would be inconsistent with the policies set forth in OAR 141-082-0010.

1.3 STATE shall provide LESSEE two (2) years advance written notice of its intent to not renew this Lease for all or portions of the leasehold pursuant to the provisions of this Section. In the event that the STATE determines not to renew this Lease, but less than two (2) years remain in the Lease term, the STATE shall utilize the holdover provisions (Section 7.11) of this Lease to complete the two (2) year notice period and to allow the LESSEE sufficient time to vacate the authorized area and to relocate any sublessees in an orderly fashion.

SECTION 2 - AUTHORIZED USES

2.1 Purpose: This Lease shall grant the LESSEE the right to use the above described land for the specific purpose(s) described below in accordance with these LEASE TERMS and CONDITIONS, applicable local (including local comprehensive land use planning and zoning ordinances), state and federal laws and the applicable Oregon Administrative Rules.

Ship repair and berthage
(Marine Industrial/Marine Service)

SECTION 3 - ANNUAL LEASE RENTAL PAYMENT CALCULATION AND ADJUSTMENTS

3.1 Annual Lease Rental Payment: The Lease rental payment to be paid by LESSEE to STATE shall be $16,317.00 for the first year of the Lease as provided in Section 3.1.1 based on the Riparian Land Value as shown below. Receipt of the first year's Lease rental payment is hereby acknowledged.

3.1.1 The initial annual Lease rent payment shall be calculated as follows:

Use Class	Area (square ft.)	Rate Choice	Annual Rent
Marine Industrial Marine Service	65,267 square feet	Riparian Land Value	$16,317.00
		TOTAL	$16,317.00

3.2 Annual Lease Rental Payment Adjustment: The annual lease rental payment shall be adjusted annually in accordance with the provisions of the Oregon Administrative Rule in effect at the time. The second year's rent shall be $16,807.00. The third year's rent shall be $N/A. Each payment shall be due on the Lease Anniversary Date as shown in Section 1.1.

SECTION 4 - MODIFICATION OF LEASEHOLD AREA OR USE

4.1 Modification of Leasehold Area or Use: LESSEE may request that the STATE expand or reduce the size, or change the use of the leasehold using a form provided by the STATE. However, no such change shall occur unless authorized in writing by the STATE.

4.1.1 The STATE may amend this Lease to reduce the leasehold area as requested if the portion of the leasehold is not in use, or does not contain any leasable structures. Structures and improvements within the vacated leasehold area shall be treated as in Section 9.3. If the modification results in a reduction of rental(s) due hereunder, such reduction shall become effective commencing on the first (1st) full year after the later of: (1) the date of the change of area or use, or (2) the date of the issuance of the STATE's written approval.

4.1.2 Requests to change an authorized use, or increase the leasehold shall be processed and reviewed in the same manner as a new lease application.

SECTION 5 - RESERVATIONS AND RESTRICTIONS

5.1 Compliance: The STATE shall have access to the leasehold at all reasonable times for the purpose of evaluating and ensuring compliance with the terms and conditions of this Lease. The State shall have the right to examine pertinent records of LESSEE for the purpose of ensuring compliance with the Lease.

5.2 Reservations: The STATE reserves:

5.2.1 The right to lease and dispose of all coal, oil, gas, geothermal resources and other minerals, and all deposits of clay, stone, gravel and sand valuable for building, mining, or commercial purposes together with the right to explore, mine, develop, produce and remove such minerals and other deposits with the right of ingress and egress thereto, and to terminate this Lease as to all or any portion of the leasehold when required for these purposes with one hundred twenty (120) days prior written notice to LESSEE or as otherwise provided in law.

5.2.2 The right to enter in and upon the leasehold at any time for purposes of inspection or management.

5.2.3 The right at any time to grant easements across the premises for tunnels, telephone and fiber optic cable lines, pipelines, power lines, or other lawful purpose, with right of ingress and egress thereto. The STATE shall include in any such grant of easement a requirement that the easement holder take all reasonable precautions to ensure that exercise of their easement rights does not unreasonably interfere with LESSEE's use(s) authorized in the Lease.

5.2.4 All rights not expressly granted to LESSEE are reserved by the STATE.

5.3 Public Access and Recreational Use Reservation: All state-owned submerged and submersible land shall remain available and open to the public for commerce, navigation, fishing and recreation unless restricted or closed by the STATE to public entry pursuant to the provisions of applicable Oregon Administrative Rules. LESSEE may request the STATE to close the leasehold to public entry or restrict recreational use by the public on all or portions of the leasehold to protect persons or property from harm arising from or in connection with the LESSEE's activities.

This reservation shall not grant the public any right to use or occupy LESSEE-owned property or structures authorized under this lease without LESSEE's permission.

5.4 Restriction on Use: In connection with use of the leasehold, the LESSEE shall:

5.4.1 Comply with all applicable local, state and federal laws and regulations affecting the leasehold and the use thereof, including local comprehensive land use planning and zoning ordinances, and correct at the LESSEE's own expense any failure of compliance created through the LESSEE's fault or by reason of the LESSEE's use;

5.4.2 Dispose of all waste in a proper manner and not allow debris, garbage or other refuse to accumulate within the leasehold. If LESSEE allows debris, garbage or other refuse to accumulate within the leasehold, the STATE shall have the right to remove the debris, garbage and other refuse, and collect the cost of such removal from LESSEE;

5.4.3 Not cut, destroy or remove, or permit to be cut, destroyed or removed, any vegetation that may be upon the leasehold except with written permission of the STATE. The LESSEE shall promptly report to the STATE the cutting or removal of vegetation by other persons;

5.4.4 Conduct all operations within the leasehold in a manner which conserves fish and wildlife habitat, protects water quality, and does not contribute to soil erosion or growth of noxious weeds;

5.4.5 Maintain all buildings, docks, pilings, floats, gangways, similar structures, and other improvements located within the leasehold in a good state of repair; and .

5.4.6 Not unreasonably interfere with the public's trust rights of commerce, navigation, fishing or recreation.

5.5 Waste Water Disposal: In addition to any other applicable laws and regulations, LESSEE shall comply with Oregon Department of Environmental Quality and

Oregon State Marine Board requirements for sewage collection and disposal for on water boat and floating structures.

5.6 Hazardous Materials: LESSEE shall use, place, store or release, or allow to be used, placed, stored or released, any material that may pose a danger to the public, wildlife, or its habitat, including, but not limited to, hazardous wastes, pesticides, or toxic substances only in strict compliance with all laws and manufacturer's instructions and shall take all necessary precautions to protect the leasehold and its soil and vegetation. LESSEE shall keep and maintain accurate and complete records of the amount of such materials stored and/or used on the leasehold and shall immediately notify STATE of any potential risk to the leasehold, adjacent lands, waters, structures or property.

SECTION 6 - REQUIREMENTS

6.1 Assignment and Sublease: Except as noted in Section 6.2, the LESSEE may not assign or sublease nor enter into any third party agreement without first obtaining the prior written consent of the STATE pursuant to the requirements of the applicable Oregon Administrative Rules. Requests must be received by the STATE, in writing at least thirty (30) calendar days prior to the effective date of sublease or assignment. The STATE shall make a good faith effort to complete its review of such applications within thirty (30) days. If the application is incomplete, or if the STATE requests additional information concerning the proposed assignment or sublease, the time period for reviewing applications shall be extended. The STATE reserves the right to condition its consent as it deems reasonably prudent, including the right to require changes to the terms of this Lease. Each assignee, sublessee, and third party interest shall be required to comply with all of LESSEE's obligations under this Lease, and the applicable Oregon Administrative Rules. LESSEE shall remain liable for the performance of the obligations under this Lease unless the STATE's written consent expressly releases LESSEE from further liability hereunder. For the purposes of this section, if LESSEE is a corporation or partnership, the transfer of any corporate stock or partnership interest (including by operation of law) shall be deemed an assignment subject to the provisions of this Section if the result of said transfer shall be the change of management control or controlling interest of LESSEE.

6.1.1 LESSEE may not grant a mortgage or security interest in this Lease without prior written consent of the STATE which shall not be unreasonably withheld. Any subsequent assignment by the creditor or civil recovery shall require the prior written approval of the STATE.

6.2 Permitted Assignments and Subleases: Notwithstanding the provisions of Section 6.1 of this Lease, the following assignments, mortgages and security interests, and subleases of the LESSEE's interest in the Leased Premises shall be allowed without further STATE approval:

6.2.1 Subleases of portions of the LESSEE's interest in the leasehold area, in the ordinary course of LESSEE's business for the purposes approved under this Lease as specified in Section 2.1.

6.2.2 Subleases of the entire leasehold for a term that is less than one year for the purpose specified in Section 2.1.

6.2.3 The transfer or ownership of the Lease caused by the death of the LESSEE shall be considered an assignment requiring the STATE's approval. However, a transfer of ownership to a spouse or immediate family member is an assignment that does not require the STATE's prior approval.

6.3 Condition of Premises and Improvements: The leasehold area has been inspected and is accepted in its present condition, and LESSEE takes the leasehold and improvements, if any, AS IS. The STATE has made no oral representations concerning the condition of the leasehold, nor its fitness or suitability for any purpose.

6.4 Liability: LESSEE agrees to defend and hold STATE harmless from any and all claims suffered or alleged to be suffered within the leasehold or arising out of the LESSEE's operations on the premises. Further, LESSEE shall be responsible for the payment of any fines or penalties charged against the leasehold as a result of LESSEE's action in not complying with laws or regulations affecting the leasehold.

6.5 Assessments: LESSEE shall pay all taxes and/or assessments that may be legally charged on public lands or related improvements which are levied against the property subject to this Lease, whether or not such taxes and/or assessments have been levied against the leasehold or STATE by the assessing agency.

6.6 Bond: The STATE reserves the right to require the LESSEE to furnish to the STATE a surety bond or an equivalent cash deposit or certificate of deposit which names the State of Oregon as co-owner to ensure that the LESSEE will perform in accordance with all terms and conditions of the Lease.

SECTION 7 - MISCELLANEOUS

7.1 No Partnership: The STATE is not a partner nor in a joint venture with LESSEE in connection with the business carried on under this Lease and shall have no obligation with respect to LESSEE's debts or other liabilities.

7.2 Non-Waiver: Waiver by either party of strict performance or any provisions of this Lease shall not be a waiver nor prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

7.3 Binding Interest: This Lease shall be binding upon and inure to the benefit of the parties, and the respective heirs, administrators, successors, and assigns of the parties hereto.

7.4 Notices: Any official STATE notice required under this Lease shall be sent by certified mail and shall expressly be deemed to be delivered after the certified letter is mailed to the address given by the LESSEE in the signature block of this Lease or as shown on the most recent written notice of record with this Lease. LESSEE shall provide the STATE with a written notice of any change of address, change in corporation/partnership/ownership, or change in person(s) authorized to represent the LESSEE. The STATE shall provide written acknowledgment of such LESSEE written notices and retain copies of both the LESSEE notice(s) and STATE acknowledgment(s) with this Lease. LESSEE's failure to receive such written acknowledgment within thirty (30) days of the date LESSEE sent the original notice shall be constructive notice to LESSEE that: (1) the STATE has not properly received the notice, and (2) that such attempted notice shall be of no force and effect until such time as the notice is actually received and acknowledged by STATE.

7.5 Liens: In the event liens or other charges are placed on the leasehold premises, including land or improvements, arising out of LESSEE's actions directly or indirectly, the LESSEE shall immediately cause such liens to be discharged. The STATE may terminate this Lease if LESSEE fails to discharge such liens or charges or provide the STATE with a sufficient bond covering the full amount of the lien after ten (10) days notice to do so by the STATE. LESSEE shall pay and indemnify the STATE for all costs, damages or charges of whatsoever nature, including attorney's fees, necessary to discharge such liens or charges whether such costs, damages or charges are incurred prior or subsequent to any termination of this Lease.

7.6 Default: The following shall be events of default:

7.6.1 Failure of the LESSEE to pay any rent, tax, reimbursement or other charge or payment due hereunder within twenty (20) days of the date such payment is due. For the purposes of this subsection, if the due date for such payment is not otherwise stated in this Lease or otherwise defined in statute or administrative rule, such payment shall be due on the date set forth in the notice from the STATE to the LESSEE informing the LESSEE of its obligation to pay such charge or payment.

7.6.2 Failure of LESSEE to comply with applicable laws, Oregon Administrative Rules or any non-payment related terms or conditions or obligations of the Lease within thirty (30) days after written notice by the STATE specifying the nature of the deficiency. Upon timely request from the LESSEE, the STATE may in its good faith discretion permit the deadline for curing such non-compliance to be extended if it finds that: (1) the default cannot reasonably be cured within the thirty (30) day period, (2) the interests of the STATE will not be harmed by an extension, (3) such default was not due to the willful acts or gross negligence of the LESSEE, and

(4) the STATE and the LESSEE are able to mutually agree upon a written plan and timeline for remediation.

7.6.3 Insolvency of LESSEE; the filing by LESSEE of a voluntary petition in bankruptcy; an adjudication that LESSEE is bankrupt or the appointment of a receiver of the properties of LESSEE; the filing of any involuntary petition of bankruptcy and failure of LESSEE to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of LESSEE to secure discharge of the attachment or release of the levy of execution within ten (10) days. If LESSEE consists of two (2) or more individuals or business entities, the events of default specified in this paragraph shall apply to each individual unless within ten (10) days after an event of default occurs the remaining individuals produce evidence satisfactory to STATE that they have unconditionally acquired the interest of the one causing the default. If the Lease has been assigned in compliance with Section 6.1 of this Lease, the events of default so specified in this subsection shall apply only with respect to the one then exercising the rights of LESSEE under the Lease.

7.6.4 Notwithstanding the above, if the STATE in good faith believes that a material default has occurred which may imperil the STATE's rights in the land or its fiduciary duties under law, the STATE may declare an immediate default without any right of LESSEE to cure the deficiency.

7.7 Termination Upon Default: In the event of a default by LESSEE, the STATE shall have the right to terminate this Lease if it has given LESSEE notice of the default and of the STATE's intent to terminate this Lease if the default is not completely cured by the deadline contained in the notice and if the listed default has not been cured by the stated deadline. The deadline contained in the notice must be at least twenty (20) calendar days from the date the notice is sent by certified mail, or if earlier, the date LESSEE actually receives said notice. The STATE shall be entitled to recover from LESSEE all costs arising out of the re-entry and all costs of re-letting the premises. The STATE shall be entitled to recover the amount of unpaid rent required to be paid under the Lease from the date of default until a new Lease has been, or with the exercise of reasonable efforts could have been, secured, if the STATE was determined to re-let the leasehold. All improvements located thereon shall be disposed of as provided by Section 9.3 of this Lease. If the LESSEE owns a floating home and has placed such home on the property pursuant to the provisions of Section 2.1 of this Lease, the lease termination provisions of ORS 90.630 shall apply to the extent that they are inconsistent with the provisions of this Lease.

7.8 STATE's Right to Cure Defaults:

7.8.1 If the LESSEE fails to perform any obligation under this Lease, the STATE shall have the option to perform the obligation of the Lease

after thirty (30) days written notice to the LESSEE. All of the STATE's expenditures to carry out the obligation shall be reimbursed by the LESSEE on demand with interest at the rate of one percent (1%) per month accrued from the date of expenditure by the STATE.

7.8.2 In the event any violation or breach of the provision of this Lease is causing damage to the leasehold or the LESSEE is utilizing the leasehold in a manner not permitted by the provision of this Lease, or in any case damages are occurring to the leasehold, the STATE may immediately enter upon the leasehold and take such action as necessary to cease such damages or use. In the event the damage or use is occurring by reason of a violation or breach of the provisions of this Lease, the LESSEE shall be liable for all costs incurred by the STATE by reasons of such violations. The STATE, at its option, may send notice to the LESSEE of such violations and LESSEE shall immediately cease such use or violation and correct such violation.

7.9 Termination Upon Mutual Consent: This Lease may also be terminated by mutual written consent of LESSEE and STATE.

7.10 Weed Control: The LESSEE shall control noxious weeds including aquatic weeds, plant pests and diseases within the leasehold as directed by the local county weed control district, the Oregon Department of Agriculture and/or any other governmental authority which may now or in the future have authority with regard to the prevention and/or control of noxious weeds, plant pests and/or diseases, or as may be authorized or directed by the STATE.

7.11 Holdover: If LESSEE does not vacate the leasehold at the time required at expiration or upon termination of a Lease, STATE shall have the option to treat LESSEE as a tenant from month to month, subject to all of the provisions of this Lease except the provisions for term, renewal, and rental. The STATE shall have the option to unilaterally establish a new rental for the month-to-month tenancy, with said rental payable in advance. If a month-to-month tenancy results from holdover by LESSEE under this paragraph, the tenancy shall be terminable at the end of any monthly rental period upon written notice from STATE given not less than thirty (30) days prior to the termination date which shall be specified in the notice.

7.12 Governing Law: This Lease and all matters related to the rights and responsibilities hereunder are governed by and subject to the laws of the State of Oregon and the administrative rules of the Division of State Lands and the State Land Board, as they may change from time to time. The Oregon Administrative Rules contain terms and conditions which relate to the rights and responsibilities of the parties hereunder, and such terms and conditions (as they may change from time to time) are hereby incorporated by reference and made a part of this Lease.

7.13 Binding on Successors: This Lease shall be binding on and shall inure to the benefit of the successors and assigns of the parties hereto, but nothing in this section shall be construed as a consent by STATE to any disposition or transfer of the Lease or any interest herein by LESSEE except as otherwise expressly provided in this Lease.

7.14 Nondiscrimination: The leasehold shall be used in a manner, and for such purposes, that assure fair and nondiscriminatory treatment of all persons without respect to race, creed, color, religion, handicap, disability, age, gender, or national origin.

7.15 Right To Sue More Than Once: STATE may sue periodically to recover damages for the period corresponding to the remainder of the lease term and no action for damages shall bar later actions for damages subsequently accruing.

7.16 Remedies Cumulative: The remedies contained in this Lease shall be in addition to, and shall not exclude any other remedy available at law or in equity, and exercise by either party of any one or more of such remedies shall not preclude the exercise by it at the same or different times of any other such remedies for the same default or breach by the other party.

7.17 Attorney Fees: If suit or action is instituted in connection with any controversy arising out of or in connection with this Lease, the prevailing party shall be entitled to recover all costs and disbursements incurred, including such sum as the court may adjudge reasonable as attorney fees at trial and on any appeal of the suit or action, and in any bankruptcy case or proceedings.

7.18 Exhibits: All Exhibits to which reference is made in this Lease are incorporated in this Lease by the respective references to them, whether or not they are actually attached. References to "this Lease" include matters incorporated by reference.

7.19 Compliance With Applicable Law: The STATE's performance under this Contract is conditioned on the LESSEE's compliance with the provision of ORS 279.312, 279.314, 279.316, 279.320 and 279.555, which are incorporated by reference herein.

7.20 Late Charges and Interest: It is understood by both parties that late payments by the LESSEE of rent and other charges due hereunder will cause the STATE to incur costs not contemplated by this Lease, the exact amount of which will be difficult to ascertain, including costs associated with administrative processing and accounting. As such, the parties agree that, notwithstanding other remedies permitted hereunder, if the LESSEE has not made full payment of amounts due within twenty (20) days of the date such payment is due, LESSEE shall pay an additional charge equal to five percent (5%) of the amount of the late rent or other charge. In addition, all amounts due and owing under this agreement, including late charges, shall bear interest at the lower of: (1) the highest interest rate allowable by law, or (2) twelve percent (12%) per year.

SECTION 8 - INSURANCE

8.1 Commercial General Liability: LESSEE shall obtain at LESSEE's expense, and keep in effect during the term of this Lease, comprehensive or commercial general liability insurance covering bodily injury and property damage with an insurance company acceptable to the STATE. This insurance shall include personal injury coverage, contractual liability coverage for the indemnity provided under this Lease and products/completed operations liability. Combined single limit per occurrence shall not be less than $10,000,000, or the equivalent. Each annual aggregate limit shall not be less than $10,000,000, when applicable.

8.2 Revisions/Amendments/New Requirements: The amounts and types of insurance (including those specified in Section 8) and the party responsible for procuring the insurance shall be established and reviewed when circumstances warrant. The requirements may be revised or amended by the STATE periodically at the STATE's sole discretion after STATE:

(a) consults with its insurance advisor;
(b) consults with LESSEE;
(c) considers the commercial reasonableness of any requirements, amendments or revisions; and
(d) considers the STATE's need for adequate insurance protection and the STATE's fiduciary obligations.

Within thirty (30) days notice to LESSEE of the STATE'S revision or amendment of the insurance requirements, LESSEE shall provide the STATE with satisfactory evidence that the LESSEE has obtained new insurance coverage which conforms with the revised/amended insurance requirements. If mutually agreed in writing, LESSEE may have additional time to obtain such insurance.

8.3 Named Insured Parties: The liability insurance coverages required for performance of the Lease shall include the State of Oregon, the Division of State Lands and their sections, officers and employees as additional insured but only with respect to the LESSEE's activities to be performed under this Lease.

8.4 Certificate(s) of Insurance: As evidence of the insurance coverages required by this Lease, the LESSEE shall furnish certificate(s) of insurance to the STATE prior to the issuance of this Lease, and not less often than annually thereafter and as reasonably requested by STATE. The certificate(s) will specify all of the parties who are additional insured (or loss payees). Insurance coverages required under this Lease shall be obtained from acceptable insurance companies or entities. The LESSEE shall be financially responsible for all deductibles, self-insured retentions and/or self-insurance included hereunder.

SECTION 9 - IMPROVEMENTS

9.1 Authorized Improvements or Structures: No improvement that exceeds fifteen thousand dollars ($15,000) in cost or value may be constructed or placed upon

the leasehold unless the LESSEE shall have first obtained the prior written authorization of the STATE. Approval for improvements consistent with the purposes of this Lease shall not be unreasonably withheld or delayed. All improvements must be consistent with the authorized use(s) of this Lease as stated in Section 2.1.

9.2 Unauthorized Improvements or Structures: Unauthorized improvements shall, at the election of the STATE, either be removed from the leasehold by LESSEE (or if STATE so elects, by the STATE at LESSEE's cost and expense), or remain within the leasehold.

9.3 Removal of Structures and Improvements: Any LESSEE-owned structure or improvement must be removed within ninety (90) days of the termination of the Lease or modification of the lease as in Section 4.1.1 unless otherwise agreed by the parties as in the case of a structure exempt from authorization under OAR 141-082-0030(4). LESSEE shall be responsible for any damage done to the leasehold as a result of the removal of the structure improvements. Any structure or improvements remaining on the leasehold after the ninety (90) day period may at the option of the STATE become the property of STATE, unless otherwise agreed by the parties.

SECTION 10 - ADDITIONAL CONDITIONS AND STIPULATIONS

10.1 Nothwithstanding the provisions of Section 6.1 and 6.2 above, the following subleases of the LESSEE's interest in the Leased Premises and mortgages and security interests shall be allowed without further State approval:

10.1.1 A sublease of all or part of the Leased Premises to Cascade General, Inc. or Portland Shipyard LLC.

10.1.2 Any mortgage, trust deed or other encumbrance which PORTLAND SHIPYARD LLC or CASCADE GENERAL INC., may cause to attach to PORTLAND SHIPYARD LLC or CASCADE GENERAL INC.'s interest in the Leased Premises:

a. In connection with the acquisition or refinancing o the acquisition of the improvements in, on or about the Lease Premises or the Portland shipyards;

b. In connection with financing and refinancing of development, construction, reconstruction, maintenance or repair of improvements on the Leased Premises or the shipyards and operations on or about the Leased Premises or Portland shipyards.

Within ten (10) days of any sublease, transfer, mortgage or security interest transfer pursuant to this subsection, LESSEE shall provide to the State the name and business address of any entity obtaining a security interest pursuant to this subsection..

SECTION 11 ENTIRE AGREEMENT

11.1 ENTIRE AGREEMENT: THIS LEASE, TOGETHER WITH THE ATTACHED EXHIBITS AND ATTACHMENTS, CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES. NO WAIVER, CONSENT, MODIFICATION OR CHANGE OF TERMS OF THIS LEASE SHALL BIND EITHER PARTY UNLESS IN WRITING. SUCH WAIVER, CONSENT, MODIFICATION OR CHANGE, IF MADE, SHALL BE EFFECTIVE ONLY IN THE SPECIFIC INSTANCE AND FOR THE SPECIFIC PURPOSE GIVEN, AND SHALL BE VALID AND BINDING ONLY IF IT IS SIGNED BY EACH PARTY. THERE ARE NO UNDERSTANDINGS, AGREEMENTS OR REPRESENTATIONS, ORAL OR WRITTEN, NOT SPECIFIED HEREIN REGARDING THIS LEASE. LESSEE, BY THE SIGNATURE BELOW OF ITS AUTHORIZED REPRESENTATIVE, HEREBY ACKNOWLEDGES THAT LESSEE HAS READ THIS LEASE, UNDERSTANDS IT AND AGREES TO BE BOUND BY ITS TERMS AND CONDITIONS. THIS LEASE SUPERSEDES ALL PRIOR OR EXISTING LEASE OR RENTAL AGREEMENTS BETWEEN THE PARTIES.

The LESSEE expressly agrees to all covenants herein and binds him/herself for the payment of the rental herein before specified.

DIVISION OF STATE LANDS

Stephen Kafoury
Authorized Signature

July 28, 2000
Date

Division of State Lands
775 Summer ST NE, STE 100
Salem, OR 97301-1279

Note: If the LESSEE is a corporation, the signer warrants that s/he has the authority to sign the lease on behalf of the corporation by resolution of its Board of Directors, or through delegation of authority to the signer.

LESSEE

Port of POrtland

BY E T Gallagher Sr Director/CFO
Signature/Title
(Note requirement below)

8/30/00
Date

121 NW Everett Street
Mailing Address

Portland, Oregon 97208

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STATE OF Oregon)
)ss
County of Multnomah)

The foregoing instrument was acknowledged before me this 28 day of August, 20 00, by E.B.Galligan (officer or agent of corporation), the Senior Director & Chief Financial Officer (title of officer or agent) of the Port of Portland corporation, an Oregon municipal (state or place of incorporation) corporation, on behalf of corporation.

Signature
My commission expires 5/15/03

OFFICIAL SEAL
CHERYLE STAHEL-EASTMAN
NOTARY PUBLIC-OREGON
COMMISSION NO. 320729
MY COMMISSION EXPIRES MAY 15, 2003

CERTIFICATE OF COMPLIANCE WITH OREGON TAX LAWS

I, the undersigned, hereby swear or affirm under penalty of perjury that to the best of my knowledge, I am not in violation of any Oregon Tax Laws.

For the purposes of this certificate, "Oregon Tax Laws" means those programs listed in ORS 305.380(4) which is incorporated herein by this reference. Examples include the state inheritance tax, personal income tax, withholding tax, corporation income and excise taxes, amusement device tax, timber taxes, cigarette tax, other tobacco tax, 9-1-1 emergency communications tax, the homeowners and renters property tax relief program and local taxes administered by the Department of Revenue (Lane Transit District Self-Employment Tax, Lane Transit District Employer Payroll Tax, Tri-County Metropolitan Transit District of Oregon ("Tri-Met") Employer Payroll Tax, and Tri-Met Self-Employment Tax).

Port of Portland

Signature: BY: E.B. Galligan Sr. Director/CFO

Date: _____

Printed Name: E.B. Galligan

Title: Senior Director/Chief Financial Officer

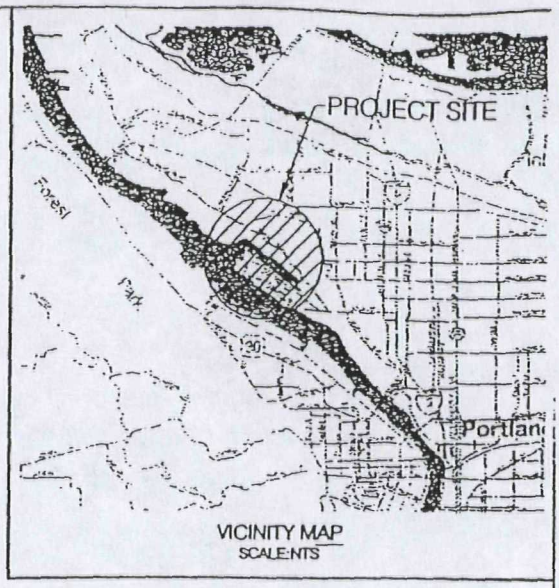
J:\Attachment\Awest\LAS\ML Waterway Lease\22755-ML.doc

DSL LEGAL DESCRIPTION

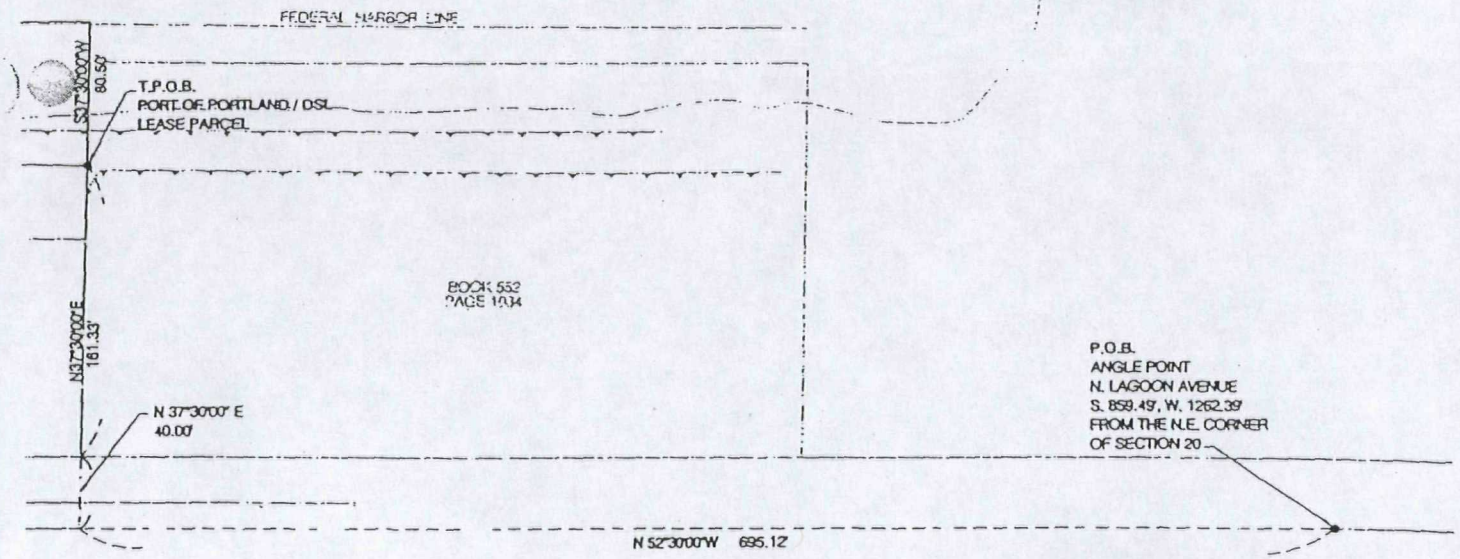
N THE SOUTHEAST ONE-QUARTER OF SECTION 17 AND THE NORTHEAST
NSHIP 1 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN, IN THE
COUNTY, OREGON, DESCRIBED AS FOLLOWS:

ICH IS 1,262.39 FEET WEST AND 859.49 FEET SOUTH OF THE NORTHEAST
SAID POINT BEING A CENTERLINE ANGLE POINT OF N. LAGOON AVENUE;
LINE OF N. LAGOON AVENUE, NORTH 52°30'00" WEST, 695.12 FEET; THENCE
EET TO A POINT ON THE NORTHEASTERLY RIGHT-OF-WAY LINE OF N.
T WESTERLY CORNER OF THAT TRACT OF LAND RECORDED MARCH 20, 1967
, MULTNOMAH COUNTY DEED RECORDS; THENCE, ALONG THE
D DEED BOOK 552, PAGE 1034, NORTH 37°30'00" EAST, 161.33 FEET TO THE
F THE SWAN ISLAND LAGOON (ESTABLISHED AT NGVD 29/47 ELEVATION
LEVEL) AND THE TRUE POINT OF BEGINNING; THENCE, ALONG SAID
NORTH 51°21'15" WEST, 383.83 FEET; THENCE NORTH 52°55'19" WEST, 205.58
ID ORDINARY HIGH WATER LINE, NORTH 37°30'00" EAST, 174.89 FEET TO A
ARALLEL WITH AND NORTHERLY OF WHEN MEASURED AT RIGHT ANGLES TO
S ESTABLISHED BY THE U.S. ARMY CORPS OF ENGINEERS IN A DOCUMENT
ENCE, PARALLEL WITH AND 100.00 FROM WHEN MEASURED AT RIGHT
RBOR LINE, SOUTH 52°26'47" EAST, 205.58 FEET; THENCE, DEPARTING SAID
TH 37°30'00" WEST, 100.00 FEET TO A POINT ON SAID FEDERAL HARBOR
DERAL HARBOR LINE, SOUTH 52°26'47" EAST, 383.75 FEET TO A POINT ON
F THE NORTHWESTERLY LINE OF SAID DEED BOOK 552, PAGE 1034;
ERAL HARBOR LINE, SOUTH 37°30'00" WEST, 80.50 FEET TO THE TRUE POINT
5,269 SQUARE FEET (1.50 ACRES) MORE OR LESS.

PTION ARE BASED UPON PRIVATE SURVEY NO. 56596 (W.B. WELLS &
ULTNOMAH COUNTY SURVEY RECORDS.



VICINITY MAP
SCALE:NTS



NOTES:

1. THIS EXHIBIT PLAT WAS PREPARED BY DATA FROM PRIVATE SURVEY #56596 (W.B. WELLS & ASSOCIATES, INC.), MULTNOMAH COUNTY SURVEY RECORDS.
2. BASIS OF BEARINGS: CENTERLINE OF N. LAGOON AVE. = N52°30'30"W
3. BACKGROUND DRAWING IS A GRAPHICAL REPRESENTATION ONLY.

ND EGON AGER	REGISTERED PROFESSIONAL LAND SURVEYOR OREGON CHRISTOPHER VANDERWERF 2719	DESIGNED BY C. VANDERWERF DRAWN BY J. MORIARTY CHECKED BY D. FOSTER DATE JUNE, 2000	PORTLAND SHIP YARD PSY SALE PORT OF PORTLAND / DSL LEASE PARCEL LAGOON SEGMENT SUBMITTED BY TYPE SD | DRAWING NO. YA 2000-2 9/13 SH-9

Exhibit 'A' # 22755-ML Port of Portland

PORT OF PORT

A TRACT OF LAND IN
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CITY OF PORTLAND,

COMMENCING AT A
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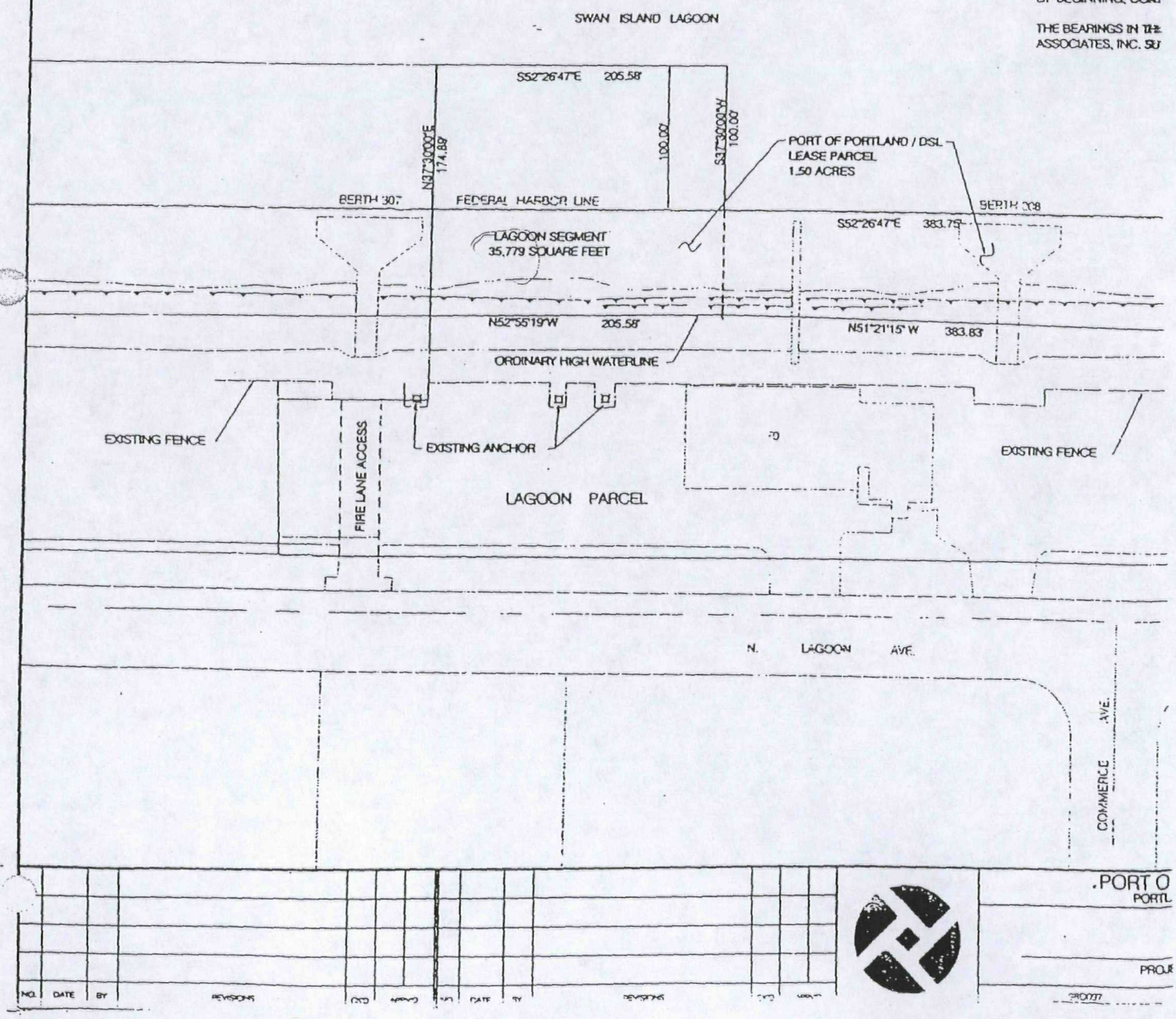
ASSOCIATES, INC. SU



NO. DATE BY REVISIONS CKD APPVD NO. DATE BY REVISIONS CKD APPVD

PORT O
PORTL

PROJ

DRAWN

Oregon
Theodore R. Kulongoski, Governor

Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
(503) 986-5200
FAX (503) 378-4844
www.oregonstatelands.us.

November 20, 2007

State Land Board

Theodore R. Kulongoski
Governor

Bill Bradbury
Secretary of State

Randall Edwards
State Treasurer

JV410\22654-ML
SHIPYARD COMMERCE CENTER
ALAN SPROTT
5555 N CHANNEL AVENUE
PORTLAND OR 97217

RE: Amendment to Waterway Lease 22654-ML

Dear Mr. Sprott:

Enclosed is your fully executed amendment for state waterway lease 22654-ML in Multnomah County.

If you have any questions or comments, please contact me at your convenience, 503-986-5245, or my assistant Jenni Vickers, 503-986-5242.

Sincerely,

Cyril J. Young
Land Manager
North Portland Harbor
Benton, Lane and Linn Counties
Land Management Division

Enclosure

G:\LM\AttachmentAWestLAS\ML-Waterway Lease\22000-22999\22654-ML\22654-ML 2007 Executed Amendment.doc

thence South 52°25'33" East, a distance of 1,037.00 feet;

thence South 37°34'27" West, a distance of 131.77 feet to the TRUE POINT OF BEGINNING.

Tract A contains 2.96 acres, more or less.

TRACT B

A tract of land situated in the South one-half of Section 17, Township 1 North, Range 1 East, Willamette Meridian, in the City of Portland, Multnomah County, Oregon, being more particularly described as follows:

Beginning at a point which is 1,262.39 feet West and 859.49 feet South of the Northeast corner of Section 20, Township 1 North, Range 1 East, said point being a centerline angle point of North Lagoon Avenue;

thence along the centerline of North Lagoon Avenue, North 52°30'00" West, a distance of 695.13 feet;

thence North 37°30'00" East, a distance of 40.00 feet to the Northeasterly right-of-way line of North Lagoon Avenue at the most Westerly corner of that tract of land recorded March 20, 1967 in Deed Book 552, Page 1034, Multnomah County Deed Records;

thence along the Northwesterly line of said Deed recorded in Book 552, Page 1034, North 37°30'00" East, a distance of 161.33 feet to the Ordinary High Water line of the Swan Island Lagoon (established at NGVD 29/47 elevation 17.00 feet above mean sea level);

thence along said Ordinary High Water line, North 51°21'15" West, a distance of 383.83 feet;

thence North 52°55'19" West, a distance of 205.58 feet;

thence North 52°55'19" West, a distance of 606.49 feet;

thence North 51°51'06" West, a distance of 329.79 feet;

thence North 66°22'48" West, a distance of 69.65 feet;

thence North 47°33'08" West, a distance of 207.85 feet;

thence North 55°59'25" West, a distance of 228.49 feet;

thence North 18°13'01" East, a distance of 9.64 feet to the Lagoon side face of an existing retaining wall;

thence along side retaining wall, North 52°27'04" West a distance of 1,504.65 feet to the end of said retaining wall and the beginning of a retaining wall / cell line;

thence along said cell line North 36°48'33" East, a distance of 50.81 feet;

thence North 53°08'15" West, a distance of 56.69 feet;

thence along a 205.00 foot radius curve concave to the Southwest through a central angle of 23°36'12" (chord bears North 64°49'47" West, a distance of 83.85 feet) an arc distance of 84.45 feet;

thence North 75°31'20" West, a distance of 200.46 feet;

thence South 16°29'56" West, a distance of 208.39 feet to the TRUE POINT OF BEGINNING of the herein described tract of land;

thence departing said cell line, North 74°38'25" West, a distance of 625.12 feet;

thence North 16°29'56" East, a distance of 200.77 feet;

thence South 75°31'16" East, a distance of 625.38 feet to said cell line;

thence South 16°29'56" West, a distance of 210.38 feet to the TRUE POINT OF BEGINNING.

Tract B contains 2.95 acres, more or less.

Total number of acres in both Tract A and B, 5.91 acres, more or less, and is shown on the attached Exhibit A.

Hereinafter referred to as "leasehold".

SECTION 2 - AUTHORIZED USES

2.1 Purpose: This Lease shall grant the LESSEE the right to use the above described land for the specific purpose(s) described below in accordance with these LEASE TERMS and CONDITIONS, applicable local (including local comprehensive land use planning and zoning ordinances), state and federal laws and the applicable Oregon Administrative Rules.

Ship Repairs and Dry Dock, Piers
(Marine Industrial/Marine Services)

SECTION 3 - ANNUAL LEASE RENTAL PAYMENT CALCULATION AND ADJUSTMENTS

3.1 Annual Lease Rental Payment: The Lease rental payment to be paid by LESSEE to STATE shall be $181,101.00 for the first year of the Lease as provided in Section 3.1.1 based on the Riparian Land Value as shown below. Receipt of the first year's Lease rental payment is hereby acknowledged.

3.1.1 The initial annual Lease rent payment shall be calculated as follows:

Use Class	Area (square ft.)	Rate Choice	Annual Rent
Marine Industrial Marine Services	724,403 square feet	Riparian Land Value	$181,101.00
		TOTAL	$181,101.00

3.2 Annual Lease Rental Payment Adjustment: The annual lease rental payment shall be adjusted annually in accordance with the provisions of the Oregon Administrative Rule in effect at the time. The second year's rent shall be $186,534.00. The third year's rent shall be $N/A. Each payment shall be due on the Lease Anniversary Date as shown in Section 1.1.

Such existing paragraphs are hereby deleted and in their place are substituted the following paragraphs:

Land situated in Multnomah County more fully described as follows:

TRACT A

A tract of land situated in the South one-half of Section 17, Township 1 North, Range 1 East of the Willamette Meridian, in the City of Portland, Multnomah County, Oregon, described as follows:

Commencing at a point that is 1,262.39 feet West and 859.49 feet South of the Northeast corner of said Section 20 said point being a centerline angle point of North Lagoon Avenue;

thence along the centerline of North Lagoon Avenue, North 52°30'00" West, a distance of 695.12 feet;

thence North 37°30'00" East, a distance of 40.00 feet to a point on the Northeasterly right-of-way line of North Lagoon Avenue at the most Westerly corner of that tract of land recorded March 20, 1967 in Deed Book 552, Page 1034, Multnomah County Deed Records;

thence along the Northwesterly line of said Deed Book 552, Page 1034, North 37°30'00" East, a distance of 161.33 feet to the Ordinary High Water line of the Swan Island Lagoon (established at NGVD 29/47 elevation 17.00 feet above mean sea level);

thence along said Ordinary High Water line, North 51°21'15" West, a distance of 383.83 feet;

thence continuing along said Ordinary High Water line, the following three (3) courses:

1) thence North 52°55'19" West, a distance of 205.58 feet;
2) thence North 52°55'19" West, a distance of 606.49 feet;
3) thence North 51°51'06" West, a distance of 329.79 feet, to the TRUE POINT OF BEGINNING for TRACT A;

thence continuing along said Ordinary High Water line, the following four (4) courses:

1) thence North 66°22'48" West, a distance of 69.65 feet;
2) thence North 47°33'08" West, a distance of 207.85 feet;
3) thence North 55°59'25" West, a distance of 228.49 feet;
4) thence North 18°13'01" East, a distance of 9.64 feet to a point on the lagoon side face of a existing concrete retaining wall;

thence along the face of said retaining wall, North 52°27'04" West, a distance of 1504.65 feet to the end of said retaining wall and the beginning of a retaining wall/cell line;

thence along said cell line the following six (6) courses:

1) thence North 36°48'33" East, a distance of 50.81 feet;
2) thence North 53°08'15" West, a distance of 56.69 feet to a point-of-non-tangency (the radial bearing being South 36°58'19" West);
3) thence 84.45 feet along the arc of a 205.00 non-tangent radius curve to the left, concave to the Southwest, through a central angle of 23°36'12" (the long chord bears North 64°49'47 West, a distance of 83.85 feet) to a point of non-tangency (the radial bearing being South 13°22'07" West);
4) thence North 75°31'20" West, a distance of 200.46 feet;
5) thence North 16°29'56" East, a distance of 1.99 feet;
6) thence departing said cell line, North 74°38'25" West, a distance of 625.38 feet;

thence North 16°29'56" East, a distance of 114.23 feet;

thence South 74°38'25" East, a distance of 910.03 feet to a point that is a 100.00 feet parallel with and Northerly of when measured at right angles to the Federal Harbor Line as established by the U.S. Army Corps of Engineers in a document dated February 23, 1968;

thence parallel with and 100.00 feet from when measured at right angles to said Federal Harbor Line, South 52°26'48" East, a distance of 2092 feet, more or less;

STATE OF OREGON
DIVISION OF STATE LANDS

RECEIVED
NOV 0 8 2007
DEPARTMENT OF STATE LANDS

Amendment to Waterway Lease 22654-ML

The parties to this addendum are the STATE OF OREGON, acting by and through the Department of State Lands hereinafter referred to as STATE (lessor) and Shipyard Commerce Center, LLC hereinafter referred to as LESSEE. This addendum modifies and amends the submerged and submersible land lease known as 22654-ML. STATE and LESSEE desire and agree to amend the existing leasehold area and annual lease rental payment as shown below.

Land situated in Multnomah County more fully described as follows:

TRACT A

A tract of land situated in the South one-half of Section 17, Township 1 North, Range 1 East, Willamette Meridian, in the City of Portland, Multnomah County, Oregon, being more particularly described as follows:

Beginning at a point which is 1,262.39 feet West and 859.49 feet South of the Northeast corner of Section 20, Township 1 North, Range 1 East, said point being a centerline angle point of North Lagoon Avenue;

thence along the centerline of North Lagoon Avenue, North 52°30'00" West, a distance of 695.13 feet;

thence North 37°30'00" East, a distance of 40.00 feet to the Northeasterly right-of-way line of North Lagoon Avenue at the most Westerly corner of that tract of land recorded March 20, 1967 in Deed Book 552, Page 1034, Multnomah County Deed Records;

thence along the Northwesterly line of said Deed recorded in Book 552, Page 1034, North 37°30'00" East, a distance of 161.33 feet to the Ordinary High Water line of the Swan Island Lagoon (established at NGVD 29/47 elevation 17.00 feet above mean sea level);

thence along said Ordinary High Water line, North 51°21'15" West, a distance of 383.83 feet;

thence North 52°55'19" West, a distance of 205.58 feet;

thence North 52°55'19" West, a distance of 606.49 feet;

thence North 51°51'06" West, a distance of 329.79 feet;

thence North 66°22'48" West, a distance of 69.65 feet;

thence North 47°33'08" West, a distance of 49.72 feet, to the TRUE POINT OF BEGINNING of the Tract herein described;

thence continuing along the said Ordinary High Water line, North 47°33'08" West, a distance of 158.14 feet;

thence North 55°59'25" West, a distance of 228.49 feet;

thence North 18°13'01" East, a distance of 9.64 feet to the Lagoon side face of an existing retaining wall;

thence along said retaining wall, North 52°27'04" West, a distance of 648.19 feet;

thence leaving said retaining wall, North 37°34'27" East, a distance of 123.72 feet;

thence departing said 100.00 foot offset to the Harbor Line, South 37°30'00" West, a distance of 150 feet, more or less, to the TRUE POINT OF BEGINNING, for TRACT A containing 9.195 acres more or less, and as shown on the attached Exhibit "A".

TRACT B

A tract of land situated in the South one-half of Section 17, Township 1 North, Range 1 East, Willamette Meridian, in the City of Portland, Multnomah County, Oregon, being more particularly described as follows:

Beginning at a point which is 1,262.39 feet West and 859.49 feet South of the Northeast corner of Section 20, Township 1 North, Range 1 East, said point being a centerline angle point of North Lagoon Avenue;

thence along the centerline of North Lagoon Avenue, North 52°30'00" West, a distance of 695.13 feet;

thence North 37°30'00" East, a distance of 40.00 feet to the Northeasterly right-of-way line of North Lagoon Avenue at the most Westerly corner of that tract of land recorded March 20, 1967 in Deed Book 552, Page 1034, Multnomah County Deed Records;

thence along the Northwesterly line of said Deed recorded in Book 552, Page 1034, North 37°30'00" East, a distance of 161.33 feet to the Ordinary High Water line of the Swan Island Lagoon (established at NGVD 29/47 elevation 17.00 feet above mean sea level);

thence along said Ordinary High Water line, North 51°21'15" West, a distance of 383.83 feet;

thence North 52°55'19" West, a distance of 205.58 feet;

thence North 52°55'19" West, a distance of 606.49 feet;

thence North 51°51'06" West, a distance of 329.79 feet;

thence North 66°22'48" West, a distance of 69.65 feet;

thence North 47°33'08" West, a distance of 207.85 feet;

thence North 55°59'25" West, a distance of 228.49 feet;

thence North 18°13'01" East, a distance of 9.64 feet to the Lagoon side face of an existing retaining wall;

thence along side retaining wall, North 52°27'04" West a distance of 1,504.65 feet to the end of said retaining wall and the beginning of a retaining wall / cell line;

thence along said cell line North 36°48'33" East, a distance of 50.81 feet;

thence North 53°08'15" West, a distance of 56.69 feet;

thence along a 205.00 foot radius curve concave to the Southwest through a central angle of 23°36'12" (chord bears North 64°49'47" West, a distance of 83.85 feet) an arc distance of 84.45 feet;

thence North 75°31'20" West, a distance of 200.46 feet;

thence South 16°29'56" West, a distance of 208.39 feet to the TRUE POINT OF BEGINNING for TRACT B;

thence departing said cell line, North 74°38'25" West, a distance of 625.12 feet;

thence North 16°29'56" East, a distance of 200.77 feet;

thence South 75°31'16" East, a distance of 625.38 feet to said cell line;

thence South 16°29'56" West, a distance of 210.38 feet to the TRUE POINT OF BEGINNING for TRACT B.

Tract B contains 2.95 acres, more or less.

TRACT C

A tract of land situated in the South one-half of Section 17, Township 1 North, Range 1 East, Willamette Meridian, in the City of Portland, Multnomah County, Oregon, being more particularly described as follows:

Beginning at a point which is 1,262.39 feet West and 859.49 feet South of the Northeast corner of Section 20, Township 1 North, Range 1 East, said point being a centerline angle point of North Lagoon Avenue;

thence along the centerline of North Lagoon Avenue, North 52°30'00" West, a distance of 695.13 feet;

thence North 37°30'00" East, a distance of 40.00 feet to the Northeasterly right-of-way line of North Lagoon Avenue at the most Westerly corner of that tract of land recorded March 20, 1967 in Deed Book 552, Page 1034, Multnomah County Deed Records;

thence along the Northwesterly line of said Deed recorded in Book 552, Page 1034, feet to the Ordinary High Water line of the Swan Island Lagoon (established at NGVD 29/47 elevation 17.00 feet above mean sea level);

thence along said Ordinary High Water line, North 51°21'15" West, a distance of 383.83 feet;

thence North 52°55'19" West, a distance of 205.58 feet;

thence North 52°55'19" West, a distance of 606.49 feet;

thence North 51°51'06" West, a distance of 329.79 feet to the TRUE POINT OF BEGINNING for TRACT C;

thence North 37°30'00" East, a distance of 50 feet, more or less;

thence South 51°51'06" East, a distance of 400 feet, more or less;

thence South 37°30'00" West, a distance of 50 feet, more or less;

thence North 51°51'06" West, a distance of 400 feet, more or less to the TRUE POINT OF BEGINNING for TRACT C;

Tract C contains 0.459 acres, more or less.

Total number of acres in Tracts A, B and C being 12.604 acres, more or less, and is shown on the attached Exhibit A.

Hereinafter referred to as "leasehold".

SECTION 2 - AUTHORIZED USES

2.1 Purpose: This Lease shall grant the LESSEE the right to use the above described land for the specific purpose(s) described below in accordance with these LEASE TERMS and CONDITIONS, applicable local (including local comprehensive land use planning and zoning ordinances), state and federal laws and the applicable Oregon Administrative Rules.

Ship Repairs and Dry Dock, Piers, Floating Home Construction
(Marine Industrial/Marine Services)

3.1 Annual Lease Rental Payment: The Lease rental payment to be paid by LESSEE to STATE for Tract "A" shall be $39,514.36 for the first year of this Lease Amendment beginning August 1, 2007 as provided in Section 3.1.1 based on the Riparian Value method of calculating rents as shown below.

The Lease rental payment to be paid by LESSEE to STATE for Tract "B" shall be $39,648.44 for the first year of this Lease Amendment beginning August 1, 2007 as provided in Section 3.1.1 based on the Riparian Value method of calculating rents as shown below, and annual redeterminations of rent as provided in Section 3.2 of this lease.

The Lease rental payment to be paid by LESSEE to STATE for Tract "C" shall be $6,150.00 for the first year of this Lease Amendment beginning August 1, 2007 as provided in Section 3.1.1 based on the Riparian Value method of calculating rents as shown below and annual redeterminations of rent as provided in Section 3.2 of this lease.

Receipt of the first year's Lease rental payment is hereby acknowledged.

The Lease rental payment to be paid by LESSEE to STATE for Parcel "A" beginning August 1, 2008, shall be based on the average square feet of occupancy or usage by the Lessee or its customers. The Lessee will report to the Lessor on a monthly basis, not later than the fifteenth of each month, the amount of square feet occupied by the lessee or its customers during the past month. An average occupancy will be calculated at the end of the lease period using the Riparian Value method of calculating rents. That amount shall be used to bill rent for Tract "A" for the upcoming rental year as provided in Section 3.1.1 based on occupancy by the Lessee or its customers.

3.1.1 The annual Lease rent payment shall be calculated as follows for the lease year beginning August 1, 2007:

Use Class	Area (square ft.)	Rate Choice	Annual Rent
Marine Industrial Marine Service	128,938 square feet Tract A (for lease year begin 8/01/08 occupancy of 400,550 sq ft)	Riparian Value	$39,514.36
Marine Industrial Marine Service	128,502 square feet Tract B	Riparian Value	$39,648.44
Marine Industrial Marine Service	20,000 square feet Tract C	Riparian Value	$6150.00
		TOTAL	$85,312.80

3.2 Annual Lease Rental Payment Adjustment: The annual lease rental payment shall be adjusted annually in accordance with the provisions of the Oregon Administrative Rule in effect at the time. Each payment shall be due on the Lease Anniversary Date as shown in Section 1.1.

All other terms and conditions of the ML-22654 lease not specifically changed by this modification remain unchanged and in full force and effect. Dated this 19th day of November 2007.

IN WITNESS WHEREOF the parties have executed this lease AMENDMENT.

STATE:
The State of Oregon, acting by and through the Oregon State Land Board and the Department of State Lands
775 Summer ST NE, STE 100
Salem, OR 97301-1279

Stephen J Purchase
Authorized Signature

November 19, 2007
Date

LESSEE:
SHIPYARD COMMERCE CENTER, LLC
5555 N Channel Avenue
Portland, OR 97217
503-2147-1672

T. Alan Scott
Signature/Title
(Note requirement below)

11/7/07
Date

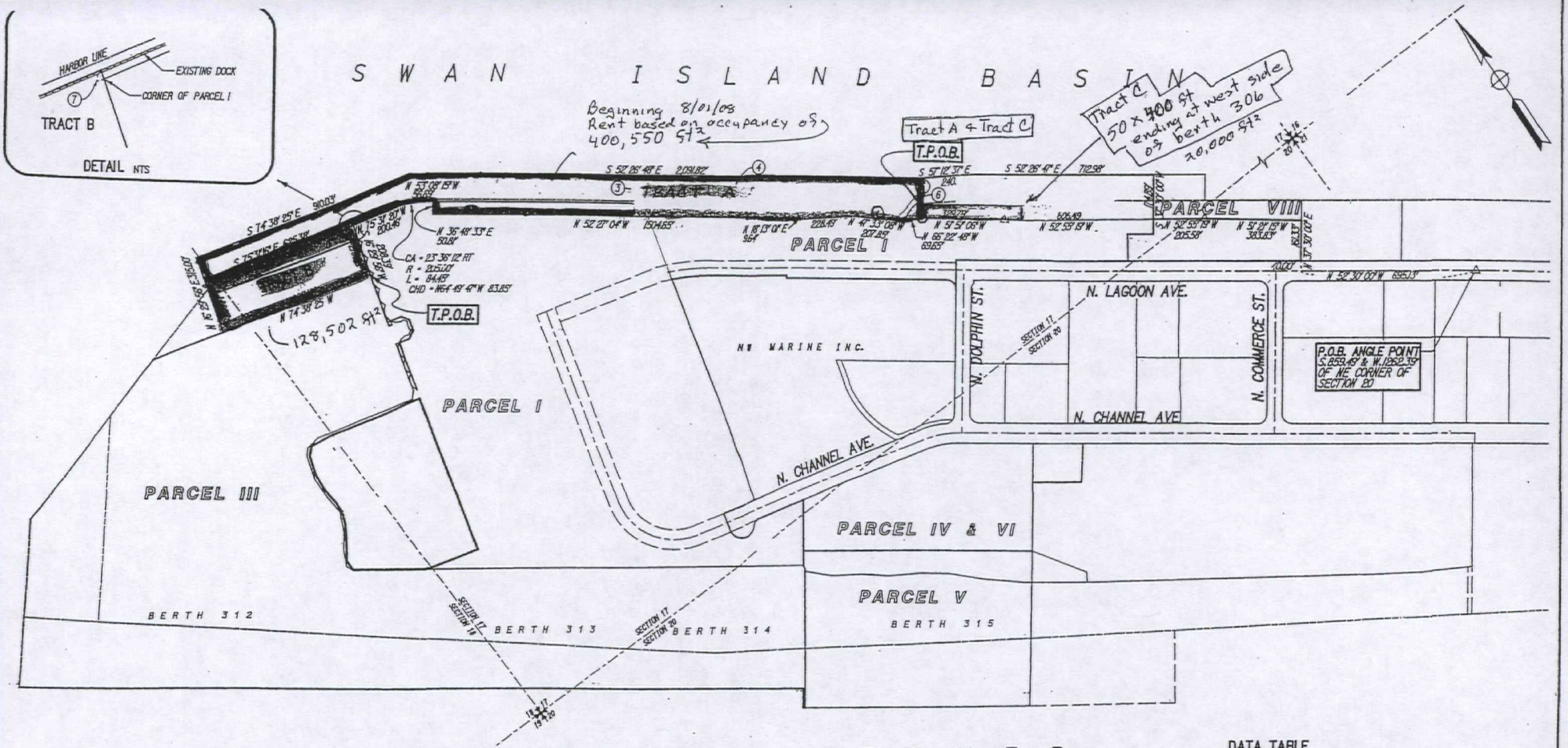
STATE OF)
) ss
County of ~~Or~~ Multnomah)

The foregoing instrument was acknowledged before me this 7th day of November, 2007, by T. Alan Scott (name of officer or agent of corporation), the V.P. and General Manager (title of officer or agent) of Shipyard Commerce Center, LLC (name of business entity), a Oregon (state or place of incorporation) Corporation (corporation, general partnership, limited liability company, etc.) on behalf of said Corporation (corporation, general partnership, limited liability company, etc.).

OFFICIAL SEAL
DIANE E KIERSEY
NOTARY PUBLIC-OREGON
COMMISSION NO. A375059
MY COMMISSION EXPIRES NOV. 27, 2007

Diane E. Kiersey
Signature
My commission expires Nov. 27, 2007

G:\LM\AttachmentAWestLAS\ML-Waterway Lease\22000-22999\22654-ML\ML-22654 2007 Amendment.doc



DATA TABLE

NO.	BEARING	DISTANCE
1	N 47°33'08" W	158.14'
2	N 52°27'04" W	648.19'
3	N 37°34'27" E	123.72'
4	S 52°29'33" E	1037.00'
5	S 37°34'27" W	131.77'
6	N 47°33'08" W	49.72'
7	N 16°29'56" E	1.99'

REGISTERED PROFESSIONAL LAND SURVEYOR

David W. Mills 7-2-02

OREGON
JULY 18, 1990
DAVID W. MILLS
01915

EXPIRES 12-31-04

NO.	REVISIONS	DATE	BY

CALCULATED DWM
DRAWN DWM
CHECKED
APPROVED

SCALE 1" = 400'
DATE JULY 2, 2002

Dave Mills Consulting "Surveying and Consulting Services"
-14315 SW Cougar Ridge Dr.
Beaverton, OR 97008
Ph: (503) 590-7158
Fax:

CLIENT: CASCADE GENERAL
PORTLAND SHIPYARD
5555 NORTH CHANNEL AVE.
PORTLAND, OREGON 97217

JOB NO. 02-07
FILE NAME: DSL EXHIBIT.DGN

"EXHIBIT"
FOR
RETAINED PORTIONS OF DSL LEASE

SHEET NO. 1 OF 1

07-132850 PR

RECEIVED

JUL 27 2007

DEPARTMENT OF STATE LANDS

REMITTANCE $

Waterway Lease Application Form

AGENCY WILL ASSIGN NUMBER

Oregon Department of State Lands Application No. 22654-ML modification

SEND ONE SIGNED COPY OF YOUR APPLICATION TO:

(If your project is West of the Cascade Crest)	(If your project is East of the Cascade Crest)
WESTERN REGION	**EASTERN REGION**
Department of State Lands	Department of State Lands
775 Summer Street NE, Suite 100	1645 NE Forbes Road, Suite 112
Salem, OR 97301-1279	Bend, OR 97701
503-378-3805	541-388-6112

❶ Applicant Name and Address	Shipyard Commerce Center 5555 N. Channel Avenue Portland, OR 97217	Business Phone # 503-247-1672 Home Phone# FAX # 503-247-6050
O Co-Applicant O Authorized Agent O Contractor Name and Address		Business Phone # Home Phone # FAX #
Riparian Property Owner (vested title); if different than applicant Name and Address		Business Phone # Home Phone # FAX #

❷ PROJECT LOCATION

Street, Road or other descriptive location		Legal Description			
Drydock 1 basin, berth 301 through 305		Quarter: South half	Section: 17	Township: 1N	Range: 1E
In or Near (City or Town): Portland	County: Multnomah	Tax Map # 2004-8		Tax Lot # 1 301	
Waterway: Willamette River	River Mile: 8	County Property Tax Account Number: 543777			

Is consent to enter property granted to the Department of State Lands? X Yes O No

❸ PROPOSED PROJECT INFORMATION

Activity Type (Check all that apply):	Area requested (length x width)
1. O Log rafts/log storage areas	
2. O Commercial marina and floating home moorages	
3. O Noncommercial marina and owner-oriented floating home moorages	
4. X Marine industrial; marine services; fish processing facilities	529,052 ±8 Approx ~~444,387~~ sq ft
5. O Non-marine uses (restaurant, retail sales, offices, motel, residences, etc.)	
6. O Historical vessel moorage	
7. O Combination Structure	

Are you aware of any Endangered Species on the project site?	O Yes	x No	If yes, please explain in the project
Are you aware of any Cultural Resou( )on the project site?	O Yes	x N( )	description (on page 2, block 4)
Is the project site near a Wild and Scenic River?	O Yes	x No	

❹ **PROPOSED PROJECT PURPOSE & DESCRIPTION**

x Existing Facility O Proposed for Construction

Project Purpose and Need:

Ship repair yard.

Project Description:

Floating drydock moorage and operation. Vessel moorage during repair and berthing.

Estimated Start Date _____ Estimated Completion Date _____

❺ **ADDITIONAL INFORMATION**

All Adjoining Property Owners and their Addresses and Phone Numbers

None

Has the proposed activity or any related activity received the attention of the Corps of Engineers or the State of Oregon in the past, e.g., wetland delineation, violation, permit, lease request, etc.? O Yes x No

If yes, what identification number(s) were assigned by the respective agencies:

State of Oregon # _____

❻ **CITY / COUNTY PLANNING DEPARTMENT AFFIDAVIT** (to be completed by local planning official)

O This project is not regulated by the local comprehensive plan and zoning ordinance.

☒ This project has been reviewed and is consistent with the local comprehensive plan and zoning ordinance.

O This project has been reviewed and is **not** consistent with the local comprehensive plan and zone ordinance.

O Consistency of this project with the local planning ordinance cannot be determined until the following local approval(s) are obtained:

O Conditional Use Approval
O Plan Amendment
O Other_____
O Development Permit
O Zone Change

An application O has O has not been made for local approvals checked above.

Signature of local planning official	Title	City / County	Date
	City Planner	Portland	6/28/07

* No new or expanded structures or development is proposed w/in the greenway overlay. Ship repair, moorage & berthing are allowed uses

❼ **ATTACH ALL OF THE FOLLOWING:**

_____ A. Full size assessor map (16 inches x 16 inches), scale: 1 inch = 100 feet, that contains the riparian uplands. Do not mark on this map.

__✓__ B. A copy of the current year's property tax statement which identifies the present owner's name(s), land values, land size and tax account numbers of the riparian uplands.

__✓__ C. A separate drawing to a scale of 1 inch = 100 feet of all existing and proposed structures for the lease area. Label each separate activity type stated in Section 3 and show the dimensions of each area by length and width, as stated in Section 3.

__✓__ D. A street or highway location map with road directions to the site from the nearest main highway or road.

__✓__ E. A legal description of the lease area with an accurate delineation of the area relative to the tax lot boundaries of the upland parcel. (The Department may require a survey for this purpose.).

__✓__ F. Enclose a non-refundable application fee of $750.00. Mail to Department of State Lands, Unit 18, PO Box 4395, Portland, OR 97208-4395

❽ **LIMITED LIABILITY INFORMATION**

LIMITED LIABILITY COMPANY: Complete the following:

a. Do you have authority from the Oregon Secretary of State to do business in the State of Oregon? x Yes O No
b. Is the LLC presently in good standing with the Oregon Secretary of State? x Yes O No
c. In what state is the LLC primarily domiciled? Oregon
d. Is the LLC name and the Oregon business address the same as stated in this application? x Yes O No

If no, state the legal Name: _____

Address: _____ _____ _____ _____
Street or Box Number City State Zip Code

Additionally, a LIMITED LIABILITY COMPANY must submit the following with the application:

a. A certified copy of the company's Articles of Organization
b. A copy of the company's operating agreement
c. A resolution that the individual designated to sign the lease is authorized to act on behalf of the company in this matter.

PARTNERSHIP OR JOINT VENTURE: Complete the following:

NAME	BUSINESS ADDRESS	%SHARE	DIVISION

TRUST: Complete the following for each beneficiary of the Trust:

NAME	BUSINESS ADDRESS

OR identify the Trust document by title, document number, and county where document is recorded:

TITLE	DOCUMENT NUMBER	COUNTY

⑨ SIGNATURE FOR JOINT APPLICATION

I hereby request a state authorization for _____ (number) years.

Application is hereby made for the activities described herein. I certify that I am familiar with the information contained in the application, and, to the best of my knowledge and belief, this information is true, complete, and accurate. I further certify that I possess the authority to undertake the proposed activities. I understand that the granting of other permits by local, county, state or federal agencies does not release me from the requirement of obtaining the permits requested before commencing the project. I understand that payment of the required state application fee does not guarantee permit issuance.

T. Alan Sprott — Print /Type Name

VP — Title

T. Alan Sprott — Applicant Signature

8/6/07 — Date

I appoint the person named below to act as my duly authorized agent.

_____ Print /Type Name

_____ Title

_____ Authorized Agent Signature

_____ Date

Revised 5/20/05
\Applicat\Waterway Lease Application.doc

07- 132850 PR

Temporary Use Permit Application Form

RECEIVED
JUL 27 2007
DEPARTMENT OF STATE LANDS

AGENCY WILL ASSIGN NUMBER
Oregon Department of State Lands Application No. 38089-TU

SEND ONE SIGNED COPY OF YOUR APPLICATION TO:

(If your project is West of the Cascade Crest)
WESTERN REGION
Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
503-378-3805

(If your project is East of the Cascade Crest)
EASTERN REGION
Department of State Lands
1645 NE Forbes Road, Suite 112
Bend, OR 97701
541-388-6112

❶ Applicant Name and Address: Shipyard Commerce Center LLC, 5555 N. Channel Avenue, Portland, Or 97217
Business Phone # 503-247-1672
Home Phone#
FAX # 503-247-6050

O Co-Applicant
O Authorized Agent
O Contractor
Name and Address
Business Phone #
Home Phone #
FAX #

Riparian Property Owner (vested title); if different than applicant
Name and Address
Business Phone #
Home Phone #
FAX #

❷ **PROJECT LOCATION**

Street, Road or other descriptive location		Legal Description			
		Quarter	Section	Township	Range
Berth 306 – 307 Portland Shipyard		SW1/4	17	1 N	1 E
In or Near (City or Town) Portland	County Multnomah	Tax Map # 2004-8		Tax Lot 1 301	
Waterway Willamette	River Mile 8	County Property Tax Account Number 54377			

Is consent to enter property granted to the Department of State Lands? X Yes O No

❸ **PROPOSED PROJECT INFORMATION**

Activity Type (Check all that apply): — Area requested (length x width)

1. O Log rafts/log storage areas _____
2. O Commercial marina and floating home moorages _____
3. O Noncommercial marina and owner-oriented floating home moorages _____
4. X Marine industrial; marine services; fish processing facilities 88,000 sq feet (800 x 110)
5. O Non-marine uses (restaurant, retail sales, offices, motel, residences, etc.) _____
6. O Historical vessel moorage _____

Are you aware of any Endangered Species on the project site?	O Yes	X No	If yes, please explain in the project description (on page 2, block 4)
Are you aware of any Cultural Resources on the project site?	O Yes	X No	
Is the project site near a Wild and Scenic River?	O Yes	X No	

❹ PROPOSED PROJECT PURPOSE & DESCRIPTION

X Existing Facility O Proposed for Construction

Project Purpose and Need:

Vessel moorage

Project Description:

Temporary layberthing of vessel.

Estimated Start Date 11/11/2006_____ Estimated Completion Date 5/30/2007_____

❺ ADDITIONAL INFORMATION

Please provide the name, address and phone number for all adjoining property owners

Port of Portland
Suzanne Brooks
503-944-7000

Has the proposed activity or any related activity received the attention of the Corps of Engineers or the State of Oregon in the past, e.g., wetland delineation, violation, permit, lease request, etc.? O Yes X No

If yes, what identification number(s) were assigned by the respective agencies:

Corps # _____

State of Oregon # _____

❻ CITY / COUNTY PLANNING DEPARTMENT AFFIDAVIT (to be completed by local planning official)

- O This project is not regulated by the local comprehensive plan and zoning ordinance.
- ☒ This project has been reviewed and is consistent with the local comprehensive plan and zoning ordinance.
- O This project has been reviewed and is **not** consistent with the local comprehensive plan and zone ordinance.
- O Consistency of this project with the local planning ordinance cannot be determined until the following local approval(s) are obtained:
  - O Conditional Use Approval
  - O Development Permit
  - O Plan Amendment
  - O Zone Change
  - O Other_____

An application O has O has not been made for local approvals checked above.

Signature of local planning official	Title	City / County	Date
[signature]	City Planner	Portland	6/28/07

* No new or expanded structures or development is proposed w/in the greenway overlay. Vessel moorage is an allowed use. 33.440

07-132850 PR

Temporary Use Permit Application Form

RECEIVED
JUL 27 2007
DEPARTMENT OF STATE LANDS

AGENCY WILL ASSIGN NUMBER
Oregon Department of State Lands Application No. 38089-TU

SEND ONE SIGNED COPY OF YOUR APPLICATION TO:

(If your project is West of the Cascade Crest)
WESTERN REGION
Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
503-378-3805

(If your project is East of the Cascade Crest)
EASTERN REGION
Department of State Lands
1645 NE Forbes Road, Suite 112
Bend, OR 97701
541-388-6112

❶ Applicant Name and Address: Shipyard Commerce Center LLC, 5555 N. Channel Avenue, Portland, Or 97217
Business Phone # 503-247-1672
Home Phone#
FAX # 503-247-6050

O Co-Applicant
O Authorized Agent
O Contractor
Name and Address
Business Phone #
Home Phone #
FAX #

Riparian Property Owner (vested title); if different than applicant
Name and Address
Business Phone #
Home Phone #
FAX #

❷ **PROJECT LOCATION**

Street, Road or other descriptive location		Legal Description			
Berth 306 – 307 Portland Shipyard		Quarter: SW1/4	Section: 17	Township: 1 N	Range: 1 E
In or Near (City or Town): Portland	County: Multnomah	Tax Map # 2004-8		Tax Lot 1	
Waterway: Willamette	River Mile 8	County Property Tax Account Number: 54377			

301

Is consent to enter property granted to the Department of State Lands? X Yes O No

❸ **PROPOSED PROJECT INFORMATION**

Activity Type (Check all that apply):	Area requested (length x width)
1. O Log rafts/log storage areas	
2. O Commercial marina and floating home moorages	
3. O Noncommercial marina and owner-oriented floating home moorages	
4. X Marine industrial; marine services; fish processing facilities	88,000 sq feet (800 x 110)
5. O Non-marine uses (restaurant, retail sales, offices, motel, residences, etc.)	
6. O Historical vessel moorage	

Are you aware of any Endangered Species on the project site?	O Yes	X No	If yes, please explain in the project description (on page 2, block 4)
Are you aware of any Cultural Resources on the project site?	O Yes	X No	
Is the project site near a Wild and Scenic River?	O Yes	X No	

❹ PROPOSED PROJECT PURPOSE & DESCRIPTION

X Existing Facility O Proposed for Construction

Project Purpose and Need:

Vessel moorage

Project Description:

Temporary layberthing of vessel.

Estimated Start Date 11/11/2006_____ Estimated Completion Date 5/30/2007_____

❺ ADDITIONAL INFORMATION

Please provide the name, address and phone number for all adjoining property owners

Port of Portland
Suzanne Brooks
503-944-7000

Has the proposed activity or any related activity received the attention of the Corps of Engineers or the State of Oregon in the past, e.g., wetland delineation, violation, permit, lease request, etc.? O Yes X No

If yes, what identification number(s) were assigned by the respective agencies:

Corps # _____

State of Oregon # _____

❻ CITY / COUNTY PLANNING DEPARTMENT AFFIDAVIT (to be completed by local planning official)

- O This project is not regulated by the local comprehensive plan and zoning ordinance.
- ☒ This project has been reviewed and is consistent with the local comprehensive plan and zoning ordinance.
- O This project has been reviewed and is **not** consistent with the local comprehensive plan and zone ordinance.
- O Consistency of this project with the local planning ordinance cannot be determined until the following local approval(s) are obtained:
  - O Conditional Use Approval
  - O Development Permit
  - O Plan Amendment
  - O Zone Change
  - O Other_____

An application O has O has not been made for local approvals checked above.

Signature of local planning official	Title	City / County	Date
[signature]	City Planner	Portland	6/28/07

* No new or expanded structures or development is proposed w/in the greenway overlay. Vessel moorage is an allowed use. 33.440

❼ **ATTACH ALL OF THE FOLLOWING:**

_____ A. Full size assessor map (16 inches x 16 inches), scale: 1 inch = 100 feet, that contains the riparian uplands. Do not mark on this map.

✓ B. A copy of the current year's property tax statement which identifies the present owner's name(s), land values , land size and tax account numbers of the riparian uplands.

✓ C. A separate drawing to a scale of 1 inch = 100 feet of all existing and proposed structures for the lease area. Label each separate activity type stated in Section 3 and show the dimensions of each area by length and width, as stated in Section 3.

✓ D. A street or highway location map with road directions to the site from the nearest main highway or road.

❽ **SIGNATURE FOR JOINT APPLICATION**

The maximum term for a temporary use permit is 1 (one) year.

Application is hereby made for the activities described herein. I certify that I am familiar with the information contained in the application, and, to the best of my knowledge and belief, this information is true, complete, and accurate. I further certify that I possess the authority to undertake the proposed activities. I understand that the granting of other permits by local, county, state or federal agencies does not release me from the requirement of obtaining the permits requested before commencing the project. I understand that payment of the required state application fee does not guarantee permit issuance.

T. ALAN SPROTT — Print /Type Name

VP — Title

T. Alan Sprott — Applicant Signature

8/6/07 — Date

I appoint the person named below to act as my duly authorized agent.

_____ Print /Type Name

_____ Title

_____ Authorized Agent Signature

_____ Date

Revised 1/8/06

07- 82850 PR

Temporary Use Permit Application Form

AGENCY WILL ASSIGN NUMBER

Oregon Department of State Lands Application No. _____

SEND ONE SIGNED COPY OF YOUR APPLICATION TO:

(If your project is West of the Cascade Crest)

WESTERN REGION
Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
503-378-3805

(If your project is East of the Cascade Crest)

EASTERN REGION
Department of State Lands
1645 NE Forbes Road, Suite 112
Bend, OR 97701
541-388-6112

❶ Applicant Name and Address	Shipyard Commerce Center LLC 5555 N. Channel Avenue Portland, Or 97217	Business Phone # 503-247-1672 Home Phone# FAX # 503-247-6050
O Co-Applicant O Authorized Agent O Contractor Name and Address		Business Phone # Home Phone # FAX #
Riparian Property Owner (vested title); if different than applicant Name and Address		Business Phone # Home Phone # FAX #

❷ **PROJECT LOCATION**

Street, Road or other descriptive location		Legal Description			
		Quarter	Section	Township	Range
Berth 306 – 307 Portland Shipyard		SW1/4	17	1 N	1 E
In or Near (City or Town) Portland	County Multnomah	Tax Map # 2004-8		Tax Lot 1	
Waterway Willamette	River Mile 8	County Property Tax Account Number 54377			

Is consent to enter property granted to the Department of State Lands? X Yes O No

❸ **PROPOSED PROJECT INFORMATION**

Activity Type (Check all that apply):	Area requested (length x width)
1. O Log rafts/log storage areas	_____
2. O Commercial marina and floating home moorages	_____
3. O Noncommercial marina and owner-oriented floating home moorages	_____
4. X Marine industrial; marine services; fish processing facilities	88,000 sq feet (800 x 110)___
5. O Non-marine uses (restaurant, retail sales, offices, motel, residences, etc.)	_____
6. O Historical vessel moorage	_____

Are you aware of any Endangered Species on the project site?	O Yes	X No	If yes, please explain in the project description (on page 2, block 4)
Are you aware of any Cultural Resources on the project site?	O Yes	X No	
Is the project site near a Wild and Scenic River?	O Yes	X No	

❹ **PROPOSED PROJECT PURPOSE & DESCRIPTION**

X Existing Facility O Proposed for Construction

Project Purpose and Need:

Vessel moorage

Project Description:

Temporary layberthing of vessel.

Estimated Start Date 11/11/2006_____ Estimated Completion Date 5/30/2007_____

❺ **ADDITIONAL INFORMATION**

Please provide the name, address and phone number for all adjoining property owners

Port of Portland
Suzanne Brooks
503-944-7000

Has the proposed activity or any related activity received the attention of the Corps of Engineers or the State of Oregon in the past, e.g., wetland delineation, violation, permit, lease request, etc.? O Yes X No

If yes, what identification number(s) were assigned by the respective agencies:

Corps # _____

State of Oregon # _____

❻ **CITY / COUNTY PLANNING DEPARTMENT AFFIDAVIT** (to be completed by local planning official)

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O This project has been reviewed and is **not** consistent with the local comprehensive plan and zone ordinance.

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O Plan Amendment O Zone Change
O Other_____

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Signature of local planning official	Title	City / County	Date
[signature]	City Planner	Portland	6/28/07

* No new or expanded structures or development is proposed w/in the greenway overlay. Vessel moorage is an allowed use. 33.440

07-132850 PR

Waterway Lease Application Form

AGENCY WILL ASSIGN NUMBER

Oregon Department of State Lands Application No. _____

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Department of State Lands
775 Summer Street NE, Suite 100
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503-378-3805

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Department of State Lands
1645 NE Forbes Road, Suite 112
Bend, OR 97701
541-388-6112

❶ Applicant Name and Address	Shipyard Commerce Center 5555 N. Channel Avenue Portland, OR 97217	Business Phone # 503-247-1672 Home Phone# FAX # 503-247-6050
O Co-Applicant O Authorized Agent O Contractor Name and Address		Business Phone # Home Phone # FAX #
Riparian Property Owner (vested title); if different than applicant Name and Address		Business Phone # Home Phone # FAX #

❷ PROJECT LOCATION

Street, Road or other descriptive location	Legal Description			
Drydock 1 basin, berth 301 through 305	Quarter South half	Section 17	Township 1N	Range 1E

In or Near (City or Town)	County	Tax Map #	Tax Lot #
Portland	Multnomah	2004-8	1

Waterway	River Mile	County Property Tax Account Number
Willamette River	8	543777

Is consent to enter property granted to the Department of State Lands? X Yes O No

❸ PROPOSED PROJECT INFORMATION

Activity Type (Check all that apply):	Area requested (length x width)
1. O Log rafts/log storage areas	_____
2. O Commercial marina and floating home moorages	_____
3. O Noncommercial marina and owner-oriented floating home moorages	_____
4. X Marine industrial; marine services; fish processing facilities	Approx 444,387 sq ft
5. O Non-marine uses (restaurant, retail sales, offices, motel, residences, etc.)	_____
6. O Historical vessel moorage	_____
7. O Combination Structure	

Are you aware of any Endangered Species on the project site?	O Yes	x No	If yes, please explain in the project
Are you aware of any Cultural Resources on the project site?	O Yes	x No	description (on page 2, block 4)
Is the project site near a Wild and Scenic River?	O Yes	x No	

❹ **PROPOSED PROJECT PURPOSE & DESCRIPTION**

x Existing Facility O Proposed for Construction

Project Purpose and Need:

Ship repair yard.

Project Description:

Floating drydock moorage and operation. Vessel moorage during repair and berthing.

Estimated Start Date _____ Estimated Completion Date _____

❺ **ADDITIONAL INFORMATION**

All Adjoining Property Owners and their Addresses and Phone Numbers

None

Has the proposed activity or any related activity received the attention of the Corps of Engineers or the State of Oregon in the past, e.g., wetland delineation, violation, permit, lease request, etc.? O Yes x No

If yes, what identification number(s) were assigned by the respective agencies:

State of Oregon # _____

❻ **CITY / COUNTY PLANNING DEPARTMENT AFFIDAVIT** (to be completed by local planning official)

O This project is not regulated by the local comprehensive plan and zoning ordinance.

☒ This project has been reviewed and is consistent with the local comprehensive plan and zoning ordinance.

O This project has been reviewed and is **not** consistent with the local comprehensive plan and zone ordinance.

O Consistency of this project with the local planning ordinance cannot be determined until the following local approval(s) are obtained:

O Conditional Use Approval
O Plan Amendment
O Other_____
O Development Permit
O Zone Change

An application O has O has not been made for local approvals checked above.

Signature of local planning official	Title	City / County	Date
[signature]	City Planner	Portland	6/28/07

* No new or expanded structures or development is proposed within greenway overlay. Ship repair, moorage & berthing are allowed uses

❼ **ATTACH ALL OF THE FOLLOWING:**

_____ A. Full size assessor map (16 inches x 16 inches), scale: 1 inch = 100 feet, that contains the riparian uplands. Do not mark on this map.

_____ B. A copy of the current year's property tax statement which identifies the present owner's name(s), land values, land size and tax account numbers of the riparian uplands.

_____ C. A separate drawing to a scale of 1 inch = 100 feet of all existing and proposed structures for the lease area. Label each separate activity type stated in Section 3 and show the dimensions of each area by length and width, as stated in Section 3.

_____ D. A street or highway location map with road directions to the site from the nearest main highway or road.

_____ E. A legal description of the lease area with an accurate delineation of the area relative to the tax lot boundaries of the upland parcel. (The Department may require a survey for this purpose.).

_____ F. Enclose a non-refundable application fee of $750.00. Mail to Department of State Lands, Unit 18, PO Box 4395, Portland, OR 97208-4395

❽ **LIMITED LIABILITY INFORMATION**

LIMITED LIABILITY COMPANY: Complete the following:

a. Do you have authority from the Oregon Secretary of State to do business in the State of Oregon? x Yes O No
b. Is the LLC presently in good standing with the Oregon Secretary of State? x Yes O No
c. In what state is the LLC primarily domiciled? Oregon
d. Is the LLC name and the Oregon business address the same as stated in this application? x Yes O No

If no, state the legal Name: _____

Address: _____ _____ _____ _____
Street or Box Number City State Zip Code

Additionally, a LIMITED LIABILITY COMPANY must submit the following with the application:

a. A certified copy of the company's Articles of Organization
b. A copy of the company's operating agreement
c. A resolution that the individual designated to sign the lease is authorized to act on behalf of the company in this matter.

PARTNERSHIP OR JOINT VENTURE: Complete the following:

NAME BUSINESS ADDRESS %SHARE DIVISION

TRUST: Complete the following for each beneficiary of the Trust:

NAME BUSINESS ADDRESS

OR identify the Trust document by title, document number, and county where document is recorded:

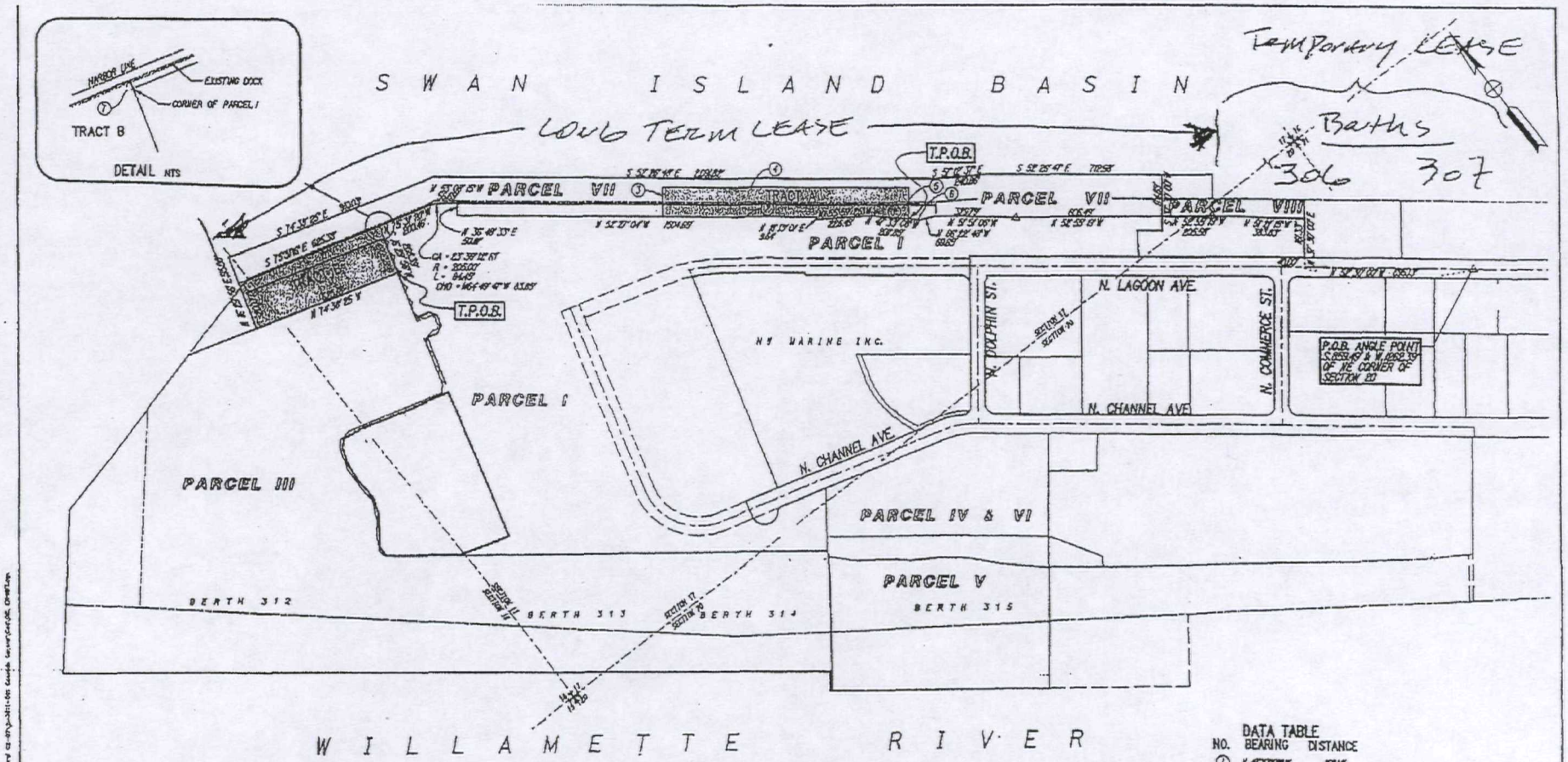
TITLE DOCUMENT NUMBER COUNTY

WATERWAY LEASE APPLICATION
BERTHS 301 – 305, DRY DOCK 1 BASIN
VIGOR INDUSTRIAL LLC

Vigor Industrial is submitting a waterway lease application to the Oregon Department of State Lands to revise the boundaries of its current leasehold. Submerged land under the leasehold will continue to be used for marine industrial purposes. Activities occurring in the leased area will include mooring and operating a floating dry dock, and mooring vessels undergoing repair. New improvements are not planned for the lease area.

TEMPORARY WATERWAY LEASE APPICATION
BERTHS 306 – 307
VIGOR INDUSTRIAL LLC

Vigor Industrial is submitting a temporary waterway lease application to the Oregon Department of State Lands to moor an inactive vessel. New improvements are not planned for the lease area.



DATA TABLE

NO.	BEARING	DISTANCE
1	N 47°33'08" W	158.14'
2	N 52°27'04" W	642.19'
3	N 37°34'27" E	123.72'
4	S 52°29'33" E	1037.00'
5	S 37°34'27" W	137.77'
6	N 47°33'08" W	497.2'
7	N 16°29'56" E	1.59'

REGISTERED PROFESSIONAL LAND SURVEYOR

David W. Mills 7-2-02

OREGON
JULY 18, 1990
DAVID W. MILLS
01915

EXPIRES 12-31-04

NO.	REVISIONS	DATE	BY

CALCULATED DWM
DRAWN DWM
CHECKED
APPROVED

SCALE 1" = 400'
DATE JULY 2, 2002

Dave Mills Consulting "Surveying and Consulting Services"
14315 SW Calgar Ridge Dr.
Beaverton, OR 97008
Ph: (503) 590-7154
Fax:

CLIENT: CASCADE GENERAL
PORTLAND SHIPYARD
5555 NORTH CHANNEL AVE.
PORTLAND, OREGON 97217

JOB NO. 06-47
FILE NAME: DSL EXHIBIT.DGN

"EXHIBIT"
FOR
RETAINED PORTIONS OF DSL LEASE

SHEET NO. 1 of 1

Temporary Use Permit Application Form

AGENCY WILL ASSIGN NUMBER

Oregon Department of State Lands Application No. _____

SEND ONE SIGNED COPY OF YOUR APPLICATION TO:

(If your project is West of the Cascade Crest)
WESTERN REGION
Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
503-378-3805

(If your project is East of the Cascade Crest)
EASTERN REGION
Department of State Lands
1645 NE Forbes Road, Suite 112
Bend, OR 97701
541-388-6112

❶ Applicant Name and Address	Shipyard Commerce Center LLC 5555 N. Channel Avenue Portland, Or 97217	Business Phone # 503-247-1672 Home Phone# FAX # 503-247-6050
O Co-Applicant O Authorized Agent O Contractor Name and Address		Business Phone # Home Phone # FAX #
Riparian Property Owner (vested title); if different than applicant Name and Address		Business Phone # Home Phone # FAX #

❷ **PROJECT LOCATION**

Street, Road or other descriptive location		Legal Description			
		Quarter	Section	Township	Range
Berth 306 – 307 Portland Shipyard		SW1/4	17	1 N	1 E
In or Near (City or Town) Portland	County Multnomah	Tax Map # 2004-8		Tax Lot 1	
Waterway Willamette	River Mile 8	County Property Tax Account Number 543777			

Is consent to enter property granted to the Department of State Lands? X Yes O No

❸ **PROPOSED PROJECT INFORMATION**

Activity Type (Check all that apply):	Area requested (length x width)
1. O Log rafts/log storage areas	_____
2. O Commercial marina and floating home moorages	_____
3. O Noncommercial marina and owner-oriented floating home moorages	_____
4. X Marine industrial; marine services; fish processing facilities	88,000 sq feet (800 x 110)___
5. O Non-marine uses (restaurant, retail sales, offices, motel, residences, etc.)	_____
6. O Historical vessel moorage	_____

Are you aware of any Endangered Species on the project site?	O Yes	X No	If yes, please explain in the project description (on page 2, block 4)
Are you aware of any Cultural Resources on the project site?	O Yes	X No	
Is the project site near a Wild and Scenic River?	O Yes	X No	

❹ PROPOSED PROJECT PURPOSE & DESCRIPTION

X Existing Facility O Proposed for Construction

Project Purpose and Need:

Vessel moorage

Project Description:

Temporary layberthing of vessel.

Estimated Start Date 11/11/2006_____ Estimated Completion Date 5/30/2007_____

❺ ADDITIONAL INFORMATION

Please provide the name, address and phone number for all adjoining property owners

Port of Portland
Suzanne Brooks
503-944-7000

Has the proposed activity or any related activity received the attention of the Corps of Engineers or the State of Oregon in the past, e.g., wetland delineation, violation, permit, lease request, etc.? O Yes X No

If yes, what identification number(s) were assigned by the respective agencies:

Corps # _____

State of Oregon # _____

❻ CITY / COUNTY PLANNING DEPARTMENT AFFIDAVIT (to be completed by local planning official)

- O This project is not regulated by the local comprehensive plan and zoning ordinance.
- O This project has been reviewed and is consistent with the local comprehensive plan and zoning ordinance.
- O This project has been reviewed and is **not** consistent with the local comprehensive plan and zone ordinance.
- O Consistency of this project with the local planning ordinance cannot be determined until the following local approval(s) are obtained:
  - O Conditional Use Approval
  - O Development Permit
  - O Plan Amendment
  - O Zone Change
  - O Other_____

An application O has O has not been made for local approvals checked above.

Signature of local planning official	Title	City / County	Date

❼ **ATTACH ALL OF THE FOLLOWING:**

_____ A. Full size assessor map (16 inches x 16 inches), scale: 1 inch = 100 feet, that contains the riparian uplands. Do not mark on this map.

_____ B. A copy of the current year's property tax statement which identifies the present owner's name(s), land values , land size and tax account numbers of the riparian uplands.

_____ C. A separate drawing to a scale of 1 inch = 100 feet of all existing and proposed structures for the lease area. Label each separate activity type stated in Section 3 and show the dimensions of each area by length and width, as stated in Section 3.

_____ D. A street or highway location map with road directions to the site from the nearest main highway or road.

❽ **SIGNATURE FOR JOINT APPLICATION**

The maximum term for a temporary use permit is 1 (one) year.

Application is hereby made for the activities described herein. I certify that I am familiar with the information contained in the application, and, to the best of my knowledge and belief, this information is true, complete, and accurate. I further certify that I possess the authority to undertake the proposed activities. I understand that the granting of other permits by local, county, state or federal agencies does not release me from the requirement of obtaining the permits requested before commencing the project. I understand that payment of the required state application fee does not guarantee permit issuance.

_____ _____

Print /Type Name Title

_____ _____

Applicant Signature Date

I appoint the person named below to act as my duly authorized agent.

_____ _____

Print /Type Name Title

_____ _____

Authorized Agent Signature Date

Revised 1/8/06

Temporary Use Permit Application Form

AGENCY WILL ASSIGN NUMBER

Oregon Department of State Lands Application No. _____

SEND ONE SIGNED COPY OF YOUR APPLICATION TO:

(If your project is West of the Cascade Crest)

WESTERN REGION
Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
503-378-3805

(If your project is East of the Cascade Crest)

EASTERN REGION
Department of State Lands
1645 NE Forbes Road, Suite 112
Bend, OR 97701
541-388-6112

❶ Applicant Name and Address	Vigor Industrial LLC 5555 N. Channel Avenue Portland, Or 97217	Business Phone # 503-247-1672 Home Phone# FAX # 503-247-6050
O Co-Applicant O Authorized Agent O Contractor Name and Address		Business Phone # Home Phone # FAX #
Riparian Property Owner (vested title); if different than applicant Name and Address		Business Phone # Home Phone # FAX #

❷ **PROJECT LOCATION**

Street, Road or other descriptive location		Legal Description			
Berth 306 – 307 Portland Shipyard		Quarter	Section	Township	Range
In or Near (City or Town) Portland	County Multnomah	Tax Map #		Tax Lot #	
Waterway Willamette	River Mile 8	County Property Tax Account Number			

Is consent to enter property granted to the Department of State Lands? X Yes O No

❸ **PROPOSED PROJECT INFORMATION**

Activity Type (Check all that apply):	Area requested (length x width)
1. O Log rafts/log storage areas	_____
2. O Commercial marina and floating home moorages	_____
3. O Noncommercial marina and owner-oriented floating home moorages	_____
4. X Marine industrial; marine services; fish processing facilities	800x110_____
5. O Non-marine uses (restaurant, retail sales, offices, motel, residences, etc.)	_____
6. O Historical vessel moorage	_____

Are you aware of any Endangered Species on the project site?	O Yes	X No	If yes, please explain in the project description (on page 2, block 4)
Are you aware of any Cultural Resources on the project site?	O Yes	X No	
Is the project site near a Wild and Scenic River?	O Yes	X No	

❹ PROPOSED PROJECT PURPOSE & DESCRIPTION

X Existing Facility O Proposed for Construction

Project Purpose and Need:

Vessel moorage

Project Description:

Temporary layberthing of vessel.

Estimated Start Date _____ Estimated Completion Date 5/30/2007_____

❺ ADDITIONAL INFORMATION

Please provide the name, address and phone number for all adjoining property owners

Port of Portland
Suzanne Brooks
503-944-7000

Has the proposed activity or any related activity received the attention of the Corps of Engineers or the State of Oregon in the past, e.g., wetland delineation, violation, permit, lease request, etc.? O Yes X No

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State of Oregon # _____

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- O Development Permit
- O Plan Amendment
- O Zone Change
- O Other_____

An application O has O has not been made for local approvals checked above.

Signature of local planning official	Title	City / County	Date

❼ ATTACH ALL OF THE FOLLOWING:

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❽ SIGNATURE FOR JOINT APPLICATION

The maximum term for a temporary use permit is 1 (one) year.

Application is hereby made for the activities described herein. I certify that I am familiar with the information contained in the application, and, to the best of my knowledge and belief, this information is true, complete, and accurate. I further certify that I possess the authority to undertake the proposed activities. I understand that the granting of other permits by local, county, state or federal agencies does not release me from the requirement of obtaining the permits requested before commencing the project. I understand that payment of the required state application fee does not guarantee permit issuance.

Print /Type Name	Title
Applicant Signature	Date

I appoint the person named below to act as my duly authorized agent.

Print /Type Name	Title
Authorized Agent Signature	Date

Oregon
Theodore R. Kulongoski, Governor

Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
(503) 986-5200
FAX (503) 378-4844
www.oregonstatelands.us.

June 19, 2008

State Land Board

Theodore R. Kulongoski
Governor

Bill Bradbury
Secretary of State

Randall Edwards
State Treasurer

JV410\22654-ML
MR ALAN SPROTT
SHIPYARD COMMERCE CENTER
5555 N CHANNEL AVENUE
PORTLAND OR 97217

RE: State Waterway Lease 22654-ML

Dear Mr. Sprott:

In September 2007 the Department of State Lands (Department) approved your request for the modification of your leasehold area for the lease 22654-ML. Normally the annual rent for the period August 1, 2008 through July 31, 2009 for that lease would be billed to you this month. But, as our agreement is based on the area used in Tract A, to moor ships, and we have agreed to bill based on a percentage occupancy of the 400,550 square feet in Tract A, your rent will not be billed until after we receive the occupancy form in August. For your information the rents for Tract B and Tract C are calculated as:

Tract B (128,502 square ft) X ($ 0.3167 per sq ft) = $40,696.58
Tract C (20,000 square ft) X ($ 0.3167 per sq ft) = $ 6,334.00

All three tracts will be billed to you in August for the coming year.

If you have any questions, please call me at 503-986-5245, or my assistant Jenni Vickers at 503-986-5242.

Sincerely,

Cyril J Young
Land Manager
Portland Harbor and
Linn, Benton and Lane Counties

G:\LM\Authorizations\ML-Waterway Leases\22000-22999\22654-ML\22654-ML 2008-09 rents to be billed.doc

Oregon
Theodore R. Kulongoski, Governor

Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
(503) 986-5200
FAX (503) 378-4844
www.oregonstatelands.us

August 25, 2008

State Land Board

Theodore R. Kulongoski
Governor

Bill Bradbury
Secretary of State

Randall Edwards
State Treasurer

JV410\22654-ML
SHIPYARD COMMERCE CENTER
ALAN SPROTT
5555 N CHANNEL AVENUE
PORTLAND OR 97217

RE: State Waterway Lease 22654-ML, Request for occupancy TRACT A

Dear Mr. Sprott:

In September 2007 the Department of State Lands (Department) approved your request for the modification of your leasehold area for the lease 22654-ML. Normally the annual rent for the period August 1, 2008 through July 31, 2009 for that lease would be billed to you in June 2008. But, as our agreement is based on the area used in Tract A, to moor ships, and we have agreed to bill based on a percentage occupancy of the 400,550 square feet in Tract A, your rent will not be billed until after we receive the occupancy form. Please provide us with that occupancy form per our agreement so we may bill you for the annual rent as agreed. For your information the rents for Tract B and Tract C are calculated as:

Tract B (128,502 square ft) X ($ 0.3167 per sq ft) = $40,696.58
Tract C (20,000 square ft) X ($ 0.3167 per sq ft) = $ 6,334.00

All three tracts will be billed to you as soon as we receive the occupancy for Tract A but we must receive that occupancy by September 15, 2008. If you have any questions, please call me at 503-986-5245, or my assistant Jenni Vickers at 503-986-5242.

Sincerely,

Cyril J Young
Land Manager
Portland Harbor and
Linn, Benton and Lane Counties

Alan Sprott

From: Alan Sprott
Sent: Wednesday, September 03, 2008 8:58 AM
To: 'YOUNG Cyril'
Subject: DSL_VESSEL LOG REPORT 2007_ 2008
Attachments: DSL_VESSEL LOG REPORT 2007_ 2008.xls

Cy,

Please see attached report showing usage of Tract A for the period of August 1, 2007 through July 31, 2008. Let me know if you need additional detail.

Thanks.

2007-2008 VESSEL LOG

Berth	Name of Vessel	Type	Arrival		Departure		LOA (Feet)	Beam (Feet)	Area (Square Feet)	Berth Days	Rent*
			Date	Time	Date	Time					
301	MSRC 404	Barge	8/17/07	22:15	9/4/07	9:45	286	76	21,736.0	17.48	$329.65
304	ZB-240 - with RSW Piggybacked	Barge	7/27/07	8:45	9/13/07	9:30	240	55	13,200.0	48.03	$550.11
305	Tidewater Grain Barge 77	Barge	9/17/07	9:00	9/17/07	14:05	272	42	11,424.0	0.21	$2.10
301	MSRC 404	Barge	9/12/07	8:25	9/19/07	8:05	286	76	21,736.0	6.99	$131.76
301	Tidewater Grain Barge 74	Barge	9/21/07	15:20	9/22/07	15:20	272	42	11,424.0	1.00	$9.91
302	Ho'omaka Hou (YB-1)	Barge	9/16/07	12:30	9/26/07	6:05	340	90	30,600.0	9.73	$258.41
301	Empress of the North	Passeng	9/29/07	4:00	9/29/07	11:30	360	58	20,880.0	0.31	$5.66
305	Global Sentinel	Cable	9/17/07	16:25	10/1/07	14:00	478	71	33,938.0	13.90	$409.29
301	Tazlina	Barge	9/30/07	16:00	10/8/07	8:15	272	70	19,040.0	7.68	$126.83
301	Tazlina	Barge	10/12/07	13:00	10/15/07	11:00	272	70	19,040.0	2.92	$48.18
305	Ho'omaka Hou (YB-1)	Barge	10/7/07	9:05	10/16/07	14:15	340	90	30,600.0	9.22	$244.67
301	Halewia	Barge	10/15/07	11:55	10/22/07	9:25	330	78	25,740.0	6.90	$154.01
301	Tazlina	Barge	10/18/07	14:45	10/26/07	14:50	272	70	19,040.0	8.00	$132.22
305	Global Sentinel	Cable	10/22/07	16:00	10/27/07	8:40	478	71	33,938.0	4.69	$138.24
303	M/V Columbia	Passeng	9/6/07	16:00	12/31/07	0:00	418	85	35,530.0	115.33	$3,555.54
302	KA'IMIMOANA	NOAA	10/30/07	8:30	12/31/07	0:00	224	43	9,632.0	61.65	$515.20
301	Empress of the North	Passeng	10/27/07	18:30	12/31/07	0:00	360	58	20,880.0	64.23	$1,163.64
301	IX-534	Dry Dock	11/15/07	16:00	12/31/07	0:00	256	80	20,480.0	45.33	$805.57
304	Ile De Sein	Cable	11/16/07	18:10	11/20/07	8:10	461	77	35,497.0	3.58	$110.37
302	USCGC Alert	Cutter	11/27/07	17:55	11/28/07	6:40	211	34	7,174.0	0.53	$3.31
302	USCGC Alert	Cutter	11/30/07	10:40	12/1/07	8:10	211	34	7,174.0	0.90	$5.58
305	Global Sentinel	Cable	11/21/07	18:10	11/29/07	13:00	478	71	33,938.0	7.78	$229.24
305	C/S Inovator	Cable	12/5/07	20:55	12/10/07	14:05	477	79	37,683.0	4.72	$154.17
302	McArthur II	NOAA	12/7/07	17:00	12/10/07	12:45	224	43	9,632.0	2.82	$23.59
302	McArthur II	NOAA	12/27/07	11:05	12/31/07	0:00	224	43	9,632.0	3.54	$29.57
302	KA'IMIMOANA	NOAA	1/1/08	0:00	1/16/08	9:30	224	43	9,632.0	15.40	$128.67
305	MV Lida	Cargo	1/1/08	0:00	1/12/08	9:45	206	35	7,210.0	11.41	$71.36
303	Sirus	Tug	1/15/08	20:00	1/21/08	8:55	136	38	5,161.5	5.54	$24.80
305	Nancy Jo	Barge	1/18/08	9:00	1/21/08	5:30	352	60	21,090.0	2.85	$52.23
305	Nancy Jo	Barge	1/22/08	7:30	1/22/08	19:30	352	60	21,090.0	0.50	$9.15
303	Western Carrier	Barge	2/1/08	13:10	2/3/08	1:15	300	84	25,200.0	1.50	$32.87
305	Left Coast Lifter (USB's Hull 2 or AB-1)	Barge	2/2/08	13:40	2/5/08	11:45	400	99	39,600.0	2.92	$100.34
301	Empress of the North	Passeng	1/1/08	0:00	2/18/08	5:10	360	58	20,880.0	48.22	$873.51
301	Empress of the North	Passeng	2/22/08	11:05	3/4/08	6:15	360	58	20,880.0	10.80	$195.64
305	Timberjack	Barge	2/27/08	15:10	2/28/08	13:00	340	78	26,520.0	0.91	$20.93
302	McArthur II	NOAA	1/1/08	0:00	2/28/08	10:00	224	43	9,632.0	58.42	$488.21
302	McArthur II	NOAA	2/28/08	14:25	3/3/08	10:25	224	43	9,632.0	3.83	$32.04
302	McArthur II	NOAA	3/3/08	11:30	3/6/08	8:55	224	43	9,632.0	2.89	$24.17
302	McArthur II	NOAA	3/6/08	10:15	3/11/08	9:25	224	43	9,632.0	4.97	$41.50
302	McArthur II	NOAA	3/12/08	9:50	3/17/08	9:00	224	43	9,632.0	4.97	$41.50

2007-2008 VESSEL LOG			Arrival		Departure						
Berth	Name of Vessel	Type	Date	Time	Date	Time	LOA (Feet)	Beam (Feet)	Area (Square Feet)	Berth Days	Rent*
303	M/V Columbia	Passeng	1/1/08	0:00	1/30/08	5:00	418	85	35,530.0	29.21	$900.44
303	M/V Columbia	Passeng	2/15/08	9:40	5/18/08	10:30	418	85	35,530.0	93.03	$2,868.11
301	USNS Henry J Kaiser	MSC	3/9/08	9:30	4/19/08	8:10	667	98	65,366.0	40.94	$2,322.21
306	Drakes Bay	Barge	3/26/08	11:05	4/2/08	10:00	380	76	28,880.0	6.95	$174.28
309	USCGC Bluebell	Cutter	4/7/08	9:30	4/15/08	13:30	100	24	2,400.0	8.17	$17.01
301	Thomas G. Thompson	Research Ves	4/28/08	17:30	5/2/08	14:25	273	53	14,469.0	3.87	$48.60
301	Thomas G. Thompson	Research Ves	5/18/08	10:15	5/21/08	14:00	273	53	14,469.0	3.16	$39.62
309	USCGC Bluebell	Cutter	5/2/08	6:50	5/9/08	12:35	100	24	2,400.0	7.24	$15.08
301	Queen of the West	Passeng	4/24/08	10:15	6/8/08	16:00	221	41	9,127.3	45.24	$358.27
303	MAKA'ALA (YB-2)	Barge	5/22/08	11:20	6/16/08	12:00	340	90	30,600.0	25.03	$664.51
301	NOAA Miller Freeman	NOAA	5/29/08	15:30	5/31/08	11:00	214	42	8,988.0	1.81	$14.14
303	Essayons	Dredge	3/19/08	12:10	6/1/08	6:40	350	68	23,800.0	73.77	$1,523.41
302	Essayons	Dredge	6/8/08	16:40	7/31/08	0:00	350	68	23,800.0	52.31	$1,080.14
301	Cape Island	Marad	6/9/08	8:00	6/17/08	5:35	684	102	69,768.0	7.90	$478.19
301	Montrey Bay	Barge	6/4/08	8:45	6/6/08	16:00	380	76	28,880.0	2.30	$57.69
303	USNS Waters	MSC	7/13/08	11:30	7/22/08	15:30	451	69	31,119.0	9.17	$247.51
303	Sea Fighter	Navy	6/17/08	15:45	6/19/08	9:45	261	71	18,531.0	1.75	$28.14
303	Tarpon	Tug	6/24/08	9:00	6/30/08	8:30	126	34	4,284.0	5.98	$22.23
301	Potomac	Barge	7/29/08	13:45	7/31/08	0:00	372	74	27,453.4	1.43	$33.99
301	Tarpon	Tug	7/29/08	14:40	7/31/08	0:00	126	34	4,284.0	1.39	$5.16
301	Foss 343	Barge	7/15/08	12:00	7/23/08	12:00	343	76	26,061.9	8.00	$180.91
304	Pacific Collector	Marad	7/22/08	20:05	7/31/08	0:00	357	54	19,278.0	8.16	$136.55

* Area x Berth Days x $0.3167/365

Total $22,489.91

Oregon
Theodore R. Kulongoski, Governor

Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
(503) 378-3805
FAX (503) 378-4844
www.oregonstatelands.us.

July 10, 2007

State Land Board

Theodore R. Kulongoski
Governor

Bill Bradbury
Secretary of State

Randall Edwards
State Treasurer

JV410/22654-ML
ALAN SPROTT
SHIPYARD COMMERCE CENTER LLC
5555 N CHANNEL AVENUE
PORTLAND OR 97217

RE: Dock Structures and Floats in Swan Island Lagoon

Dear Mr. Sprott:

I appreciate your keeping me informed on your progress in getting a lease modification application through the City processes. A new issue of concern has come up recently. On a recent trip along the Willamette River and into Swan Island Lagoon, Jim Anderson of the Oregon Department of Environmental Quality noted that the in water activity taking place on and around the dock structures at your facility seem to be contributing considerable debris to the water. (See attached photos from 2005 MSN Live Search, as these photos are dated they do not depict the current state of affairs but do show the area of concern with some accumulated debris). Mr. Anderson has brought his concerns to the attention of the Department of State Lands (DSL) in hopes that DSL might be able to encourage Shipyard Commerce to put a bit more effort into the general housekeeping of the shoreline at your facility.

This structures and floats shown in the photos are occupying state-owned submerged lands and hopefully will soon be covered in a modified waterway lease 22654-ML. As a part of the current lease contract with DSL, Shipyard Commerce has agreed to "Maintain all buildings, docks, piling, floats, gangways, similar structures, and other improvements located within the Leasehold in a good state of repair" (Section 5.4.5 of the lease 22654-ML). DSL is herein encouraging Shipyard Commerce to take a more proactive approach to housekeeping along the shoreline and dock structure at its Swan Island facility. If you have any questions concerning the issue Mr. Anderson and I are willing to arrange an onsite visit to discuss our concerns.

Thank you for your cooperation in maintaining the Swan Island Lagoon as a viable recreational resource for the public as well as a part of Portland's working harbor. If you have any questions, please call me at 503-378-3805, extension 245, or my assistant Jenni Vickers, extension 242.

Sincerely,

Cyril J. Young
Land Manager
Portland Harbor

Enclosed: Photos

C: Jim Anderson, ODEQ

G:\LM\Land Manager Cy\A Portland Harbor\22654-ML Shipyard Commerce Housekeeping inqry.doc

Live Search - Microsoft Internet Explorer
Back
File Edit View Favorites Tc
Address http://local.live.com/
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Live Search
Search for a business or category
Enter city, address, or landmark
Businesses People Maps
Welcome Collections Driving directions Traffic Locate me Share Print
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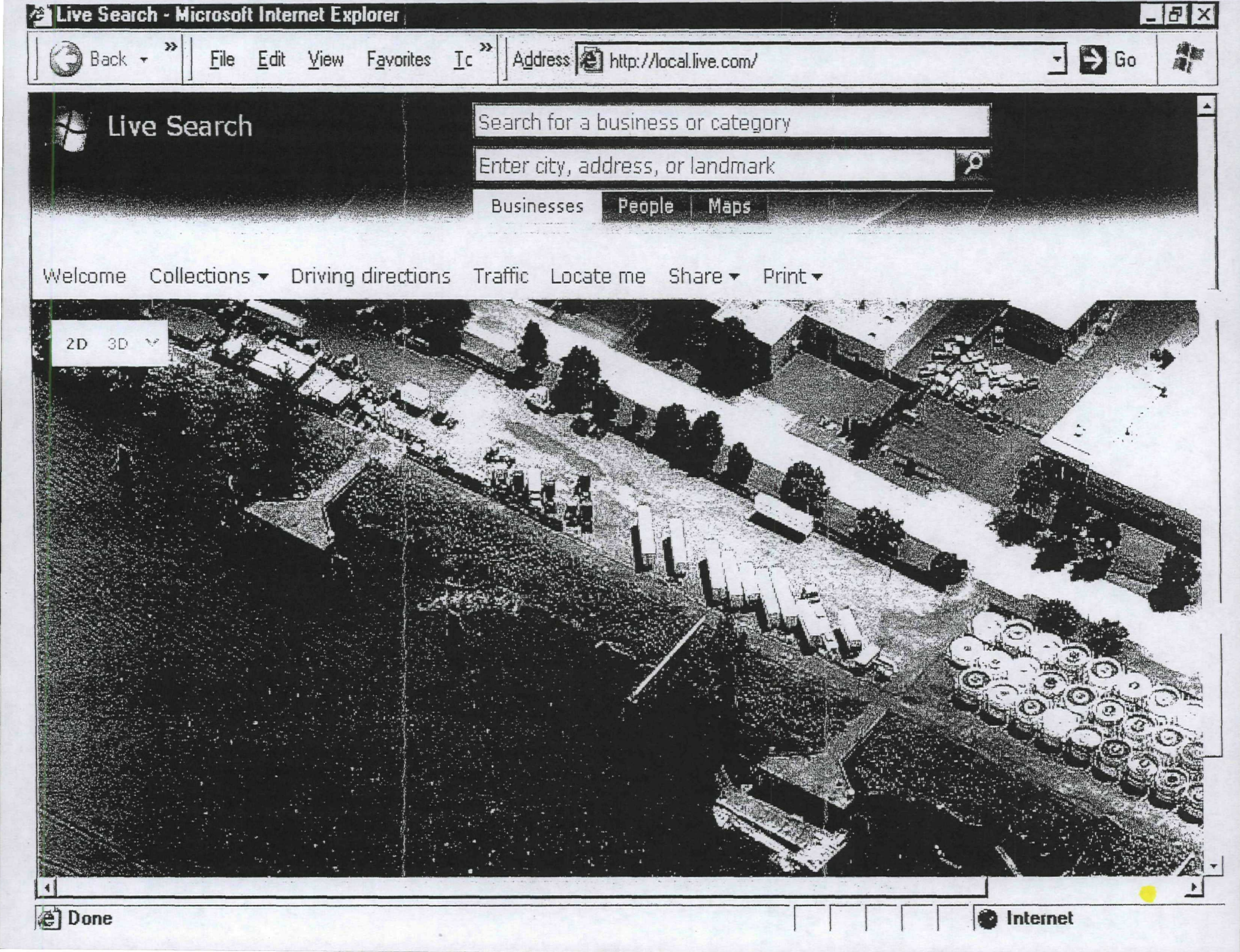
Live Search - Microsoft Internet Explorer
Back
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Go
Live Search
Search for a business or category
Enter city, address, or landmark
Businesses People Maps
Welcome Collections Driving directions Traffic Locate me Share Print
2D 3D
Done
Internet

Alan Sprott

From: YOUNG Cyril [Cyril.Young@state.or.us]
Sent: Monday, May 21, 2007 9:13 AM
To: Alan Sprott
Subject: RE: Lease 22656-ML

Sorry for the delay in my response, out all week last week with bronchitis or some such. Anyway back to work, look forward to getting the application and wrapping this one up. Thanks

---

From: Alan Sprott [mailto:asprott@vigorindustrial.net]
Sent: Friday, May 11, 2007 3:42 PM
To: YOUNG Cyril
Subject: RE: Lease 22656-ML

Thanks Cy. I've turned it over to a permitting assistance firm to get the land use approvals and assessor maps. I hope to have everything back in the next week or so.

From: YOUNG Cyril [mailto:Cyril.Young@state.or.us]
Sent: Thursday, May 10, 2007 8:08 AM
To: Alan Sprott
Subject: RE: Lease 22656-ML

If you need any help on completing this application please let me know. Thanks

---

From: Alan Sprott [mailto:asprott@vigorindustrial.net]
Sent: Tuesday, April 17, 2007 3:00 PM
To: YOUNG Cyril
Subject: RE: Lease 22656-ML

Looks good. We do keep records of berthage that DSL could use for auditing. Once this is in place, I'll set up a system that reports the monthly usage to DSL for each berth. If you provide me a format and/or the specific information you need reported we can make a spreadsheet and email it to you and others at DSL monthly.

I'll get the new application to you. No need for letterhead. Thanks again.

From: YOUNG Cyril [mailto:Cyril.Young@state.or.us]
Sent: Thursday, April 12, 2007 2:57 PM
To: Alan Sprott
Cc: PURCHASE Steve
Subject: RE: Lease 22656-ML

Looks like we are getting closer to modifying the lease if you agree with the solution.

A. Since Parcel B of your current lease is occupied with the dry dock that will be considered as occupied and the square footage will be part of the annual billing, with the 3% increase each year.

B Since we have no history the billing for 2007/2008 will be based on previous lease area increased by 3% per the annual rent redetermination in rule.

C. Parcel A on the new modified lease would be the area along the dock from Berth 301 to 307 and Shipyard Commerce will provide monthly reports on area occupied along the dock, including barges, ships, floats, boat houses, or other structures. We agree that a count of those being there longer than a week would be sufficient. At the end of the year prior to billing, preferably by May 1, DSL will average the occupancy along the dock and bill at the riparian value rate with the 3% annual increase for 2008/2009. Question: Does Shipyard Commerce keep records of occupancy that could be audited or verified. DSL requires such of marinas which are billed based on occupancy.

D. Shipyard Commerce will request a modification to increase the leasehold area for Parcel A per the rules OAR 141-082-0080 which require a new application and application fee of $750.00 and approval by the city in the land use section.

I think I have covered all of it, it you would like this on official letterhead I can do that. Let me know if you have questions. Thanks.

From: Alan Sprott [mailto:asprott@vigorindustrial.net]
Sent: Thursday, April 05, 2007 4:59 PM
To: YOUNG Cyril
Subject: RE: Lease 22656-ML

Cy, I think your approach is a little different than the one I proposed, but should work if I understand it correctly. To be sure I understand, this is what I think you would like to do. We put all 16.63 acres under leasehold. Each month we report the square footage occupied by ships in the leasehold. At the end of the year DSL calculates an average occupancy for the year by adding up the totals of all the square footage reports and dividing by 12. Then we are billed on the average square footage occupied using the riparian land value method.

The only issue I see is that if a ship touched the berth for a day or two it would get counted and up the average, even though the occupancy was minimal. Maybe a solution to this is to only report vessels moored in the leasehold for a week or more. I think we would still be over reporting the occupancy for many vessels, but this would cover for the short durations not reported.

Either way it looks like a workable approach. Thanks for your help and for taking the concept to Steve. Also, I'm working on the temporary access permit and would like to know if we really need to have the city sign off on the application since this is not a new or nonconforming land use. It will speed things up if we don't need it. Let me know. Thanks.

From: YOUNG Cyril [mailto:Cyril.Young@state.or.us]
Sent: Wednesday, April 04, 2007 8:48 AM
To: Alan Sprott
Cc: PURCHASE Steve
Subject: RE: Lease 22656-ML

Alan, I will make this proposal to Steve Purchase, AD for Land Management, if you are agreeable. Your lease year starts on August 1 so we have some time to work this through. Amend the lease to include the original lease area as described back in the year 2000, it would be 16.63 acres along the inner frontage area from Berth 301 to Berth 307 including what is currently call Tract B. You may have a copy of that old lease, if not I can provided the legal description from our files. Shipyard Commerce provides either a monthly report of occupancy or an annual report showing occupancy for each month and the annual report is provided by May 1 of each year, so DSL can do its billing by June 1 of each year. That report shows square footage for each month occupied by ships or barges and any other structures tied along the dock area between Berth 301 and 307. Incidentally I see from my photos there are several boathouses and what looks to be a floating home tied in front of the Ocean Pensador. DSL will calculate the average occupancy for the year and bill you at the current rate being used in you current lease with the 3% annual increase.

I will tell you now Steve is a bit reluctant to bill on usage area because DSL has had a difficult time in getting accurate updates from our lessees, but he is willing to try for a couple of years to see how it goes.

In addition Shipyard Commerce will apply for a temporary use permit for the interim period for where the Ocean Pensador is currently berthed. I will try to get that in place by May 1, if you get the application in as soon as possible.

From: Alan Sprott [mailto:asprott@vigorindustrial.net]
Sent: Tuesday, April 03, 2007 2:55 PM
To: YOUNG Cyril
Subject: Lease 22656-ML

CY,

We received your letter dated March 28th regarding the mooring of the Ocean Pensador at berths 306 - 307. I reviewed our lease and concur with your assessment, and apologize for the unauthorized occupancy of the submerged lands. As you can imagine, we have vessels arriving and departing and shifting berth locations on a regular basis at the shipyard. The Pensador was shifted to berth 306 when the owner decided to put her in layup. The plan is to move her to another location within the shipyard by May 30th to avoid grounding her as the river level drops.

As pointed out in your letter, Shipyard Commerce leases submerged land adjacent to approximately 1000 feet of wharf. Utilization of this space is less than 50 percent, and not all of the wharfs and piers on the lagoon side of the shipyard are under a lease. I think it would be difficult for both the Department and us to manage a situation in which we are routinely applying for and canceling temporary use permits as ships are moved around the yard. We are also reluctant to lease all of the lagoon side of the shipyard as the cost is significant and utilization of this side of the facility is low. Prior to the change in the leasing rules, we would submit a report summarizing the utilization of the submerged lands for calculation of the associated fees. I recognize this is no longer possible, but a potential solution is to modify the lease so that the leased acreage is transient between berths 301 and 307. Under this scenario we would establish the square footage under leasehold, and then have the ability to partition it as necessary to meet the operational needs of the the shipyard. The appropriate size of the leasehold could be validated annually.

I would appreciate the opportunity to discuss this proposal with you further. In the meantime, we will submit a temporary use application to cover the Pensador.

YOUNG Cyril

From: YOUNG Cyril
Sent: Wednesday, August 16, 2006 2:34 PM
To: 'Alan Sprott'
Subject: RE: Swan Island Lagoon - Port and Cascade General Leases

Alan, I would like to thank you for the tour yesterday and apologize for my late arrival. Maybe Kirk explained, we are in the process of getting new carpet and things are a bit up in the air, so I missed the start time on the meeting. Anyway it was of great interest to have the tour and I am sure we can do a lease modification without much ado as long as the other agencies are good with the program.

I do have a question concerning the emails below. Is the ship at berth the one referenced by you and the Port back in April. I touched base with Jerry Hunt and then received an email from Ken Swingle, but no application for a Temporary Use Permit. The issue sort of fell off the radar. Can you provide me with the total length of the Ocean Pensador so I can assure you are within you leasehold. Thanks

Cyril J. (CY) Young
Land Manager, Portland Harbor
Dept. of State Lands
775 Summer St NE, Suite 100
Salem, OR 97301-1279
503-378-3805 Ext. 245
cyril.young@dsl.state.or.us
Fax 503-378-4844

From: Alan Sprott [mailto:asprott@vigorindustrial.net]
Sent: Monday, April 24, 2006 2:33 PM
To: YOUNG Cyril
Subject: RE: Swan Island Lagoon - Port and Cascade General Leases

Thanks

From: YOUNG Cyril [mailto:cyril.young@dsl.state.or.us]
Sent: Monday, April 24, 2006 1:35 PM
To: Alan Sprott
Subject: RE: Swan Island Lagoon - Port and Cascade General Leases

That would be the annual rental rate. By rule the fee for authorized uses under a temporary use permit shall be determined by the Director, utilizing OAR 141-082 as guidance, on a case-by-case basis, and shall not be less that $100.00. As standard practice DSL would use the marine service rate for barge moorage.

From: Alan Sprott [mailto:asprott@vigorindustrial.net]
Sent: Monday, April 24, 2006 11:59 AM
To: YOUNG Cyril; Jerry Hunt
Cc: Rene Doiron; Ken Swingle; VICKERS Jenni
Subject: RE: Swan Island Lagoon - Port and Cascade General Leases

; the $0.37 per year or per month?

From: YOUNG Cyril [mailto:cyril.young@dsl.state.or.us]
Sent: Monday, April 24, 2006 10:36 AM
To: Jerry Hunt
Cc: Rene Doiron; Alan Sprott; Ken Swingle; VICKERS Jenni
Subject: RE: Swan Island Lagoon - Port and Cascade General Leases

Attached please find a copy of the Temporary Use Permit Application, please complete, including city approval in section 6 and submit with the required attachments. The Department will circulate it for public comment for up to thirty days. Rents are calculated based on the use which sounds like a marine service use, that rate is $0.37 per square foot of state owned submerged and submersible used. If you have any questions, please call me.

From: Jerry Hunt [mailto:jhunt@casgen.com]
Sent: Monday, April 24, 2006 10:17 AM
To: YOUNG Cyril
Cc: Rene Doiron; Alan Sprott; Ken Swingle
Subject: RE: Swan Island Lagoon - Port and Cascade General Leases

Cy

Yes it is Shipyard Commerce
Cascade is looking at placing a vessel in berths 306-308 could you give me the information on applying for a DSL permit.

From: Brooks, Suzanne [mailto:Suzanne.Brooks@portofportland.com]
Sent: Monday, April 24, 2006 10:05 AM
To: Jerry Hunt
Subject: FW: Swan Island Lagoon - Port and Cascade General Leases

Jerry -

Here is DSL's response to my question. Let's talk.

Suzanne

Suzanne Brooks
Port of Portland
P.O. Box 3529
Portland, OR 97208
Phone: 503-944-7509
Fax: 503-944-7466
E-Mail: suzanne.brooks@portofportland.com

From: YOUNG Cyril [mailto:cyril.young@dsl.state.or.us]
Sent: Friday, April 21, 2006 9:15 AM
To: Brooks, Suzanne
Subject: RE: Swan Island Lagoon - Port and Cascade General Leases

Suzanne,

am now the Land Manager for all the Portland Harbor area, Willamette River mouth to Sellwood Bridge, goes with my Superfund

responsibilities.

Anyway, would the Port consider applying for a temporary use permit for the area marked in blue, no application fee which saves you some money and we can write it for three months or six months, anything up to a year. We can also offer that to Cascade (are they Shipyard Commerce now?). Let me know, we would still have to circulate the application for comment etc, so the sooner the better.

From: HUBERT Tami
Sent: Thursday, April 20, 2006 4:37 PM
To: YOUNG Cyril
Subject: FW: Swan Island Lagoon - Port and Cascade General Leases

Cy - have you seen this?

From: Brooks, Suzanne [mailto:Suzanne.Brooks@portofportland.com]
Sent: Thu 4/20/2006 2:49 PM
To: HUBERT Tami
Cc: Hunt, Jerry
Subject: Swan Island Lagoon - Port and Cascade General Leases

Tami -

As you are aware, both the Port and Cascade General have leases from DSL in Swan Island Lagoon (Port Lease is 22755-ML). When the shipyard was sold, Cascade had a ship berthed at Berths 306 and 307, which ship extended past the property line between Cascade and the Port's property at 5420 N. Lagoon. The Port leased the submerged lands adjacent to its property, encompassing Berth 308, and subleased the portion of that leasehold impacted by the berthed vessel to Cascade. When the ship left, the sublease was terminated and the Port's leasehold was reduced to the size of the existing improvements.

Cascade is considering once again berthing a ship at that location, for a short term of approximately three months. The attached drawing shows the approximate area adjacent to the Port's property which would temporarily be occupied by the vessel. In order to accommodate this, the Port would need to request an increase in the size of the premises leased under 22755-ML and then enter into a sublease with Cascade (and, of course, obtain DSL's approval of the sublease).

Since the duration of this arrangement is so short, the paperwork relatively burdensome and the revenue to the Port low, considering the length of term, I wondered if DSL would consider simply increasing the size of Cascade's DSL Lease for a short time, instead of involving the Port and its lease.

I realize as the upland owner we have the preferential right to the submerged land lease, but this temporary use would have no negative impact on the Port and would, in fact, be outside the boundary of our existing lease.

I would appreciate your considering the options for the parties here and letting me know what you think.

Thanks!!

<<Berth 308.tif>>

Suzanne Brooks
Port of Portland
P.O. Box 3529
Portland, OR 97208
Phone: 503-944-7509
Fax: 503-944-7466
E-Mail: suzanne.brooks@portofportland.com

Oregon
Theodore R. Kulongoski, Governor

Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
(503) 378-3805
FAX (503) 378-4844
www.oregonstatelands.us.

March 28, 2007

State Land Board

Theodore R. Kulongoski
Governor

Bill Bradbury
Secretary of State

Randall Edwards
State Treasurer

JV410\22654-ML
GENE CAUDILL
SHIPYARD COMMERCE CENTER LLC
5555 N CHANNEL AVENUE
PORTLAND OR 97217

RE: State Waterway Lease 22654-ML

Dear Mr. Caudill:

The Department of State Lands, Land Management Division is in receipt of your Joint Permit Application to replace piling at Berths 301, 302, 303, 304 and 305 in the Swan Island Lagoon. Pursuant to Section 5.4.5 and Section 9.1 of your lease ML-22654, you are to maintain docks and pilings in a good state of repair and any alterations or improvements to the leasehold do require written consent from the Department. Therefore, this letter serves as written authorization from the Department for the project as described in the joint application, but only as it pertains to the conditions of your waterway lease. Authorization from the Department's Removal/Fill Program or other federal, state or local requirements must be obtained separately.

This notice has brought to mind the fact that the Ocean Pensador has been berthed in the Swan Island Lagoon for quite some time without proper authorization from the Department of State Lands. In April of 2006 I was contacted concerning the lay berthing of a large ship in the Swan Island Lagoon at berths 306 through 308. I am guessing that the ship in question was the Ocean Pensador. In August 2006 I visited the site and noted the ship at Berths 303 through 305. I contacted Alan Sprott concerning the issue and he put me in touch with Jerry Hunt, please see the attached sequence of e-mails. Last week I was again in the area and noted the Ocean Pensador berthed closer to the Freightliner end of the lagoon and most likely occupying an area in front of the Port of Portland's Berth 308. The Shipyard Commerce lease 22654-ML covers the area of Dry Dock Number 1 (known as Tract B on the lease) and an area of about 1036 feet in length along the front of Berths 303 through 305 (Tract A of the lease).

If this ship is expected to be at that site or any other berth that occupies an area not covered by the lease it requires proper authorization from the Department of State Lands. This can either be in the form of a Temporary Use Permit for a term of less than one year or a modification to the Shipyard Commerce lease area. The current occupancy of State owned submerged lands without authorization can be considered trespass and as such Shipyard Commerce would be potentially in default of its current lease under Section 7.6.2 of the lease.

Please contact me at your earliest convenience so we can resolve this issue. I can be reached at your convenience at 503-378-3805, extension 245 or at my e-mail address of Cyril.Young@dsl.state.or.us

Sincerely,

Cyril J. Young
Property Manager
Portland Harbor

Enclosure: Email sequence

Cc: Bruce Dummer, Shipyard Commerce
Alan Sprott, Shipyard Commerce

G:\LM\Land Manager Cy\A Portland Harbor\Leases\ML 22654 Shipyard Commrc\ML-22654 Shipyard Comrc_Vigor unauthorized use area.doc

Oregon
Theodore R. Kulongoski, Governor

Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
(503) 378-3805
FAX (503) 378-4844
www.oregonstatelands.us.

State Land Board

Theodore R. Kulongoski
Governor

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Randall Edwards
State Treasurer

April 7, 2004

JV02\22654-ML
WAYNE COZAD
PORTLAND SHIPYARDS LLC
5555 N CHANNEL AVENUE
PORTLAND OR 97217

RE: State Waterway Lease 22654-ML

Dear Mr. Cozad:

Enclosed is your copy of the fully executed lease addendum signed August 23, 2002. Please accept my apologies for the delay in getting this document, as well as your 2003-04 billing to you. Due to several staff retirements, the file was apparently misplaced. Please remit the lease payment along with the enclosed payment statement. It would be helpful if you would reference your lease number 22654-ML on your remittance.

If you have any questions, please call me at 503-378-3805, extension 272 or my assistant Jenni Vickers, extension 242.

Sincerely,

Tami Hubert

Tami Hubert
Property Manager
Willamette Metropolitan Region

J:\Proprietary\Leases\Billings\August\22654-ML.doc

13919

Please return this statement indicating **below** the total amount returned along with your payment and/or application to the:

OREGON DIVISION OF STATE LANDS
775 Summer St. NE
Salem, Oregon 97301-1279

PAYMENT STATEMENT

For lease year August 1, 2003 through July 31, 2004

Lease No: 22654-ML Name: Portland Shipyards LLC

INDICATE LEASE CHOICE AND PAYMENT BELOW:

FLAT RATE METHOD:	Amount: _____
RIPARIAN LAND VALUE METHOD:	Amount: $66,291.00
3% of the ACTUAL ANNUAL SLIP RENTAL:	Amount: _____
3% of the COMPARABLE ANNUAL SLIP RENTAL:	Amount: _____
PAST DUE FOR YEAR _____	Amount _____
LATE FEE (if due)	Amount: _____
INTEREST (if due)	Amount: _____
	TOTAL: $66,291.00
Payment Received on _____	-0-
TOTAL AMOUNT OF PAYMENT TO BE RETURNED:	$66,291.00

J:\Property Manager Tami\Leases\Letters\22654-ML.doc

STATE OF OREGON
DIVISION OF STATE LANDS

Amendment to Waterway Lease 22654-ML

The parties to this addendum are the STATE OF OREGON, acting by and through the Division of State Lands hereinafter referred to as STATE (lessor) and Portland Shipyard LLC, hereinafter referred to as LESSEE. This addendum modifies and amends that submerged and submersible land lease know as 22654-ML. STATE and LESSEE desire and agree to amend the existing legal description contained in said lease, which reads as follows:

A tract of land situated in the South one-half of Section 17, Township 1 North, Range 1 East of the Willamette Meridian, in the City of Portland, Multnomah County, Oregon, described as follows:

Commencing at a point which is 1,262.39 feet West and 859.49 feet South of the Northeast corner of said Section 20 said point being a centerline angle point of North Lagoon Avenue;

thence along the centerline of North Lagoon Avenue, North 52°30'00" West, a distance of 695.12 feet;

thence North 37°30'00" East, a distance of 40.00 feet to a point on the Northeasterly right-of-way line of North Lagoon Avenue at the most Westerly corner of that tract of land recorded March 20, 1967 in Deed Book 552, Page 1034, Multnomah County Deed Records;

thence along the Northwesterly line of said Deed Book 552, Page 1034, North 37°30'00" East, a distance of 161.33 feet to the Ordinary High Water line of the Swan Island Lagoon (established at NGVD 29/47 elevation 17.00 feet above mean sea level);

thence along said Ordinary High Water line, North 51°21'15" West, a distance of 383.83 feet;

thence North 52°55'19" West, a distance of 205.58 feet to the TRUE POINT OF BEGINNING;

thence continuing along said Ordinary High Water line, the following six (6) courses:

1) thence North 52°55'19" West, a distance of 606.49 feet;
2) thence North 51°51'06" West, a distance of 329.79 feet;
3) thence North 66°22'48" West, a distance of 69.65 feet;
4) thence North 47°33'08" West, a distance of 207.85 feet;
5) thence North 55°59'25" West, a distance of 228.49 feet;

6) thence North 18°13'01" East, a distance of 9.64 feet to a point on the lagoon side face of a existing concrete retaining wall;

thence along the face of said retaining wall, North 52°27'04" West, a distance of 1504.65 feet to the end of said retaining wall and the beginning of a retaining wall/cell line;

thence along said cell line the following five (5) courses:

1) thence North 36°48'33" East, a distance of 50.81 feet;
2) thence North 53°08'15" West, a distance of 56.69 feet to a point-of-non-tangency (the radial bearing being South 36°58'19" West);
3) thence 84.45 feet along the arc of a 205.00 non-tangent radius curve to the left, concave to the Southwest, through a central angle of 23°36'12" (the long chord bears North 64°49'47 West, a distance of 83.85 feet) to a point of non-tangency (the radial bearing being South 13°22'07" West);
4) thence North 75°31'20" West, a distance of 200.46 feet;
5) thence South 16°29'56" West, a distance of 208.39 feet;

thence departing said cell line, North 74°38'25" West, a distance of 625.12 feet;

thence North 16°29'56" East, a distance of 315.00 feet;

thence South 74°38'25" East, a distance of 910.03 feet to a point that is a 100.00 feet parallel with and Northerly of when measured at right angles to the Federal Harbor Line as established by the U.S. Army Corps of Engineers in a document dated February 23, 1968;

thence parallel with and 100.00 feet from when measured at right angles to said Federal Harbor Line, South 52°26'48" East, a distance of 2091.82 feet;

thence South 57°12'37" East, a distance of 240.86 feet;

thence South 52°26'47" East, a distance of 712.98 feet;

thence departing said 100.00 foot offset to the Harbor Line, South 37°30'00" West, a distance of 174.89 feet to the TRUE POINT OF BEGINNING, containing 16.63 acres more or less, and as shown on the attached Exhibit "A".

The bearings in this description are based upon private survey no. 56596 (W.B. Wells and Associates, Inc. Survey), Multnomah County Survey Records.

Total number of acres: 16.63 acres more or less.

Such existing legal description is hereby deleted and in its place is substituted the following description:

TRACT A

A tract of land situated in the South one-half of Section 17, Township 1 North, Range 1 East, Willamette Meridian, in the City of Portland, Multnomah County, Oregon, being more particularly described as follows:

Beginning at a point which is 1,262.39 feet West and 859.49 feet South of the Northeast corner of Section 20, Township 1 North, Range 1 East, said point being a centerline angle point of North Lagoon Avenue;

thence along the centerline of North Lagoon Avenue, North 52°30'00" West, a distance of 695.13 feet;

thence North 37°30'00" East, a distance of 40.00 feet to the Northeasterly right-of-way line of North Lagoon Avenue at the most Westerly corner of that tract of land recorded March 20, 1967 in Deed Book 552, Page 1034, Multnomah County Deed Records;

thence along the Northwesterly line of said Deed recorded in Book 552, Page 1034, North 37°30'00" East, a distance of 161.33 feet to the Ordinary High Water line of the Swan Island Lagoon (established at NGVD 29/47 elevation 17.00 feet above mean sea level);

thence along said Ordinary High Water line, North 51°21'15" West, a distance of 383.83 feet;

thence North 52°55'19" West, a distance of 205.58 feet;

thence North 52°55'19" West, a distance of 606.49 feet;

thence North 51°51'06" West, a distance of 329.79 feet;

thence North 66°22'48" West, a distance of 69.65 feet;

thence North 47°33'08" West, a distance of 49.72 feet, to the TRUE POINT OF BEGINNING of the Tract herein described;

thence continuing along the said Ordinary High Water line, North 47°33'08" West, a distance of 158.14 feet;

thence North 55°59'25" West, a distance of 228.49 feet;

thence North 18°13'01" East, a distance of 9.64 feet to the Lagoon side face of an existing retaining wall;

thence along said retaining wall, North 52°27'04" West, a distance of 648.19 feet;

thence leaving said retaining wall, North 37°34'27" East, a distance of 123.72 feet;

thence South 52°25'33" East, a distance of 1,037.00 feet;

thence South 37°34'27" West, a distance of 131.77 feet to the TRUE POINT OF BEGINNING.

Tract A contains 2.96 acres, more or less.

TRACT B

A tract of land situated in the South one-half of Section 17, Township 1 North, Range 1 East, Willamette Meridian, in the City of Portland, Multnomah County, Oregon, being more particularly described as follows:

Beginning at a point which is 1,262.39 feet West and 859.49 feet South of the Northeast corner of Section 20, Township 1 North, Range 1 East, said point being a centerline angle point of North Lagoon Avenue;

thence along the centerline of North Lagoon Avenue, North 52°30'00" West, a distance of 695.13 feet;

thence North 37°30'00" East, a distance of 40.00 feet to the Northeasterly right-of-way line of North Lagoon Avenue at the most Westerly corner of that tract of land recorded March 20, 1967 in Deed Book 552, Page 1034, Multnomah County Deed Records;

thence along the Northwesterly line of said Deed recorded in Book 552, Page 1034, North 37°30'00" East, a distance of 161.33 feet to the Ordinary High Water line of the Swan Island Lagoon (established at NGVD 29/47 elevation 17.00 feet above mean sea level);

thence along said Ordinary High Water line, North 51°21'15" West, a distance of 383.83 feet;

thence North 52°55'19" West, a distance of 205.58 feet;

thence North 52°55'19" West, a distance of 606.49 feet;

thence North 51°51'06" West, a distance of 329.79 feet;

thence North 66°22'48" West, a distance of 69.65 feet;

thence North 47°33'08" West, a distance of 207.85 feet;

thence North 55°59'25" West, a distance of 228.49 feet;

thence North 18°13'01" East, a distance of 9.64 feet to the Lagoon side face of an existing retaining wall;

thence along side retaining wall, North 52°27'04" West a distance of 1,504.65 feet to the end of said retaining wall and the beginning of a retaining wall / cell line;

thence along said cell line North 36°48'33" East, a distance of 50.81 feet;

thence North 53°08'15" West, a distance of 56.69 feet;

thence along a 205.00 foot radius curve concave to the Southwest through a central angle of 23°36'12" (chord bears North 64°49'47" West, a distance of 83.85 feet) an arc distance of 84.45 feet;

thence North 75°31'20" West, a distance of 200.46 feet;

thence South 16°29'56" West, a distance of 208.39 feet to the TRUE POINT OF BEGINNING of the herein described tract of land;

thence departing said cell line, North 74°38'25" West, a distance of 625.12 feet;

thence North 16°29'56" East, a distance of 200.77 feet;

thence South 75°31'16" East, a distance of 625.38 feet to said cell line;

thence South 16°29'56" West, a distance of 210.38 feet to the TRUE POINT OF BEGINNING.

Tract B contains 2.95 acres, more or less.

Total number of acres in both Tract A and B, 5.91 acres, more or less, and is shown on the attached Exhibit A.

All other terms and conditions of the 22654-ML lease not specifically changed by this modification remain unchanged and in full force and effect. Dated this _____ 23rd day of August 2002.

IN WITNESS WHEREOF the parties have executed this lease AMENDMENT.

STATE OF OREGON
DIVISION OF STATE LANDS

Authorized Signature

8/23/2002
Date

PORTLAND SHIPYARDS LLC

Authorized Signature

7/30/02
Date

STATE OF Oregon)
)ss
County of Multnomah)

The foregoing instrument was acknowledged before me this 30 day of July, 20 02, by FRANK FOTI (name of officer or agent of corporation), the PRESIDENT (title of officer or agent) of PORTLAND SHIPYARD (name of business entity), a OREGON (state or place of incorporation) LLC (corporation, general partnership, limited liability company, etc.) on behalf of said LLC (corporation, general partnership, limited liability company, etc.).

Elizabeth L Nunnally
Signature
My commission expires 7-10-05

J:\AttachmentAwestLAS\ML Waterway Lease\22654-ML Amend.doc

OFFICIAL SEAL
ELIZABETH L. NUNNALLY
NOTARY PUBLIC-OREGON
COMMISSION NO. 347645
MY COMMISSION EXPIRES JULY 10, 2005

ATERWYNE LLP
ATTORNEYS AT LAW

Suite 1800
222 S.W. Columbia
Portland, OR 97201-6618
503-226-1191
Fax 503-226-0079

June 22, 2000

VIA HAND DELIVERY

Mr. Jerry Hedrick
State of Oregon
Division of State Lands
775 Summer Street NE
Salem, OR 97310-1279

Re: Portland Shipyards – Portland, Oregon

Dear Mr. Hedrick:

Enclosed is the Waterway Lease Application relative to the Portland Shipyards, which has been completed and executed by Portland Shipyard LLC, together with the application fee in the amount of $250.00. As we discussed in our telephone conversation last week, the legal description and the drawing for the leased property is being prepared by the Port of Portland and will be delivered to you as soon as possible.

Portland Shipyard LLC is in the process of being formed and articles have not yet been filed with the Oregon Corporation Commission. Portland Shipyard LLC will be formed by the Closing date when the lease with the State is executed.

As with the existing lease to the Port (paragraph 16.2), Portland Shipyard LLC, requests that this lease contain DSL's consent to a sublease or assignment of the lease to its affiliated entity, Cascade General, Inc., which will operate the shipyards, as well as consent to assignment to lenders for security purposes.

When the lease is completed, it should be delivered to Cheryle Stahel-Eastman, Escrow Closer, Chicago Title Insurance Company, 888 SW Fifth Avenue, Suite 930, Portland, OR 97204, Escrow No. 50000-9815-CE.

Please call if you need any additional information in order to process this application. We understand that the approval process will take approximately ten (10) days from your receipt of the application.

94947/1/RAM/056896-0022

Thank you for your courtesies and assistance in working under the time deadlines associated with this transaction.

Very truly yours,

Rosalee A. Mahoney
Paralegal

Enclosures
cc: Suzanne Brooks
Wayne Cozad
Randal Johnson

Waterway Lease Application Form

AGENCIES WILL ASSIGN NUMBERS

Corps Action ID Number _____ Oregon Division of State Lands No. _____

SEND ONE SIGNED COPY OF YOUR APPLICATION TO EACH AGENCY

District Engineer	State of Oregon
ATTN: CENWP-CO-GP	Division of State Lands
PO Box 2946	775 Summer Street NE
Portland, OR 97208-2946	Salem, OR 97301-1279
503-808-4373	503-378-3805

✱ Applicant Name and Address	Portland Shipyard LLC 5555 N. Channel Avenue Portland, OR 97217 Attention: Wayne Cozad	Business Phone # (503) 285-1111 Home Phone# FAX # (503) 247-1431
O Co-Applicant O Authorized Agent O Contractor Name and Address	N/A	Business Phone # Home Phone # FAX #
Riparian Property Owner (vested title); if different than applicant Name and Address	Same as above	Business Phone # Home Phone # FAX #

✱ **PROJECT LOCATION**

Street, Road or other descriptive location		Legal Description			
		Quarter	Section	Township	Range
5555 N. Channel Avenue		NE	20	1N	1E
In or Near (City or Town) Portland	County Multnomah	Tax Map #		Tax Lot #	
Waterway Willamette	River Mile	County Property Tax Account Number			

Is consent to enter property granted by the Corps and the Division of State Lands? O Yes ☒ No

✹ **PROPOSED PROJECT INFORMATION**

Activity Type (Check all that apply):	Area requested (length x width)
1. O Log rafts/log storage areas	_____
2. O Commercial marina and floating home moorages	_____
3. O Noncommercial marina and owner-oriented floating home moorages	_____
4. ☒ Marine industrial; marine services; fish processing facilities	Legal Description and Drawing to be provided
5. O Non-marine uses (restaurant, retail sales, offices, motel, residences, etc.)	_____
6. O Historical vessel moorage	_____

Are you aware of any Endangered Spe[illegible]s on the project site?	O Yes	☒ No	If yes, please explain in the project
Are you aware of any Cultural Resources on the project site?	O Yes	☒ No	description (on page 2, block 4)
Is the project site near a Wild and Scenic River?	O Yes	☒ No	

PROPOSED PROJECT PURPOSE & DESCRIPTION

☒ Existing Facility O Proposed for Construction

Project Purpose and Need: Moorage of ships

Project Description: Ship Repair

* See Addendum

Estimated Start Date 7/3/00 Estimated Completion Date 6/31/15

ADDITIONAL INFORMATION

All Adjoining Property Owners and their Addresses and Phone Numbers

Has the proposed activity or any related activity received the attention of the Corps of Engineers or the State of Oregon in the past, e.g., wetland delineation, violation, permit, lease request, etc.? O Yes O No

If yes, what identification number(s) were assigned by the respective agencies:

Corps # _____

State of Oregon # _____

CITY / COUNTY PLANNING DEPARTMENT AFFIDAVIT (to be completed by local planning official)

O This project is not regulated by the local comprehensive plan and zoning ordinance.

O This project has been reviewed and is consistent with the local comprehensive plan and zoning ordinance.

O This project has been reviewed and is **not** consistent with the local comprehensive plan and zone ordinance.

O Consistency of this project with the local planning ordinance cannot be determined until the following local approval(s) are obtained:

O Conditional Use Approval O Development Permit
O Plan Amendment O Zone Change
O Other _____

An application ○ has ☒ has not been made for local approvals checked above.

Signature of local planning official	Title	City / County	Date

ADDENDUM

Cascade General is currently working with the Oregon Wildlife Department to mitigate injury to fingerling salmon in the project area.

✧ ATTACH ALL OF THE FOLLOWING:

_____ A. Full size assessor map (16 inches x 16 inches), scale: 1 inch = 100 feet, that contains the riparian uplands. Do not mark on this map.

_____ B. A copy of the current year's property tax statement which identifies the present owner's name(s), land values, land size and tax account numbers of the riparian uplands.

_____ C. A separate drawing to a scale of 1 inch = 100 feet of all existing and proposed structures for the lease area. Each area a separate activity type stated in Section 3 and show the dimensions of each area by length and width, as stated in Section 3.

_____ D. A street or highway location map with road directions to the site from the nearest main highway or road.

___X___ E. Enclose a non-refundable application fee of $250.00

SIGNATURE FOR JOINT APPLICATION

I hereby request a state authorization for fifteen (15) years.

Application is hereby made for the activities described herein. I certify that I am familiar with the information contained in the application, and to the best of my knowledge and belief, this information is true, complete, and accurate. I further certify that I possess the authority to undertake the proposed activities. I understand that the granting of other permits by local, county, state or federal agencies does not release me from the requirement of obtaining the permits requested before commencing the project. I understand that payment of the required state application fee does not guarantee permit issuance.

Portland Shipyard LLC

JH Schofield

Jon Schofield, Manager

16/6/2000

Date

I appoint the person named below to act as my duly authorized agent.

Wayne Cozad

Print/Type Name

Cascade General, Inc. Vice President, Shipyard Services Division, Title

W. Cozad

Authorized Agent Signature

6/21/2000

Date

05/00

Oregon
John A. Kitzhaber, M.D., Governor

Division of State Lands
775 Summer Street NE
Salem, OR 97301-1279
(503) 378-3805
FAX (503) 378-4844
TTY (503) 378-4615

COPY

State Land Board
John A. Kitzhaber
Governor
Bill Bradbury
Secretary of State
Jim Hill
State Treasurer

January 28, 2000

Suzanne L. Brooks, Contract Administrator
Property and Development Services
Port of Portland
PO Box 3529
Portland, OR 97208

Subject: Lease Rental Review ML-10124

Dear Ms. Brooks:

In July 1999 you received our audit findings for the annual lease audit for ML-10124. This correspondence indicated that our auditor would make the annual examination for ML-10124. On January 25, 2000 our auditor, Deborah Sinnett met with Cascade General and reviewed information pertinent to ML-10124.

Your copy of the auditor's memo report to me dated January 28, 2000 and audit finding are enclosed for your perusal. Based on our findings the Port of Portland owes $70,399.20 for the year 2000.

Actual Rent Due for 1999	$80,062.88	
Credit Balance Booked at DSL	($89,723.56)	
Credit Due Port of Portland based on Audit		($ 9,663.68)

Estimated Rent for 2000	$80,062.88	
Less Credit Due from overpayment in 1999	($ 9,663.68)	
Amount Due for Lease Payment		$70,399.20

In July of 1999 the auditor recommended that the Port of Portland be granted a payment extension until the 1999 audit was complete. This process seems to have worked quite well. I feel the estimates we have made are accurate with the current economic conditions. Upon receipt of this letter and the examination findings the Port of Portland will have 15 days to remit the 2000 Lease payment of $70,399.20.

I would like to extend our appreciation the accounting staff at Cascade General, Inc. for providing the necessary records to complete this examination. Also, the auditor would like Port of Portland to review the audit recommendations with Cascade General, Inc.

If you have any questions or need further clarification, please do hesitate to call me or Deborah Sinnett at 503-378-3805.

Sincerely,

Stephen J. Purchase

Stephen J. Purchase
Assistant Director
Field Operations

Port of Portland
Audit Report

Division of State Lands
State of Oregon

Prepared by: Deborah J. Sinnett, Auditor

Division of State Lands
Internal Memo

January 28, 2000

To: Steve Purchase

From: Deborah J. Sinnett, Auditor

Subj: Port of Portland, Annual Lease Rental Review

This state lease (known as ML-10124) is effective for the twenty-one (21) year term, beginning January 1, 1996 and ending December 31, 2016 between the State of Oregon, acting by and through the Division of State Lands (Lessor) and the Port of Portland (Lessee). The lessee entered into a sublease agreement with Cascade General, Inc. for their optional use (commonly known as Portland Ship Yard (PSY) of the lease premises.

Background:
In accordance with Paragraph #5 of the state lease provides in part: "The lease payment to be paid by LESSEE to STATE shall be $66,923.00 per year or the amount set by redetermination at any time after the first anniversary date of the lease." It further provides: "STATE may perform an annual audit of occupancy of the leased premises" and "lease payments shall be payable annually and shall be due on the first day of January in advance". The annual rental amount may be calculated according to the formula: annual rental = Sq. Ft x $4.00 x .06 x percent occupied.

The actual berth occupancy rates experienced during any given year are included as a function of the final rental amount payable for that same lease year. Since those rates are unknown until each years end, the Divisions' annual billing for any given year must be considered an estimate based on the last known actual rates. The lease paragraph #5 also states: "Any overpayment of rent due to STATE will be credited to LESSEE for the year following the year rent is due. Any shortage of rent due to State will be billed to lessee and payable in 30 days from notice".

Please find attached the audit findings for the occupancy examination conduct on January 25, 2000.

Port of Portland

Statement of Findings
Lease Rental Review
January 1, 1999 - December 31, 1999

Division of State Lands
State of Oregon

Prepared by: Deborah J. Sinnett, Auditor

LIMITED PROCEDURES PERFORMED

The examination procedures performed were as follows:

1. The system of internal controls over Berth Occupancy were evaluated and personnel familiar with the accounting for Berth Occupancy were interviewed.
2. Obtained and reviewed PSY Security Maps.
3. Reviewed lease ML 10124.
4. Obtained and reviewed PSY 1998 Berthage Report.

Findings:

Note 1:
For the record, Port of Portland (LESSEE) has subleased the property name in lease ML-10124, to Cascade General Inc. Each year Cascade General, Inc. provides Port of Portland, with a detailed report named "Cascade General, Inc. –1999 DSL Berthage Report". All original documentation that would substantiate this report is located at Cascade General, Inc. In order for this auditor to verify the authenticity of the Berthage Report, Port of Portland was asked to make arrangements with Cascade General, Inc. for a records examination. Both parties complied.
Records Review:

1. Security Maps: Security Maps are prepared daily by Burns Security, who is contracted by Cascade General, Inc. to provide the shipyard with security. The security map encompasses the property named in ML 10124 (see attached). Each day the security company records the movement of vessels from berths to dry dock. Auditor reviewed and documented the activity between January 1, 1999 through December 31, 1999.

   The security map indicated at times 2 vessels were moored in one berthing area. It also indicated the vessel known as Thompson Pass occupied berth 306 for 365 days, extended over into berth 307 for that same amount of time. Thompson Pass has a length of 906'.

2. Berthage Occupancy Report: This report is based on project information that is entered into a database by Cascade General, Inc. This information along with other information stored in the database is used by Cascade General, Inc. for customer billing purposes. Occupancy is based on 24 hours occupancy under 12 hours does not constitute time charged. We reviewed this report for authenticity.
3. Based on the Security Reports the following is a detailed account of Berth occupancy for 1999 and an estimated lease payment the covers January 1, 2000 through December 31, 2000.

Berth #	Days Occupied per DSL	% Occupied by Berth	% Occupied By Parcel
301	143	39.18%	
302	86	23.57%	
303	108	29.59%	
304	202	55.35%	
305	295	80.83%	
			45.70%
306	365	100.00%	
307	365	100.00%	
308	0	0.00%	
			66.66%
311	0	0.00%	
			0.00%

Parcel #	Sq. ft	4.00 x 6%	% of Occupancy	1998 Rent
1	347217	0.24	45.70%	$38,082.76
2	262402	0.24	66.66%	$41,980.12
3	195018	0.24	0.00%	$0.00

Actual Rent Due for 1999.	$80,062.88	
Credit Balance booked at DSL	($89,723.56)	
Credit Remaining		($9,663.68)
Estimated rent 2000	$80,062.88	
Credit Due from 1999	($9,663.68)	
Amount due for 2000 Lease	$70,399.20	

Audit Recommendations:

1. Port of Portland is responsible for reporting accurate information to Division of State Lands for the occupancy of the property covered by ML-10124. Based on the findings listed above, Division of State Lands recommends that the Port of Portland work with Cascade General to develop more accurate methods of determining the actual berth occupancy.
2. "Occupancy" clarification –occupancy is when any part of the property covered by ML-10124 is occupied. Based on the findings above, Cascade General overstated the occupancy time, when the report indicated two vessels were occupying the same berth. The berthage report was understated when a berth 306 and 307 were occupied for 365 days by the Thompson Pass, which has a length of 906'.

3. Recommendation that the Port of Portland submit a mid-year occupancy report to the Division, no later than August 30th of each year.

PORT OF PORTLAND

December 21, 1999

Mr. Wayne Cozad
Cascade General, Inc.
P.O. Box 4367
Portland, OR 97208

Re: Division of State Lands Lease.ML-10124
Notice of New Revised Waterway Lease Rules and Rates

Dear Wayne:

Enclosed is the latest correspondence from DSL concerning the lease at PSY. It requests that we choose the new lease rate from the two options available under the new rules, effective July 2, 1999. This new rate would be effective January 1, 2000. The old structure will still prevail for determining final rent due for 1999, and I understand the auditor has already scheduled an appointment with you for the audit.

I called Lori Warner to tell her that the Flat Rate payment will NOT be $1,097,712.00. She picked up the acreage from the Cascade/Port lease, not the DSL lease acreage. The correct acreage is 18.472, and at the Flat Rate the rent would be $241,392. As you can see, this would still be well in excess of what has been paid under the current rent structure.

The only way to get a rent amount less than $241,392 is to provide evidence to Lori that the per square foot value of the adjacent upland is less than $6.00 ($6.00 x 5% is equal to the Flat Rate of $.30). I talked to Mike Chamberlain, and he speculated that an average land value for tax accounts adjacent to the DSL lease area might be $5.00/sf. This would cause the DSL rent to be $201,160.

I will soon be contacting Lori to discuss determination of a land value to be applied to the lease. Please call me to discuss at your earliest convenience.

Thank you!

Sincerely,

Suzanne Brooks
Contracts Administrator
Property & Development Services

Enclosure

c: Cory Streisinger
Marie Mullins

Oregon
John A. Kitzhaber, M.D., Governor

Division of State Lands
775 Summer Street NE
Salem, OR 97301-1279
(503) 378-3805
FAX (503) 378-4844
TTY (503) 378-4615

State Land Board
John A. Kitzhaber
Governor
Phil Keisling
Secretary of State
Jim Hill
State Treasurer

October 14,1999

Cascade General
5555 North Channel Avenue
Portland, Or 97217
Attn: Wayne E Cozad II, Senior Vice President

Dear Mr. Cozad:

Oregon Revised Statute, 98.412, authorizes the Division of State Lands to examine the books and records of any holder subject to the Oregon Uniform Disposition of Unclaimed Property Act.

This letter is to notify you of our intent to audit your records for the purpose of determining compliance with the provisions of the Act.

I will be contacting you within the next few days to arrange an opening conference. At this meeting, I will discuss the scope and various phases of the examination, as well as provide you with a list of the records we will be examining. We will need to determine our audit liaison and when the examination will begin. I anticipate the opening conference to take about an hour, depending on how many questions you have.

I have enclosed a copy of the Unclaimed Property Reporting Responsibilities for your perusal.

Sincerely,

Diana Bland

Diana Bland
Unclaimed Property Auditor

c. Marcella Easly, Trust Property Manager, DSL

Chapter 98

1997 EDITION

Lost, Unordered and Unclaimed Property; Unlawfully Parked Vehicles

RIGHTS AND DUTIES OF FINDERS AND OWNERS

98.005 Rights and duties of finder of money or goods

98.015 Liability of noncomplying finder; forfeiture to county of unreclaimed money or goods

98.025 Rights of owner

FINDER'S REPORTS

98.050 Finder's reports; fee

DISPOSAL OF CONSIGNED OR BAILED PROPERTY THAT IS UNCLAIMED

98.110 Record to be kept by consignee or bailee of property

98.120 Notice to owner of receipt of property by consignee or bailee

98.130 Right of custodian to sell property

98.140 Notice of sale

98.150 Affidavit by custodian when no response to notice

98.160 Inventory and order to sell

98.170 Sale

98.180 Delivery of proceeds to justice

98.190 Disposal of proceeds by justice

98.200 Procedure by county treasurer

98.210 Payment to person proving ownership

98.230 Sale of perishable property

98.240 Fees allowed to justice of peace and constable or sheriff

UNCLAIMED PROPERTY IN POSSESSION OF LAW ENFORCEMENT AGENCY

98.245 Disposition of unclaimed property; notice of pending disposition; procedure

UNIFORM DISPOSITION OF UNCLAIMED PROPERTY ACT

98.302 Definitions for ORS 98.302 to 98.436

98.304 When intangible property subject to custody of state

98.308 Intangible property held by banking institution

98.309 When traveler's check or money order presumed abandoned

98.311 Service charge on unclaimed property

98.314 Unclaimed funds held by insurance companies

98.316 Deposits and refunds held by utilities

98.322 Intangible equity ownership interests in business associations

98.326 Property of business associations and banking or financial institutions held in the course of dissolution

98.328 Property held in safe deposit box

98.329 Delivery of property before presumed abandoned

98.332 Property held by fiduciaries

98.334 Unpaid wages unclaimed by owner for more than five years

98.336 Property held by government and public authorities

98.338 Credit memo unclaimed by owner

98.342 Miscellaneous personal property held for another person

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RIGHTS AND DUTIES OF FINDERS AND OWNERS

98.005 Rights and duties of finder of money or goods. (1) If any person finds money or goods valued at $100 or more, and if the owner of the money or goods is unknown, such person, within 10 days after the date of the finding, shall give notice of the finding in writing to the county clerk of the county in which the money or goods was found. Within 20 days after the date of the finding, the finder of the money or goods shall cause to be published in a newspaper of general circulation in the county a notice of the finding once each week for two consecutive weeks. Each such notice shall state the general description of the money or goods found, the name and address of the finder and final date before which such goods may be claimed.

(2) If no person appears and establishes ownership of the money or goods prior to the expiration of three months after the date of the notice to the county clerk under subsection (1) of this section, the finder shall be the owner of the money or goods. [1973 c.642 §1; 1989 c.522 §1]

98.010 [Repealed by 1973 c.642 §13]

98.015 Liability of noncomplying finder; forfeiture to county of unreclaimed money or goods. If any person who finds money or goods valued at $100 or more fails to comply with ORS 98.005, the person shall be liable, upon conviction for violation of ORS 164.065, to the county for the money or goods or the full value of the money or goods. The county treasurer shall hold the money or goods or their value for owner thereof and shall publish notice of the finding of the money or goods in the manner provided in ORS 98.005. If the owner has not reclaimed such money or goods within three months after the date of the first publication of notice by the county treasurer, the owner shall forfeit the rights of the owner to the value of such money or goods and the value of such money or goods shall be placed in the general fund of the county to be used for the payment of the general operating expenses of the county. [1973 c.642 §2; 1989 c.522 §2]

98.020 [Repealed by 1973 c.642 §13]

98.025 Rights of owner. If an owner of money or goods found by another person appears and establishes a claim to such money or goods within the time period prescribed by ORS 98.005 or 98.015, whichever applies, the owner shall have restitution of such money or goods or their value upon payment of all costs and charges incurred in the finding, giving of notice, care and custody of such money or goods. [1973 c.642 §3]

98.030 [Repealed by 1973 c.642 §13]

98.040 [Repealed by 1973 c.642 §13]

FINDER'S REPORTS

98.050 Finder's reports; fee. (1) The administrator may compile information or data in the possession of the Division of State Lands into finder's reports at the request of any person to assist in finding the owners of abandoned or unclaimed property.

(2) The administrator shall adopt by rule a fee for copies of finder's reports. The fee charged shall be commensurate with preparation costs including production, duplication and staff time involved.

(3) Any person requesting a copy of a finder's report shall be charged the fee.

(4) As used in subsections (1) to (3) of this section:

(a) "Administrator" has the same meaning as given by ORS 98.302.

(b) "Person" has the same meaning as given by ORS 192.410.

(c) "Finder's report" means any report prepared by the administrator for the benefit of any person to assist in finding the owners of abandoned or unclaimed property. [1987 c.708 §§1,2]

DISPOSAL OF CONSIGNED OR BAILED PROPERTY THAT IS UNCLAIMED

98.110 Record to be kept by consignee or bailee of property. When personal property is consigned to or deposited with any forwarding merchant, wharf, warehouse, tavern keeper or the keeper of any depot for the reception and storage of trucks, baggage, merchandise or other personal property, the consignee or bailee shall immediately cause to be entered in a book kept by the consignee or bailee a description of such property, with the date of its reception.

98.120 Notice to owner of receipt of property by consignee or bailee. If personal property left with a consignee or bailee referred to in ORS 98.110 was not left for the purpose of being forwarded or disposed of according to directions received by the consignee or bailee at or before the time of its reception, and if the name and residence of the owner of the property is known to the person having the property in the possession of the person, the person shall immediately notify the owner, by letter directed to the owner and deposited in the post office, of the reception of such property.

98.130 Right of custodian to sell property. If personal property deposited with a consignee or bailee as mentioned in ORS 98.110 or 98.120 is not claimed and taken away within one year after the time it was received, the person having possession

thereof may at any time thereafter proceed to sell the property in the manner provided in ORS 98.140 to 98.240.

98.140 Notice of sale. Before property shall be sold pursuant to ORS 98.130, at least 60 days' notice of sale shall be given the owner of the property, if the name and residence of the owner are known, either personally or by mail, or by leaving a notice at the residence or place of doing business of the owner, or, if the name and residence of the owner is not known, a notice shall be published containing a description of the property for six weeks successively in a newspaper published in the county where the property was deposited. If there is no newspaper published in that county, then the notice shall be published in a newspaper nearest thereto in the state. The last publication of the notice shall be at least 18 days prior to the time of sale.

98.150 Affidavit by custodian when no response to notice. If the owner or person entitled to the property to be sold pursuant to ORS 98.130 shall not take it away and pay the charges thereon after 60 days' notice is given, the person having possession thereof, the agent or attorney of the person shall deliver to a justice of the peace of the county where the property was received an affidavit setting forth a description of the property remaining unclaimed, the time of its reception, the publication of the notice, and whether the owner of the property is known or unknown.

98.160 Inventory and order to sell. Upon the delivery to the justice of the peace of the affidavit as provided in ORS 98.150, the justice shall cause the property to be examined in the presence of the justice, and a true inventory thereof to be made. The justice shall annex to such inventory an order under the hand of the justice that the property therein described be sold at public auction by any constable of the constable district where the property is located, or if there is no constable, then by the county sheriff. [Amended by 1963 c.228 §1]

98.170 Sale. The constable or sheriff receiving the inventory and order provided for in ORS 98.160 shall give 10 days' notice of the sale by posting written notices thereof in three or more places in such constable district, or in the county, and sell the property at public auction to the highest bidder in the same manner as provided by law for sales under execution from justice courts. [Amended by 1963 c.228 §2]

98.180 Delivery of proceeds to justice. Upon completing the sale provided for in ORS 98.170, the constable or sheriff making the sale shall indorse upon the order provided for in ORS 98.160 a return of the proceedings. The constable or sheriff shall deliver the order to the justice, together with the inventory and the proceeds of sale, after deducting fees. [Amended by 1963 c.228 §3]

98.190 Disposal of proceeds by justice. From the proceeds of the sale provided for in ORS 98.170, the justice shall pay all legal charges that have been incurred in relation to the property, or a ratable proportion of each charge if the proceeds of the sale are not sufficient to pay all the charges; and the balance, if there is any, the justice shall immediately pay over to the treasurer of the county in which the property was sold, and deliver a statement therewith containing a description of the property sold, the gross amount of the sale, and the costs, charges and expenses paid to each person.

98.200 Procedure by county treasurer. The county treasurer shall make an entry of the amount received by the county treasurer and the time when received, and shall file in the office of the county treasurer the statement delivered to the county treasurer by the justice pursuant to ORS 98.190.

98.210 Payment to person proving ownership. If the owner of the property sold, or the legal representative of the owner, furnishes satisfactory evidence to the treasurer of ownership of the property deposited in the county treasury pursuant to ORS 98.190, the owner shall be entitled to receive from the treasurer the amount deposited with the treasurer. [Amended by 1957 c.670 §30]

98.220 [Repealed by 1957 c.670 §37]

98.230 Sale of perishable property. Perishable property consigned or left as mentioned in ORS 98.110, if not reclaimed within 30 days after it was left, may be sold by giving 10 days' notice thereof. The sale shall be conducted and the proceeds of the sale shall be applied as provided in ORS 98.170 to 98.210. Any property in a state of decay or manifestly liable to immediately become decayed, may, after inspection, be summarily sold by order of a justice of the peace, as provided in ORS 98.160.

98.240 Fees allowed to justice of peace and constable or sheriff. A justice of the peace shall receive $9 for each day's service rendered pursuant to ORS 98.160 to 98.230; and a constable or sheriff shall receive the same fees as are allowed by law for sales upon an execution, and 50 cents a folio for making an inventory of property. [Amended by 1963 c.228 §4; 1965 c.619 §33]

UNCLAIMED PROPERTY IN POSSESSION OF LAW ENFORCEMENT AGENCY

98.245 Disposition of unclaimed property; notice of pending disposition; procedure. (1) As used in this section:

(a) "Law enforcement agency" means a sheriff's office, municipal police department, state police office or law enforcement agency created by intergovernmental agreement.

(b) "Unclaimed property" means personal property that was seized by a law enforcement agency as evidence, abandoned property, found property or stolen property, and that has remained in the physical possession of that law enforcement agency for a period of more than 60 days following conclusion of all criminal actions related to the seizure of the evidence, abandoned property, found property or stolen property, or conclusion of the investigation if no criminal action is filed.

(2) Notwithstanding ORS 98.302 to 98.436, and in addition to any other method provided by law, a law enforcement agency may dispose of unclaimed property as follows:

(a) An inventory describing the unclaimed property shall be prepared by the law enforcement agency.

(b) The law enforcement agency shall publish a notice of intent to dispose of the unclaimed property described in the inventory prepared pursuant to paragraph (a) of this subsection. The notice shall be posted in three public places in the jurisdiction of the law enforcement agency, and shall also be published in a newspaper of general circulation in the jurisdiction of the law enforcement agency. The notice shall include a description of the unclaimed property as provided in the inventory, the address and telephone number of the law enforcement agency and a statement in substantially the following form:

NOTICE

The (law enforcement agency) has in its physical possession the unclaimed personal property described below. If you have any ownership interest in any of that unclaimed property, you must file a claim with the (law enforcement agency) within 30 days from the date of publication of this notice, or you will lose your interest in that property.

(c) A copy of the notice described in paragraph (b) of this subsection shall also be sent to any person that the law enforcement agency has reason to believe has an ownership or security interest in any of the unclaimed property described in the notice. A notice sent pursuant to this paragraph shall be sent by regular mail to the last known address of the person.

(d) Prior to the expiration of the time period stated in a notice issued pursuant to this section, a person may file a claim that presents proof satisfactory to the law enforcement agency issuing the notice that the person is the lawful owner or security interest holder of any property described in that notice. The law enforcement agency shall then return the property to that person.

(e) If a law enforcement agency fails to return property to a person that has timely filed a claim pursuant to paragraph (d) of this subsection, the person may file, within 30 days of the date of the failure to return the property, a petition seeking return of the property to the person. The petition shall be filed in the circuit court for the county in which the law enforcement agency is located. If one or more petitions are filed, the law enforcement agency shall hold the property pending receipt of an order of the court directing disposition of the property or dismissing the petition or petitions with prejudice. If the court grants the petition, the agency shall turn the unclaimed property over to the petitioner in accordance with the order.

(f) Unless the law enforcement agency or court upholds the claim or petition under paragraph (d) or (e) of this subsection, title to all unclaimed property described in a notice issued pursuant to this section shall pass to the law enforcement agency free of any interest or encumbrance thereon in favor of any person who has:

(A) A security interest in the property and to whom the law enforcement agency mailed a copy of the notice described in paragraph (b) of this subsection in accordance with paragraph (c) of this subsection; or

(B) Any ownership interest in the property.

(g) The law enforcement agency may transfer good and sufficient title to any subsequent purchaser or transferee, and the title shall be recognized by all courts and governmental agencies. Any department, agency or officer of the state or any political subdivision whose official functions include the issuance of certificates or other evidence of title shall be immune from civil or criminal liability when such issuance is pursuant to a bill of sale issued by the law enforcement agency. [1997 c.480 §2]

Note: 98.245 was enacted into law by the Legislative Assembly but was not added to or made a part of ORS chapter 98 or any series therein by legislative ac-

tion. See Preface to Oregon Revised Statutes for further explanation.

98.260 [1967 c.181 §3; repealed by 1985 c.336 §1]

98.270 [1967 c.181 §1; repealed by 1985 c.336 §1]

98.280 [1967 c.181 §2; repealed by 1985 c.336 §1]

UNIFORM DISPOSITION OF UNCLAIMED PROPERTY ACT

98.302 Definitions for ORS 98.302 to 98.436. As used in ORS 98.302 to 98.436 and 98.992, unless the context otherwise requires:

(1) "Administrator" means the Director of the Division of State Lands.

(2) "Apparent owner" means the person whose name appears on the records of the holder as the person entitled to property held, issued or owing by the holder.

(3) "Banking institution" means a financial institution or a trust company, as those terms are defined in ORS 706.008, an investment company, a safe deposit company or a private banker.

(4) "Business association" means a nonpublic corporation, joint stock company, business trust, partnership, investment company or an association for business purposes of two or more individuals, whether or not for profit, including a banking institution, financial institution, insurance company or utility.

(5) "Domicile" means the state of incorporation of a corporation and the state of the principal place of business of an unincorporated person.

(6) "Financial institution" means a savings and loan association, building and loan association, credit union or investment company.

(7) "Holder" means a person, wherever organized or domiciled, who is in possession of property belonging to another, a trustee or indebted to another on an obligation.

(8) "Insurance company" means an association, corporation, fraternal or mutual benefit organization, whether or not for profit, which is engaged in providing insurance coverage, including accident, burial, casualty, workers' compensation, credit life, contract performance, dental, fidelity, fire, health, hospitalization, illness, life (including endowments and annuities), malpractice, marine, mortgage, surety and wage protection insurance.

(9) "Intangible property" includes:

(a) Credit balances, customer overpayments, security deposits, refunds, credit memos, unpaid wages, unused airline tickets and unidentified remittances;

(b) Stocks and other intangible ownership interests in business associations;

(c) Moneys deposited to redeem stocks, bonds, coupons, and other securities, or to make distributions;

(d) Amounts due and payable under the terms of insurance policies;

(e) Amounts distributed from a trust or custodial fund established under a plan to provide health, welfare, pension, vacation, severance, retirement, death, stock purchase, profit sharing, employee savings, supplemental unemployment insurance or similar benefits; and

(f) Moneys, checks, drafts, deposits, interest, dividends and income.

(10) "Last-known address" means a description of the location of the apparent owner sufficient for the purpose of delivery of mail.

(11) "Lawful deduction" means a deduction related to the purpose of an account or deposit, for example, to satisfy unpaid utility bills.

(12) "Owner" means a depositor in case of a deposit, a beneficiary in case of a trust other than a deposit in trust, a creditor, claimant, or payee in case of other intangible property, or a person, or the person's legal representative, having a legal or equitable interest in property.

(13) "Person" means an individual, business association, state or other government or political subdivision or agency, public corporation, public authority, estate, trust, two or more persons having a joint or common interest, or any other legal or commercial entity.

(14) "Service charge" means fees or charges that are limited to a specific situation and that meet basic contractual and notice requirements.

(15) "State" means any state, district, commonwealth, territory, insular possession or any other area subject to the legislative authority of the United States.

(16) "Utility" means a person who owns or operates for public use, any plant, equipment, property, franchise or license for the transmission of communications or the production, storage, transmission, sale, delivery or furnishing of electricity, water, steam or gas. [1957 c.670 §3; 1983 c.716 §1; 1993 c.694 §40; 1997 c.416 §1; 1997 c.631 §396]

98.304 When intangible property subject to custody of state. Unless otherwise provided in ORS 98.302 to 98.436 and 98.992 or by other statute of this state, intangible property is subject to the custody of this state as unclaimed property if the conditions raising a presumption of abandonment under ORS 98.342 are satisfied, and one or more of the following is true:

(1) The last-known address, as shown on the records of the holder, of the apparent owner is in this state.

(2) The records of the holder do not reflect the identity of the person entitled to the property and it is established that the last-known address of the person entitled to the property is in this state.

(3) The records of the holder do not reflect the address of the apparent owner, and one or more of the following is established:

(a) The last-known address of the person entitled to the property is in this state.

(b) The holder is a domiciliary or a government or political subdivision or agency of this state and has not previously paid or delivered the property to the state of the last-known address of the apparent owner or other person entitled to the property.

(c) The last-known address, as shown on the records of the holder, or the apparent owner is in a state that does not provide by law for the escheat or custodial taking of the property or its escheat or unclaimed property law is not applicable to the property and the holder is a domiciliary or a government or political subdivision or agency of this state.

(4) The last-known address, as shown on the records of the holder, of the apparent owner is in a foreign nation and the holder is a domiciliary or a government or political subdivision or agency of this state.

(5) The transaction out of which the property arose occurred in this state, and:

(a) There is no known address of the apparent owner or other person entitled to the property;

(b) The last-known address of the apparent owner or other person entitled to the property is in a state that does not provide by law for the escheats or custodial taking of the property or its escheats or unclaimed property law is not applicable to the property; or

(c) The holder is a domiciliary of a state that does not provide by law for the escheat or custodial taking of the property or its escheat or unclaimed property law is not applicable to the property. [1983 c.716 §28; 1993 c.694 §1]

98.306 [1957 c.670 §4; 1967 c.357 §1; 1973 c.797 §424; repealed by 1983 c.716 §26]

98.308 Intangible property held by banking institution. (1) Any demand, savings or matured time deposit with a banking institution, including a deposit that is automatically renewable, and any funds paid toward the purchase of a share, mutual investment certificate or any other interest in a banking institution is presumed abandoned unless the owner, within five years has done one or more of the following:

(a) In the case of a deposit, increased or decreased its amount or presented the passbook or other similar evidence of the deposit for the crediting of interest.

(b) Communicated in writing with the banking institution concerning the property.

(c) Otherwise indicated an interest in the property as evidenced by a memorandum or other record on file prepared by an employee of the banking institution.

(d) Owned other property to which paragraph (a), (b) or (c) of this subsection applies, and the banking institution has communicated in writing with the owner with regard to the property that would otherwise be presumed abandoned under this subsection at the address to which communications regarding the other property regularly are sent.

(e) Had another relationship with the banking institution concerning which the owner has:

(A) Communicated in writing with the banking institution; or

(B) Otherwise indicated an interest as evidenced by a memorandum or other record on file prepared by an employee of the banking institution, and the banking institution has communicated in writing with the owner with regard to the property that would otherwise be abandoned under this subsection at the address to which communications regarding the other relationship regularly are sent.

(2) For purposes of subsection (1) of this section "property" includes interest and dividends.

(3) With respect to property described in subsection (1) of this section, a holder may not impose any charge or cease payment of interest due to dormancy or inactivity unless:

(a) There is a written contractual agreement between the holder and the owner of the account clearly and prominently setting forth the conditions under which a service charge may be imposed or the payment of interest terminated;

(b) The establishment of a service charge, the change of an existing service charge or the change of a policy pertaining to the payment of interest is uniformly applied to all dormant or inactive accounts;

(c) The holder shall give written notice to the owner at the owner's last-known address whenever an account becomes dormant or inactive; and

(d) Three months' written notice is given by certified mail to the last-known address of the owner of a dormant or inactive account before the holder may apply a service charge to that account or stop paying interest on that account.

(4) A signature card is not a written contractual agreement for the purposes of subsection (3)(a) of this section, however, the signature card and the written contractual agreement may be contained in one instrument.

(5) Property described in subsection (1) of this section that is automatically renewable is matured for purposes of subsection (1) of this section upon the expiration of its initial time period. However, if the owner consents to a renewal at or about the time of renewal by communicating in writing with the banking institution or otherwise indicating consent as evidenced by a memorandum or other record on file prepared by an employee of the institution, the property is matured upon the expiration of the last time period for which consent was given. If at the time provided for delivery in ORS 98.362, a penalty or forfeiture in the payment of interest would result from the delivery of the property, the time for delivery is extended until the time when no penalty or forfeiture would result.

(6) Except for those instruments subject to ORS 98.309, any sum payable on a check, draft or similar instrument, on which a banking institution is directly liable, including a cashier's check and a certified check, which has been outstanding for more than five years after it was payable or after its issuance if payable on demand, is presumed abandoned, unless the owner, within five years, has communicated in writing with the banking institution concerning it or otherwise indicated an interest as evidenced by a memorandum or other record on file prepared by an employee thereof.

(7) A holder may not deduct from the amount of any instrument subject to subsections (6) and (7) of this section any charge imposed by reason of the failure to present the instrument for payment unless there is a valid and enforceable written contract between the holder and the owner of the instrument pursuant to which the holder may impose a charge, and the holder regularly imposes such charges and does not regularly reverse or otherwise cancel them. [1983 c.716 §§30, 31; 1993 c.694 §2; 1997 c.631 §397]

98.309 When traveler's check or money order presumed abandoned. (1) Subject to subsection (4) of this section, any sum payable on a traveler's check that has been outstanding for more than 15 years after its issuance is presumed abandoned unless the owner, within 15 years, has communicated in writing with the issuer concerning it or otherwise indicated an interest as evidenced by a memorandum or other record on file prepared by an employee of the issuer.

(2) Subject to subsection (4) of this section, any sum payable on a money order or similar written instrument, other than a third party bank check, that has been outstanding for more than seven years after its issuance is presumed abandoned unless the owner, within that seven years, has communicated in writing with the issuer concerning it or otherwise indicated an interest as evidenced by a memorandum or other record on file prepared by an employee of the issuer.

(3) A holder may not deduct from the amount of a traveler's check or money order any charge imposed by reason of the failure to present the instrument for payment unless there is a valid and enforceable written contract between the issuer and the owner of the instrument pursuant to which the issuer may impose a charge and the issuer regularly imposes such charges and does not regularly reverse or otherwise cancel them.

(4) Other than a third party bank check, no sum payable on a traveler's check, money order or similar written instrument described in subsections (1) and (2) of this section may be subjected to the custody of this state as unclaimed property unless:

(a) The records of the issuer show that the traveler's check, money order or similar written instrument was purchased in this state;

(b) The issuer has its principal place of business in this state and the records of the issuer do not show the state in which the traveler's check, money order or similar written instrument was purchased; or

(c) The issuer has its principal place of business in this state, the records of the issuer show the state in which the traveler's check, money order or similar written instrument was purchased and the laws of the state of purchase do not provide for the escheat or custodial taking of the property or its escheat or unclaimed property law is not applicable to the property.

(5) Notwithstanding any other provision of ORS 98.302 to 98.436 and 98.992, subsection (4) of this section applies to sums payable on traveler's checks, money orders and similar written instruments presumed abandoned on or after February 1, 1965, except to the extent that those sums have been paid over to a state prior to January 1, 1974. [1983 c.716 §29]

98.310 [Repealed by 1957 c.670 §37]

98.311 Service charge on unclaimed property. Notwithstanding the provisions in ORS 98.308, a holder may not deduct a service charge or fee or otherwise reduce an owner's unclaimed account unless:

(1) There is a valid written contract between the holder and the owner that allows the holder to impose a charge;

(2) The service charge or fee is imposed uniformly on all accounts; and

(3) Three months' written notice is given by certified mail to the last-known address of all owners before the charge or fee is levied. [1993 c.694 §45]

Note: 98.311 was added to and made a part of 98.302 to 98.436 by legislative action but was not added to any smaller series therein. See Preface to Oregon Revised Statutes for further explanation.

98.312 [1957 c.670 §5; repealed by 1983 c.716 §26]

98.314 Unclaimed funds held by insurance companies. (1) Funds held or owing under any life or endowment insurance policy or annuity contract that has matured or terminated are presumed abandoned if unclaimed for more than five years after the funds become due and payable as established from the records of the insurance company holding or owing the funds, but property described in subsection (3)(b)(A) of this section is presumed abandoned if unclaimed for more than two years.

(2) If a person other than the insured or annuitant is entitled to the funds and an address of the person is not known to the company or it is not definite and certain from the records of the company who is entitled to the funds, it is presumed that the address of the person entitled to the funds is the same as the last-known address of the insured or annuitant according to the records of the company.

(3) For purposes of ORS 98.302 to 98.436 and 98.992, a life or endowment insurance policy or annuity contract not matured by actual proof of the death of the insured or annuitant according to the records of the company is matured and the proceeds due and payable if:

(a) The company knows that the insured or annuitant has died; or

(b) All of the following are true:

(A) The insured has attained, or would have attained if living, the limiting age under the mortality table on which the reserve is based.

(B) The policy was in force at the time the insured attained, or would have attained, the limiting age specified in subparagraph (A) of this paragraph.

(C) Neither the insured nor any other person appearing to have an interest in the policy within the preceding two years, according to the records of the company, has assigned, readjusted or paid premiums on the policy, subjected the policy to a loan, corresponded in writing with the company concerning the policy, or otherwise indicated an interest as evidenced by a memorandum or other record on file prepared by an employee of the company.

(4) For purposes of ORS 98.302 to 98.436 and 98.992, the application of an automatic premium loan provision or other nonforfeiture provision contained in an insurance policy does not prevent a policy from being matured or terminated under subsection (1) of this section if the insured has died or the insured or the beneficiary of the policy otherwise has become entitled to the proceeds of the policy before the depletion of the cash surrender value of a policy by the application of those provisions.

(5) If the laws of this state or the terms of the life insurance policy require the company to give notice to the insured or owner that an automatic premium loan provision or other nonforfeiture provision has been exercised and the notice, given to an insured or owner whose last-known address according to the records of the company is in this state, is undeliverable, the company shall make a reasonable search to ascertain the policyholder's correct address to which the notice must be mailed.

(6) Notwithstanding any other provision of law, if the company learns of the death of the insured or annuitant and the beneficiary has not communicated with the insurer within four months after the death, the company shall take reasonable steps to pay the proceeds to the beneficiary.

(7) Commencing two years after August 3, 1983, every change of beneficiary form issued by an insurance company under any life or endowment insurance policy or annuity contract to an insured or owner who is a resident of this state must request the following information:

(a) The name of each beneficiary, or if a class of beneficiaries is named, the name of each current beneficiary in the class;

(b) The address of each beneficiary; and

(c) The relationship of each beneficiary to the insured. [1983 c.716 §32]

98.316 Deposits and refunds held by utilities. The following funds held or owing by any utility are presumed abandoned if unclaimed by the apparent owner for more than one year after the date of termination of services or when the funds otherwise become payable or distributable:

(1) A deposit made by a subscriber with a utility to secure payment, or a sum paid in advance for utility services, less any lawful deductions.

(2) A sum received for utility services which a utility has been ordered to refund, together with any interest thereon and less any lawful deductions. [1957 c.670 §6; 1983 c.716 §2]

98.320 [Repealed by 1957 c.670 §37]

98.322 Intangible equity ownership interests in business associations. (1) Stock, certificates of ownership or other intangible equity ownership interests in a business association are presumed abandoned when all of the following occur:

(a) The interest is evidenced by records of the business association.

(b) A dividend, distribution or other sum payable as a result of the interest has remained unclaimed for five years.

(c) The owner has not otherwise communicated with the business association for five years from the date the sum was payable.

(d) The business association has sent written notice of the payment and underlying interest to the owner at the last-known address of the owner as shown in the records of the business association.

(2) With respect to any interest presumed abandoned under subsection (1) of this section, the business association is the holder.

(3) At the time an interest is presumed abandoned under subsection (1) of this section, any payment then held for or owing to the owner as a result of the interest is also presumed abandoned.

(4) Subsection (1) of this section shall not apply to any stock, certificate of ownership or other intangible equity ownership interests in a business association that provides for the automatic reinvestment of dividends, distributions or other sums payable as a result of the interests, unless:

(a) The records of the business association show that the person also owns any stock, certificate of ownership or other intangible equity ownership interest in the business association that is not enrolled in the reinvestment plan; and

(b) The interest referred to in paragraph (a) of this subsection has been presumed abandoned under subsection (1) of this section.

(5) Any dividend, profit distribution, interest, payment on principal or other sum held or owing by a business association is presumed abandoned if, within five years after the date prescribed for payment, all of the following have occurred:

(a) The owner has not claimed the payment or corresponded in writing with the business association concerning the payment.

(b) The business association has sent written notice of the payment to the owner at the last-known address of the owner as shown in the records of the business association. [1957 c.670 §7; 1983 c.716 §3; 1985 c.408 §1]

98.326 Property of business associations and banking or financial institutions held in the course of dissolution. All intangible personal property distributable in the course of a dissolution of a business association, banking institution or financial institution that is unclaimed by the owner for more than two years after the date for final distribution is presumed abandoned. [1957 c.670 §8; 1983 c.716 §4; 1993 c.694 §41]

98.328 Property held in safe deposit box. Except property subject to ORS 711.582 and 711.590, all tangible and intangible property held in a safe deposit box or any other safekeeping repository in this state in the ordinary course of the holder's business, which remains unclaimed by the owner for more than two years after the lease or rental period on the box or other repository has expired, is presumed abandoned. [1983 c.716 §35; 1993 c.694 §3]

98.329 Delivery of property before presumed abandoned. A holder, with the written consent of the Division of State Lands, and upon conditions and terms prescribed by the division, may report and deliver property before the property is presumed abandoned. [1993 c.694 §46]

Note: 98.329 was added to and made a part of 98.302 to 98.436 by legislative action but was not added to any smaller series therein. See Preface to Oregon Revised Statutes for further explanation.

98.330 [Repealed by 1957 c.670 §37]

98.332 Property held by fiduciaries. (1) All intangible personal property and any income or increment thereon, held in a fiduciary capacity is presumed abandoned unless the owner has, within five years after it becomes payable or distributable, increased or decreased the principal, accepted payment of principal or income, corresponded in writing concerning the property, or otherwise indicated an interest as evidenced by a memorandum on file with the fiduciary.

(2) Funds in an individual retirement account or a retirement plan for self-employed individuals or a similar account or plan established under the Internal Revenue laws of the United States are not payable or distributable within the meaning of subsection (1) of this section unless, under the terms of the account or plan, distribution of all or part of the funds would then be mandatory. [1957 c.670 §9; 1983 c.716 §5]

98.334 Unpaid wages unclaimed by owner for more than five years. Unpaid wages, including wages represented by unpresented payroll checks, owing in the ordinary course of the holder's business which remain unclaimed by the owner for more than five years after becoming payable are presumed abandoned. [1983 c.716 §34]

98.336 Property held by government and public authorities. (1) Intangible property, including uncashed warrants, held for the owner by a court, state or other government, governmental subdivision or agency, public corporation, or public authority, that has remained unclaimed by the owner for more than two years is presumed abandoned.

(2) Tangible property held for the owner by a court, state or other government, governmental subdivision or agency, law enforcement agency, public corporation or public authority that has remained unclaimed by the owner for more than two years is presumed abandoned. [1957 c.670 §10; 1983 c.716 §6; 1987 c.708 §3; 1993 c.694 §4]

98.338 Credit memo unclaimed by owner. (1) A credit memo issued in the ordinary course of an issuer's business which remains unclaimed by the owner for more than five years after becoming payable or distributable is presumed abandoned.

(2) For a credit memo presumed abandoned under subsection (1) of this section, the amount presumed abandoned is the amount credited to the recipient of the memo. [1983 c.716 §33; 1997 c.416 §2]

98.340 [Repealed by 1957 c.670 §37]

98.342 Miscellaneous personal property held for another person. (1) All intangible personal property, not otherwise covered by ORS 98.302 to 98.436 and 98.992, including any income or increment thereon and deducting any lawful charges, that is held or owing in the ordinary course of the holder's business and has remained unclaimed by the owner for more than five years after it became payable or distributable is presumed abandoned.

(2) Property is payable or distributable for the purpose of ORS 98.302 to 98.436 and 98.992 notwithstanding the owner's failure to make demand or to present any instrument or document required to receive payment. [1957 c.670 §11; 1983 c.716 §7]

98.346 Reciprocity for property presumed abandoned or escheated under the laws of another state. Specific property described in ORS 98.308 to 98.314, 98.322 to 98.334, 98.338 or 98.342 which is held for or owed or distributable to an owner whose last-known address is in another state by a holder who is subject to the jurisdiction of that state is not presumed abandoned in this state and subject to ORS 98.302 to 98.436 and 98.992 if:

(1) It may be claimed as abandoned or escheated under the laws of the other state; and

(2) The laws of the other state make reciprocal provision that similar specific property is not presumed abandoned or escheatable by the other state when held for or owed or distributable to an owner whose last-known address is within this state by a holder who is subject to the jurisdiction of this state. [1957 c.670 §12; 1983 c.716 §8]

98.348 Recovery of abandoned property by another state; form of claim; indemnification of this state. (1) At any time after property has been paid or delivered to the Division of State Lands under ORS 98.352, another state may recover the property if one or more of the following is true:

(a) The property was subjected to custody by this state because the records of the holder did not reflect the last-known address of the apparent owner when the property was presumed abandoned under ORS 98.302 to 98.436 and 98.992; and the other state establishes that the last-known address of the apparent owner or other person entitled to the property was in that state and under the laws of that state the property escheated to or was subject to a claim of abandonment by that state.

(b) The last-known address of the apparent owner or other person entitled to the property, as reflected by the records of the holder, is in the other state and under the laws of that state the property has escheated to or become subject to a claim of abandonment by that state.

(c) The records of the holder were erroneous in that they did not accurately reflect the owner of the property and the last-known address of the owner is in the other state and under the laws of that state the property escheated to or was subject to a claim of abandonment by that state.

(d) The property was subjected to custody by this state and under the laws of the state of domicile of the holder the property has escheated to or become subject to a claim of abandonment by that state.

(e) The property is the sum payable on a traveler's check, money order or other similar instrument that was subjected to custody by this state under ORS 98.309, and the instrument was purchased in the other state and under the laws of that state the property escheated to or became subject to a claim of abandonment by that state.

(2) The claim of another state to recover escheated or unclaimed property must be

presented in a form prescribed by the Division of State Lands. The division shall decide the claim within 90 days after it is presented.

(3) The division shall require a state, before recovering property under this section, to agree to indemnify this state and its officers and employees against any liability on a claim for the property. [1983 c.716 §36; 1993 c.694 §5]

98.350 [Repealed by 1957 c.670 §37]

98.352 Report of abandoned property. (1) Every person holding funds or other property, tangible or intangible, presumed abandoned under ORS 98.302 to 98.436 and 98.992 shall report and pay or deliver to the Division of State Lands all property presumed abandoned as provided in this section, except that funds transferred to the General Fund pursuant to ORS 293.455 (1)(a) shall only be reported to the division.

(2) The report shall be verified as to the accuracy of the information contained and shall include:

(a) Except with respect to traveler's checks and money orders, the name, if known, and address, if known, of each person appearing from the records of the holder to be the owner of any property of value of $50 or more presumed abandoned under ORS 98.302 to 98.436 and 98.992;

(b) In case of unclaimed funds of life insurance corporations, the full name of the insured or annuitant and last-known address according to the life insurance corporation's records;

(c) The nature and identifying number, if any, or description of the property and the amount appearing from the records to be due, except that items of value under $50 each may be reported in aggregate;

(d) The date when the property became payable, demandable, or returnable, and the date of the last transaction with the owner with respect to the property; and

(e) Other information which the division prescribes by rule as necessary for the administration of ORS 98.302 to 98.436 and 98.992.

(3) If the person holding property presumed abandoned is a successor to other persons who previously held the property for the owner, or if the holder has had a name change while holding the property, the holder shall file with the report all prior known names and addresses and effective dates of changes if known of each holder of the property.

(4) The report shall be filed after October 1, but no later than November 1 of each year for accounts dormant as of June 30. The division may postpone the reporting date upon written request by any person required to file a report. All records are exempt from public review for 12 months from the time the property is reportable and for 24 months after the property has been remitted to the division. All lists of records or property held by a government or public authority pursuant to ORS 98.336 shall be exempt from public review until 24 months after the property is remitted to the division.

(5) If the holder of property presumed abandoned under ORS 98.302 to 98.436 and 98.992 knows the whereabouts of the owner and if the owner's claim has not been barred by the statute of limitations, the holder shall, before filing the annual report, communicate with the owner and take necessary steps to prevent abandonment from being presumed. The holder shall exercise due diligence to ascertain the whereabouts of the owner.

(6) Verification, if made by a partnership, shall be executed by a partner; if made by an unincorporated association or private corporation, by an officer; and if made by a public corporation, by its chief fiscal officer. [1957 c.670 §13; 1967 c.357 §2; 1981 c.475 §4; 1983 c.716 §9; 1993 c.694 §6; 1997 c.86 §1]

98.354 Records of ownership or issuance of instruments to be maintained. (1) Every holder required to file a report under ORS 98.352 as to any property for which the holder has obtained an address of the owner, shall maintain a record of the name and last-known address of the owner and such signature cards and other evidence which would assist in the identification of the owner for five years after the property has been remitted to the Division of State Lands.

(2) Any business association that sells in this state traveler's checks, money orders or other similar written instruments, other than third party bank checks on which the business association is directly liable, or that provides such instruments to others for sale in this state, shall maintain a record of those instruments while they remain outstanding, indicating the state and date of issue, for five years after the date the property has been remitted to the division. [1983 c.716 §38; 1993 c.694 §7; 1995 c.219 §1]

98.356 Notice and publication of lists of unclaimed property. (1) The Division of State Lands shall publish notice of owners' unclaimed accounts reported under ORS 98.352. The notice shall be published at least twice in a newspaper or other generally circulated periodical published in this state. The division may publish such notices at intervals to locate owners of accounts received under ORS 98.352 (4) in an expedient manner, but shall complete publication of all such accounts within one year of remittance.

(2) The division is not required to publish in such notice any item of less than $100 unless the division deems such publication to be in the public interest.

(3) This section is not applicable to sums payable on traveler's checks or money orders presumed abandoned under ORS 98.309.

(4) The division shall undertake reasonable efforts to locate owners of unclaimed property reported to the division under ORS 98.352. The costs of such efforts may be deducted from the proceeds that are paid to the owners when and if an owner is located. The division shall specify, by rule, a maximum percentage of costs that may be deducted from a verified claim for unclaimed property.

(5) The division shall not disclose to the general public any confidential information provided by the Department of Revenue from taxpayer returns. [1957 c.670 §14; 1967 c.357 §3; 1983 c.716 §10; 1989 c.183 §1; 1993 c.694 §8; 1997 c.134 §1]

98.360 [Repealed by 1957 c.670 §37]

98.362 Delivery of certificate of ownership of intangible equity ownership interest. (1) The holder of an intangible equity ownership interest presumed abandoned under ORS 98.322 shall deliver a certificate of ownership or other evidence of ownership to the Division of State Lands as follows:

(a) The original certificate shall be delivered to the division when it is held by the business association, transfer agent, registrar or other person acting on behalf of the business association.

(b) A duplicate certificate shall be issued to the division when the business association, transfer agent, registrar or other person acting on behalf of the holder does not hold the original.

(2) After issuance of a duplicate certificate under subsection (1) of this section, the rights of a protected purchaser of the original certificate shall be governed by ORS 78.4050. In such event, recovery by the protected purchaser shall be against the division to the extent allowed under the Oregon Constitution. [1957 c.670 §15; 1967 c.357 §4; 1983 c.716 §11; 1985 c.403 §2; 1993 c.694 §9; 1995 c.328 §70]

98.366 Relief from liability by payment or delivery. (1) Upon the payment or delivery of unclaimed property to the Division of State Lands, the state shall assume custody and shall be responsible for the safekeeping thereof. Any person who pays or delivers unclaimed property to the division under ORS 98.352 is relieved of all liability to the extent of the value of the property so paid or delivered for any claim which then exists or which thereafter may arise or be made in respect to the property.

(2) A holder who has paid money to the division under ORS 98.352 may make payment to any person appearing to the holder to be entitled to payment. The division shall reimburse the holder within 60 days of receiving proof that payment was made to a person who appeared to the holder to be entitled to payment. The division shall reimburse the holder for the payment without imposing any fee or other charge. [1957 c.670 §16; 1983 c.716 §12; 1993 c.694 §10]

98.370 [Repealed by 1957 c.670 §37]

98.372 Income accruing after payment or delivery. The owner is not entitled to receive income or other increments which have accrued on the property after the property is paid or delivered to the Division of State Lands under ORS 98.352. [1957 c.670 §17; 1983 c.716 §13; 1993 c.694 §11]

98.376 Periods of limitation not a bar. The expiration of any period of time specified by statute or court order, during which an action, suit or proceeding may be commenced or enforced to obtain payment of a claim for money or recovery of property, shall not prevent the money or property from being presumed abandoned, nor affect any duty to file a report required by ORS 98.352 or to pay or deliver unclaimed property to the Division of State Lands, provided that this section shall not affect any property interests which became vested prior to August 20, 1957. [1957 c.670 §18; 1983 c.716 §14; 1993 c.694 §12]

98.380 [Repealed by 1957 c.670 §37]

98.382 Sale of abandoned and unclaimed property. (1) All unclaimed property other than money and securities delivered to the Division of State Lands under ORS 98.362 shall be sold by the division to the highest bidder at public sale in whatever city in the state affords in the division's judgment the most favorable market for the property involved. The division may decline the highest bid and reoffer the property for sale if the division considers the price bid insufficient. The division need not offer any property for sale if, in the division's opinion, the probable cost of sale exceeds the value of the property.

(2) A sale held under subsection (1) of this section shall be preceded by a single publication of notice of the sale at least 10 days in advance of the sale in a newspaper of general circulation in the county where the property is to be sold.

(3) Securities listed on an established stock exchange shall be sold on the exchange at prices prevailing on the exchange at the time of sale. Other securities may be sold over the counter at prices prevailing at the time of sale or by any other method the administrator considers advisable.

(4) All securities and other intangible properties presumed abandoned under ORS 98.362 and delivered to the division shall be sold by the division at such time and place and in such manner as in the division's judgment will bring the highest return.

(5) The division shall indemnify the holder of securities presumed abandoned under ORS 98.322 to the extent allowed by the Oregon Constitution. The division shall establish procedures by administrative rule to pay the rightful owner proceeds received from securities that were sold before the owner filed a claim to recover such securities.

(6) The purchaser at a sale conducted by the division pursuant to this section shall receive title to the property purchased, free from all claims of the owner or prior holder of the property and of all persons claiming through or under them. The division shall execute all documents necessary to complete the transfer of title. [1957 c.670 §19; 1983 c.716 §15; 1993 c.694 §13]

98.384 Destruction or disposition of unclaimed property. If the Division of State Lands determines after investigation that any property delivered under ORS 98.352 has insubstantial commercial value, the division may destroy or otherwise dispose of the property at any time. No action or proceeding may be maintained against the state or any officer or against the holder for or on account of any action taken by the division pursuant to this section. [1983 c.716 §37; 1993 c.694 §14]

98.386 Deposit of funds. (1) All funds received under ORS 98.302 to 98.436 and 98.992, including the proceeds from the sale of unclaimed property under ORS 98.382, shall be deposited by the Division of State Lands in the Common School Fund Account with the State Treasurer. Before making the deposit the division shall record the name and last-known address of each person appearing from the holders' reports to be entitled to the unclaimed property and the name and last-known address of each insured person or annuitant, and with respect to each policy or contract listed in the report of a life insurance corporation, its number, the name of the corporation, and the amount due.

(2) Before making a deposit to the credit of the Common School Fund Account, the division may deduct:

(a) Any costs in connection with sale of unclaimed property;

(b) Any costs of mailing and publication in connection with efforts to locate owners of unclaimed property as prescribed by rule; and

(c) Reasonable service charges. [1957 c.670 §20; 1983 c.716 §16; 1989 c.183 §2; 1993 c.694 §15]

98.388 Unclaimed Property Revolving Fund. There is created from unclaimed property funds an Unclaimed Property Revolving Fund. The moneys in the fund are appropriated continuously to the Division of State Lands for the purpose of repaying claims as provided under ORS 98.396. [1969 c.594 §66; 1983 c.716 §17; 1993 c.694 §16]

98.390 [Repealed by 1957 c.670 §37]

98.392 Claim for unclaimed property delivered to Division of State Lands; time for claim; claims for securities. A person claiming an interest in unclaimed property reported to the Division of State Lands may file a claim to the property or to the proceeds from the sale of the property at any time after the person learns that the property has been reported to the division. Claims shall be filed on the form prescribed by the division. The division may require the person to provide a lost instrument bond if the claim is for securities and the person does not surrender the original certificate to the division. [1957 c.670 §21; 1977 c.609 §1; 1983 c.716 §18; 1991 c.213 §1; 1993 c.694 §17; 1997 c.85 §1]

98.396 Determination of claim; payment; reimbursement. (1) The Division of State Lands shall consider any claim filed under ORS 98.392 and may hold a hearing and receive evidence concerning the claim. If a hearing is held, the division shall prepare findings and a decision in writing on each claim filed, stating the substance of any evidence heard by the division and the reasons for the decision. The decision shall be a public record.

(2) If the claim allowed is for property deposited in the Common School Fund Account, the division shall return the property or make payment of the proceeds of the sale of the property to the claimant.

(3) If the claim allowed is for funds deposited in the General Fund, the division shall pay the claim and file a request for reimbursement with the State Treasurer. The State Treasurer shall reimburse the division within five working days from the fund against which the check or order represented in the claim was issued. [1957 c.670 §22; 1983 c.716 §19; 1989 c.183 §3; 1993 c.694 §18]

98.400 [Repealed by 1957 c.670 §37]

98.402 Judicial action on determination. A person aggrieved by a decision of the administrator or as to whose claim the administrator has failed to act within 90 days after the filing of the claim, may commence an action in an appropriate court to establish a claim. The proceeding shall be brought within 60 days after the decision of the administrator or within 180 days from the filing

of the claim if the administrator fails to act. The action shall be tried de novo without a jury. [1957 c.670 §23; 1983 c.716 §20]

98.406 [1957 c.670 §24; 1983 c.716 §21; repealed by 1993 c.694 §39]

98.410 [Repealed by 1957 c.670 §37]

98.412 Records and reports; examination. (1) The Division of State Lands may require a person who has not filed a report to file a verified report stating whether or not the person is holding any unclaimed property reportable or deliverable under ORS 98.352.

(2) The division may at reasonable times and upon reasonable notice examine the records of any person to determine whether the person has complied with the provisions of ORS 98.352. The division may conduct the examination even if the person believes it is not in possession of any property reportable or deliverable under this section.

(3) To the extent possible, the division shall enter into agreements with state and federal agencies that regularly examine the records of financial institutions, trust companies and bank holding companies, as defined in ORS 706.008, and of subsidiaries of such financial institutions, trust companies and bank holding companies. Under the agreements, the state and federal agencies shall examine the records of the financial institution, trust company, bank holding company or subsidiary to determine compliance with ORS 98.352. If a state or federal agency does not enter into an agreement with the division under this subsection, the division shall conduct the examination of the records of financial institutions, trust companies and bank holding companies to determine compliance with ORS 98.352.

(4) If a holder fails after August 3, 1983, to maintain the records required by ORS 98.354 and the records of the holder available for the periods subject to ORS 98.302 to 98.436 and 98.992 are insufficient to permit the preparation of a report, the division may require the holder to report and pay the amounts which the division reasonably estimates from the report and available records. [1957 c.670 §25; 1983 c.716 §22; 1993 c.694 §20; 1997 c.480 §§1,1a]

98.416 Proceeding to compel delivery of unclaimed property; interest. (1) If any person refuses to deliver property to the Division of State Lands as required under ORS 98.362, the division may bring a suit or action in a court of appropriate jurisdiction to enforce delivery of the property.

(2) The division may require a person who fails to pay or deliver property within the time prescribed by ORS 98.302 to 98.436 and 98.992 to pay interest from the date the division determines interest should have been paid. Interest shall be paid at the rate set pursuant to ORS 305.220 (1) and (3). [1957 c.670 §26; 1983 c.716 §23; 1993 c.694 §26]

98.418 [1983 c.716 §40; repealed by 1985 c.336 §1]

98.420 [Repealed by 1957 c.670 §37]

98.422 Rules. The administrator is authorized to adopt necessary rules to carry out the provisions of ORS 98.302 to 98.436 and 98.992. [1957 c.670 §27; 1983 c.716 §25]

98.424 Agreements with other states; exchange of information; Attorney General may bring action in name of other state. (1) The Division of State Lands may enter into agreements with other states to exchange information needed to enable this or another state to audit or otherwise determine unclaimed property that this state or another state may be entitled to subject to a claim of custody under ORS 98.348. The division may adopt rules requiring the other states to report information needed to enable compliance with agreements made pursuant to this section and prescribing the form for making a claim of custody under ORS 98.348.

(2) To avoid conflicts between the division's procedures and the procedures of administrators in other jurisdictions that enact an unclaimed property act, the division, so far as is consistent with the purposes, policies and provisions of ORS 98.302 to 98.436 and 98.992, before adopting, amending or repealing rules, shall advise and consult with administrators in other jurisdictions that enact a substantially similar unclaimed property act and take into consideration the rules of administrators in other jurisdictions that enact an unclaimed property act.

(3) The division may join with other states to seek enforcement of ORS 98.302 to 98.436 and 98.992 against any person who is or may be holding property reportable under ORS 98.352.

(4) At the request of another state, the Attorney General of this state may bring an action in the name of another state to enforce the unclaimed property laws of the other state against a holder in this state of property subject to escheat or a claim of abandonment by the other state, if the other state has agreed to pay expenses incurred by the attorney general in bringing the action, including attorney fees.

(5) The division, through the Attorney General of this state, may request the attorney general of another state or any other person to bring an action in the other state in the name of the division against the holder of property in the other state that is subject to escheat or a claim of abandonment by this state. This state shall pay all expenses including attorney fees in any action

under this subsection. Any expenses paid pursuant to this subsection may not be deducted from the amount that is subject to the claim by the owner under ORS 98.302 to 98.436 and 98.992.

(6) The division shall not disclose to any other state any confidential information provided by the Department of Revenue from taxpayer returns. [1983 c.716 §39; 1985 c.403 §3; 1993 c.694 §21]

98.426 [1957 c.670 §§28, 35; 1983 c.716 §25; repealed by 1993 c.694 §39]

98.430 [Repealed by 1957 c.670 §37]

98.432 Uniformity of interpretation. This Act shall be so construed as to effectuate its general purpose to make uniform the law of those states which enact the Uniform Disposition of Unclaimed Property Act. [1957 c.670 §2]

Note: Pursuant to 173.160, Legislative Counsel has not substituted specific ORS references for the words "this Act" in sections 1, 2 and 36, chapter 670, Oregon Laws 1957, compiled as 98.432, 98.436 and 98.991. The sections for which substitution otherwise would be made may be determined by referring to the 1957 Comparative Section Table located in Volume 15 of ORS.

98.436 Short title. This Act may be cited as the Uniform Disposition of Unclaimed Property Act. [1957 c.670 §1]

Note: See note under 98.432.

98.440 [Repealed by 1957 c.670 §37]

UNORDERED GOODS

98.450 Unordered goods presumed gifts. (1) If a person mails or sends goods, newspapers or periodicals of a value of less than $20 to a person in this state without first receiving an order for such items, the items are conclusively presumed to be a gift and no obligation shall accrue against the recipient.

(2) If a person deliberately and intentionally mails or sends goods, newspapers, or periodicals of a value in excess of $20 to a person in this state without first receiving an order for such items, the items are presumed to be a gift. [1969 c.354 §1]

MOLDS AND FORMS

98.470 Definitions for ORS 98.470 to 98.490. As used in ORS 98.470 to 98.490, unless the context requires otherwise:

(1) "Customer" means any person who causes a molder to:

(a) Fabricate, cast or otherwise make a mold; or

(b) Use a mold to manufacture, assemble or otherwise make any product.

(2) "Mold" includes any die, mold or form used to manufacture, assemble or otherwise make any product.

(3) "Molder" means any person including, but not limited to a tool or die maker, who:

(a) Fabricates, casts or otherwise makes a mold; or

(b) Uses a mold to manufacture, assemble or otherwise make any product. [1981 c.333 §1]

98.475 Molder may take title to unclaimed mold. If a customer fails to take possession of any mold within three years after the date on which the customer last caused the molder to use the mold, the molder may take all rights, title and interest in the mold pursuant to ORS 98.480. [1981 c.333 §2]

98.480 Notice to customer; contents. (1) If a molder chooses to take all rights, title and interest in any mold, the molder shall mail to the customer, at the customer's last-known address, a notice. The molder shall send the notice by registered or certified mail, return receipt requested.

(2) The notice required by subsection (1) of this section shall state that the molder intends to terminate all of the customer's rights, title and interest in the mold unless the customer:

(a) Responds within 120 days from the date the notice was mailed; and

(b) Arranges with the molder that the customer shall take possession of the mold or that the molder shall store the mold for the customer. [1981 c.333 §3; 1991 c.249 §11]

98.485 Duty to make mold unusable when title not taken. If a molder does not choose to exercise the rights provided under ORS 98.475, the molder shall render the mold unusable as a mold and destroy or otherwise dispose of the mold. [1981 c.333 §4]

98.490 Effect of written agreement between molder and customer. ORS 98.470 to 98.490 applies except as otherwise provided by written agreement between any molder and the molder's customer. [1981 c.333 §5]

98.510 [Repealed by 1969 c.354 §2]

98.610 [Amended by 1991 c.331 §24; repealed by 1995 c.733 §74]

98.620 [Repealed by 1995 c.733 §74]

98.630 [Amended by 1957 c.459 §2; repealed by 1995 c.733 §74]

REMOVAL OF TREES OR LOGS FROM COUNTY ROADS OR STATE HIGHWAYS

98.640 Owner's duty to remove trees, logs, poles or piling deposited on state highways. (1) No person shall place or deposit any trees, timber, logs, poles or piling upon the right of way of any state highway or upon any real property adjacent thereto which is owned by the state, by and through

sonable expenses incurred within the 20-day period for towage, care and storage of the vehicle.

(3) The lien created by subsection (2) of this section may be foreclosed only in the manner provided by ORS 87.172 (3) and 87.176 to 87.206 for foreclosure of liens arising or claimed under ORS 87.152. [1995 c.758 §2]

98.840 Towing vehicle alternative to procedure in ORS 98.810 to 98.818. The procedure authorized by ORS 98.830 and 98.835 for removal of abandoned motor vehicles from private property may be used by persons described in ORS 98.805 as an alternative to the procedures described in ORS 98.810 to 98.818. [1995 c.758 §4]

98.990 [Repealed by 1957 c.670 §37]

PENALTIES

98.991 Penalties relating to unclaimed property. (1) Any person who willfully fails to render any report or perform other duties required under this Act is guilty of a misdemeanor.

(2) Any person who willfully refuses to pay or deliver unclaimed property to the Division of State Lands as required under this Act is guilty of a misdemeanor. [1957 c.670 §36; 1993 c.694 §22]

Note: See note under 98.432.

98.992 Penalty for failure to report, pay or deliver property under ORS 98.302 to 98.436. A person who willfully fails to render any report, to pay or deliver property or to perform other duties required by ORS 98.302 to 98.436 and 98.992 may be required to forfeit and pay to the State Treasurer to be deposited in the Common School Fund Account, an amount determined by the Division of State Lands pursuant to ORS 183.090 of not more than $1,000 for individuals and $50,000 for corporations. This penalty shall be assessed only after at least one reporting cycle, and only after the division has provided the person with written instructions, including copies of applicable laws and policies. The division may waive any penalty due under this section with appropriate justification. [1993 c.694 §25]

OREGON DIVISION OF STATE LANDS
DIVISION 45
ADMINISTRATION OF UNCLAIMED PROPERTY

141-045-0005
Purpose

The purpose of these rules is to provide consistent procedures for the administration of the Uniform Disposition of Unclaimed Property Act, Oregon Revised Statutes (ORS) 98.302 through 98.436, and 98.991 through 98.992, and to ensure that all unclaimed money and property held in safekeeping are reported and paid over to the Division of State Lands in an accurate and timely manner.

Stat. Auth.: ORS 98.304-ORS 98.436
Stats. Implemented: ORS 98.302 - ORS 98.436
Hist.: LB 2-1984, f. & ef. 3-13-84; LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94

141-045-0010
Definitions

(1) "Aggregate" means a method of reporting unclaimed property in which the holder reports small amounts in a lump sum representing various accounts without breaking it down per account or per owner.

(2) "Dividend" means cash which accrues by the earnings of a company and which is paid to the owner of securities issued by that company.

(3) "Dividend Reinvestment Plan" or DRP means additional securities of the same company which are credited to an owner's account in lieu of cash.

(4) "Division" means the Division of State Lands.

(5) "Dormant" means without activity or owner contact for a prescribed time.

(6) "Due Diligence" means the degree of effort required by statute that holders of unclaimed property must take to find the rightful owner of property before the property is remitted to the state.

(7) "Financial Institution" means a banking institution, savings and loan association, building and loan association, investment company as defined in ORS 706.008, or credit union as defined in ORS 723.006.

(8) "Holder" means a person, wherever organized or domiciled, who is:

(a) In possession of, or responsible for, property belonging to another;

(b) A trustee; or

(c) Indebted to another on an obligation.

(9) "Inactive" means a lack of activity or owner contact for a prescribed time.

(10) "Insurance Company" means an association, corporation, or fraternal or mutual benefit organization, whether or not for profit, which is engaged in providing insurance coverage, including, but not limited to, accident, burial, casualty, workers' compensation, credit life, contract performance, dental, fidelity, fire, health, hospitalization, illness, life (including endowments and annuities), malpractice, marine, mortgage, surety, and wage protection insurance.

(11) "Intangible Property" includes but is not limited to:

(a) Credit balances, customer overpayments, security deposits, refunds, credit memos, unpaid wages, unused airline tickets, and unidentified remittances;

(b) Stocks and other intangible ownership interests in business associations;

(c) Money deposited to redeem stock, bonds, coupons, and other securities, or to make distributions;

(d) Amounts due and payable under the terms of insurance policies;

(e) Amounts distributed from a trust or custodial fund established under a plan to provide health, welfare, pension, vacation, severance, retirement, death, stock purchase, profit sharing, employee savings, supplemental unemployment insurance or similar benefits; and

(f) Money, checks, drafts, deposits, interest, dividends, and income.

(12) "Last-known Address" means a description of the location of the apparent owner sufficient for the purpose of delivery of mail.

(13) "Negative Report" means a report showing the holder had no inactive accounts or other unclaimed assets to report for a particular reporting period.

(14) "Person" means an individual, business association, state or other governmental or political subdivision or agency, public corporation, public authority, estate, trust, two or more persons having a joint or common interest, or any other legal or commercial entity.

(15) "Reportable" means the appropriate dormancy period as set forth in OAR 141-045-0024, after which time an owner has not claimed his or her asset from a holding company, and the holder has taken appropriate steps to find the owner, as described in OAR 141-045-061. For example, under the five-year dormancy requirements, unclaimed accounts dated through June 30, 1991 will be reportable after October 1, but before November 1, 1996.

(16) "Safekeeping Depository" means any leased or rented depository which is used as a deposit for safekeeping of tangible or intangible property.

(17) "Security" means the actual instrument or book entry shares which shows ownership or interest in stocks, bonds, or mutual funds.

(18) "Tangible Property" means:

(a) Property actually being held in a safekeeping depository and includes, but is not limited to:

(A) Contents of safe deposit boxes in financial organizations;

(B) Contents of safekeeping repositories located in hospitals, health-care facilities, motels, hotels, jewelry stores, department stores, professional offices, or any other site where the holder is acting as a safekeeping custodian for the rightful owner.

(b) Property held for the owner by a court, state or other government, governmental subdivision or agency, law enforcement agency, public corporation or public authority (for instance unclaimed court exhibits).

(19) "Undeliverable Share" means stock or other certificate of ownership of a business association which has been returned to the holder, who cannot find the owner.

(20) "Underlying Share" means the duplicate certificate of ownership of dividends or other distribution or stock or other certificates of ownership of a business association which has been issued in the name of the Division of State Lands as custodian of unclaimed property. The original certificate of ownership is presumed to be in the possession of the missing owner.

Stat. Auth.: ORS 98.302 - ORS 98.436 & ORS 273

Stats. Implemented: ORS 98.302 - ORS 98.436
Hist.: LB 2-1984, f. & ef. 3-13-84; LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94

141-045-0020
Who Must File Reports

Every person holding or responsible for funds or other property, tangible or intangible, shall annually review all accounts that appear to be dormant or unclaimed according to ORS 98.302 through 98.436 and prepare a report to the Division. Persons or entities that manage account records or serve as registrar or paying agent for holders shall notify the holder annually of any unclaimed amounts reportable according to ORS 98.302 through 98.436. Such entities include but are not limited to firms and financial institutions that provide payroll record-keeping services.

Stat. Auth.: ORS 98.302 - ORS 98.436 & ORS 273
Stats. Implemented: ORS 98.302 - ORS 98.436
Hist.: LB 2-1984, f. & ef. 3-13-84; LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94

141-045-0024
Dormancy Periods

All property has a five (5) year dormancy period except the following:

(1) One (1) year for:

(a) Utility deposits; and

(b) Assets of dissolved corporations.

(2) Two (2) years for:

(a) Tangible and intangible property held in a safe deposit box or other safekeeping repository;

(b) Assets of dissolved cooperatives, business associations and financial institutions;

(c) Stale dated government checks/warrants;

(d) Tangible and intangible property held by a court, state, or other government, governmental subdivision or agency, law enforcement agency, public corporation or public authority.

(e) Life or endowment insurance policies where the insured would have attained the limiting age under the mortality table of an existing policy; and

(3) Seven (7) years for money orders; and

(4) Fifteen (15) years for travelers checks.

Stat. Auth.: ORS 98.304 - ORS 98.436
Stats. Implemented: ORS 98.302 - ORS 98.436
Hist.: LB 5-1994, f. & cert. ef. 10-20-94

141-045-0031
Examples of Unclaimed Property

(1) The following types of property are considered unclaimed and reportable to the Division after five (5) years without owner contact:

(a) Any account deposited in a financial institution and any accrued interest and dividends;

(b) Any account including shares, dividends, deposit accounts, and interest held by credit unions as defined in ORS 723.006 that are due or standing in the name of a member, beneficiary or other person who cannot be contacted by first class mail at the last address shown on the records of the credit union;

(c) All intangible personal property and any accrued interest held in a fiduciary capacity;

(d) Credit memos issued in the ordinary course of the holder's business which become payable or distributable.

(e) Unpaid wages, including commissions and wages represented by uncashed payroll checks owing in the ordinary course of the holder's business.

(f) Any sums payable for which a financial institution is directly liable, including checks, drafts, cashier's checks, certified checks, or similar instruments.

(g) Any stock, mutual fund, or other certificate of ownership, dividend, profit, distribution interest, payment on principal or other sum held or owing by a business association for a shareholder, certificate holder, member, bondholder or other security.

(h) Any certificate of deposit. If the account is in the form of a dividend reinvestment plan (DRP), the dormancy period shall begin at the first maturity date after the holder has determined the owner cannot be located.

(i) All intangible personal property not otherwise covered by ORS 98.302 through 98.436 that is held or owing in the ordinary course of the holder's business after it becomes due and payable.

(j) Funds held or owing under any life or endowment insurance policy or annuity contract that has matured or terminated and has become due and payable as established from the records of the insurance company.

(2) Funds in an individual retirement account or a retirement plan for self-employed individuals or a similar account or plan established according to the Internal Revenue laws of the United States of America are considered unclaimed and payable to the Division five (5) years after the account holder reaches age 70-1/2. If the account is in the form of a time certificate or certificate of deposit dividend reinvestment plan (DRP), the dormancy period shall begin at the first maturity date after the account holder reaches age 70-1/2.

(3) The following types of property are considered unclaimed and payable to the Division after two (2) years without owner contact:

(a) A life or endowment insurance policy or annuity contract not matured by actual proof of the death of the insured or annuitant according to the records of the insurance company, pursuant to ORS 98.314(3).

(b) All tangible and intangible property held in a safe deposit box or any other safekeeping depository in the ordinary course of the holder's business after the lease or rental period has expired. It does not include personal property that has been willfully abandoned by the owner, such as automobiles, furniture, household goods, or property covered by other statutes;

(c) All intangible property held for the owner by any court, state or other government, governmental subdivision or agency, county fiscal officer, public corporation, public authority, quasi-governmental agency, public officer of this state, political subdivision of this state, or

Public Employees' Retirement System, except those with a court order prohibiting the withdrawal of same, including, but not limited to:

(A) Fines;

(B) Bail;

(C) Restitution;

(D) Child support;

(E) Condemnation payments;

(F) Judgment proceeds;

(G) Unclaimed municipal bonds and the interest thereon.

(d) Tangible property held for the owner by a court, state or other government, governmental subdivision or agency, public corporation or public authority; law enforcement agency, other than property seized by a law enforcement agency as defined by ORS 98.245(1)(b).

(e) Property held by a dissolved cooperative;

(f) All unclaimed intangible personal property distributable in the course of a dissolution of a business association, or financial institution.

(4) The following types of property are considered unclaimed and reportable to the Division after one (1) year without owner contact:

(a) Assets of a dissolved corporation including any employee pension plans and profit shares that should be distributed to a creditor, claimant, employee or shareholder of the corporation as a result of the dissolution.

(b) Deposits made by a subscriber with a utility to secure payment or any sum paid in advance for utility services.

(c) Sums received for utility services which a utility has been ordered to refund.

(5) Any sums payable on a money order or similar written instrument, other than a third party bank check, that has been outstanding for more than seven (7) years after its issuance is considered unclaimed and reportable to the Division.

(6) Any sum payable on a travelers check that has been outstanding for more than fifteen (15) years is considered unclaimed and reportable to the Division.

Stat. Auth.: ORS 98.302 - ORS 98.436

Stats. Implemented: ORS 98.302 - ORS 98.436

Hist.: LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94; LB 2-1995, f. & cert. ef. 6-15-95

141-045-0041

Report Forms

(1) Report forms are available from the office of the Division, and may be mailed annually to each holder who has previously reported unclaimed dormant accounts to the State of Oregon.

(2) Reports will be accepted in the form of computer print-outs or other electronic or automated processes, with prior approval by the Division.

(3) Report forms and instructions may be mailed on or about each July 1 to all holders.

(4) A separate reporting form may be mailed to holders of any safekeeping repository, for a detailed listing of all contents and owners.

(5) The Division may, at its discretion, require holders to file negative reports.

Stat. Auth.: ORS 98.304 - ORS 98.436
Stats. Implemented: ORS 98.302 - ORS 98.436
Hist.: LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94

141-045-0061
Actions Required of Holders Before Reporting

(1) As soon as it appears that an account with a value of one hundred dollars ($100) or more is inactive, but no less than ninety (90) days before the reporting date of October 1, holders shall make a reasonable, good faith effort to confirm that inactive accounts are in fact inactive. Such efforts may include:

(a) Verifying that the owner has not communicated in writing with the holder concerning the asset;

(b) Verifying that the owner has not otherwise indicated an interest in the asset as evidenced by a memorandum or other record on file prepared by an employee of the holder;

(c) Verifying that the owner does not own other accounts in the holder's organization about which the owner has communicated with the holder (for example: the Trust Department of a financial institution should contact other departments of that institution);

(d) Where the account is a deposit, verifying that its amount has not increased or decreased, or that a passbook or similar evidence of deposit has not been presented by the owner for the crediting of interest; and

(e) Where the account is that of a credit union member, verifying that the member has participated in voting during a regularly scheduled credit union meeting.

(2) After determining, in accordance with OAR 141-045-061(1) that an account is inactive, the holder shall, no less than sixty (60) days before the reporting date of October 1, send the owner a written notice warning that the account will be reported to the Division as unclaimed property. The notice shall be separate from routine correspondence, statements or notices, and shall be sent to the owner's last-known address. The notice may include the following:

(a) The date of the owner's last contact regarding the account, (or, for property in a safekeeping repository, when the rent became past due);

(b) The date that the account or safekeeping repository will become presumed unclaimed by law;

(c) A statement that if the status of the account continues to be inactive, it may be turned over to the state; and

(d) A statement that, to prevent the account from being presumed unclaimed, the owner must respond to the holder before the reporting due date. The holder may set a deadline for response sufficient to allow the holder to communicate with the owner before filing its report. The holder may also include in such notice a response form for the owner's use.

(3) No less than thirty (30) days before the report date of October 1, holders shall, for all inactive accounts with a value of one hundred dollars ($100) or more for which the holder has been unable to locate the owner, make a reasonable, good faith effort to locate and contact the owner before reporting the account. Such effort shall include, but is not limited to:

(a) Verifying that the owner is not a current employee of the holder;

(b) Reviewing telephone books to verify address and telephone number;

(c) Verifying that the owner is not a well-known individual or organization (for example, Department of Treasury, IRS); and

(d) Any other effort the holder may take to find owners.

(4) A holder shall retain records or documentation of its compliance with the requirements of this section for five (5) years and make them available for inspection by the Division upon request.

Stat. Auth.: ORS 273.045 & ORS 273.051
Stats. Implemented: ORS 98.302 - ORS 98.436 & ORS 98.991 - ORS 98.992
Hist.: LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94; LB 6-1996, f. & cert. ef. 10-15-96

141-045-0100
Report and Delivery of Unclaimed Property to Division of State Lands

(1) Every person holding funds or other property, tangible or intangible, presumed abandoned according to ORS 98.302 through 98.352 shall report and pay or deliver all such property to the Division, except that funds transferred to the General Fund by governmental agencies pursuant to ORS 293.455(1)(a) shall only be reported (but not paid or delivered) to the Division.

(2) Holders shall be responsible for the content, accuracy, and timeliness of their report, regardless of whether the report is prepared by the holder or its agent. The holder shall designate a staff contact person responsible for the report.

(3) The report shall be filed after October 1, but no later than November 1 of each year for accounts dormant as of June 30.

(4) The Division may, at its discretion, postpone the reporting date, or allow early reporting and payment or delivery upon written request by any person required to file a report.

(5) Property, whether tangible or intangible, having a value of fifty dollars ($50) or more per account or owner of record, shall be reported individually pursuant to ORS 352(1)(a), and include the following information, if known:

(a) The complete name, address of record, Social Security number, previous names, and any previous addresses of each listed owner;

(b) The type of account, identification number, reference number, and any specific description of the unclaimed property according to the records of the holder;

(6) Property, whether tangible or intangible, having a value of forty nine dollars and ninety-nine cents ($49.99) or less per account or owner of record, may be reported in aggregate. However, any one owner who has several small accounts that individually total of forty nine dollars and ninety-nine cents ($49.99) or less, but collectively equal or exceed fifty dollars ($50), shall be reported as the larger amount, if possible.

(7) In addition to the information required above, life insurance companies shall also report the following information, if known:

(a) The full name of each insured or annuitant, or if a class of beneficiaries is named, the full name of each current beneficiary in the class, and last known address according to the holder's records;

(b) The address of each beneficiary; and

(c) The relationship of each beneficiary to the insured.

(8) Holders of safekeeping depositories shall comply with the following additional requirements:

(a) The specific report form for safe-keeping contents shall be completed, or the required information shall be included in the holder's computer generated report form;

(b) In addition to the information required in OAR 141-045-0100(5) above, list each item left in a safekeeping depository, and the owner(s)' identity. Information about the original box must be included if items were moved to a safekeeping area.

(c) The package of safekeeping depository contents shall be marked "to be delivered unopened," and shall be forwarded to the Division by certified mail, return receipt requested or hand carried by a courier. A receipt will be signed for the unopened package upon delivery to the Division, and forwarded to the holder within five (5) working days.

(d) The holder's complete name and return address shall be clearly identified on the package.

(e) The complete contents of safekeeping depositories shall be forwarded to the Division intact. Coins and currency found in the box shall not be converted, substituted, or exchanged.

(f) The holder may include information about safekeeping depository costs in its report to the Division. When the owner files a claim for the property, the Division shall require the owner to furnish a paid receipt or waiver for these costs from the holder before the claim will be approved.

(9) Holders, business associations, transfer agents, registrars or other persons acting on behalf of the holder of an intangible equity ownership interest deemed unclaimed according to ORS 98.322 shall, in addition to supplying the information required in OAR 141-045-0100(5) above:

(a) Where the original certificate is being held by the holder for the owner (i.e., an undeliverable share), cancel that certificate and issue a replacement certificate of ownership to the Division, or

(b) When the holder does not hold the original certificate (i.e., it is presumed to be in the possession of the owner), issue a replacement certificate (underlying share) to the Division.

(c) In either case, all outstanding accrued dividends shall be reported and forwarded to the Division, along with the certificate.

(d) When stock is reported and transferred to the Division's assigned stock broker or transfer agent in book entry form, holders shall immediately forward a confirmation of stock transfer to the Division at the time of transfer.

(10) In addition to the information in OAR 141-045-0100(5) above, holders reporting mutual funds in book entry form shall:

(a) Forward a confirmation of account transfer to the Division along with the report, and

(b) Forward future income in the form of cash, payable to the Division from mutual fund accounts with dividend reinvestment plans (DRP).

(11) The original reports detailing unclaimed dissolved agricultural cooperative accounts shall be forwarded to the Division along with the funds, and a copy of the report shall be filed with the State Board of Higher Education. The Division shall reconcile the report to the delivered funds, deduct the costs as provided for in ORS 62.720 and forward the funds to the State Board of Higher Education within fourteen (14) working days of receipt of the funds.

(12) The receiver or other liquidating agent for a dissolved corporation shall prepare a report containing the names and last-known addresses of the persons entitled to such funds.

(13) Before October 1 each year, each state agency shall prepare a report of all checks, warrants, and orders drawn by it which have been outstanding for a period of more than two (2) years prior to July 1, and that have not been paid by the State Treasurer. The report shall not include checks or orders that have already been paid pursuant to indemnity bonds. The agency shall forward the report to the Division before November 1.

(14) After October 1, the State Treasurer may refuse payment of the unpresented checks or orders included in the report, and upon instructions by the issuing agency shall:

(a) Transfer and credit the amounts of the unpresented checks or orders dedicated for general funding to the General Fund;

(b) Transfer all other funds to the Division; and

(c) Report information about any payment made to an owner subsequent to filing the report, but before transferring the funds to the Division.

(15) If the holder of the unclaimed account is a successor to other persons who previously held the property, or if the holder has had a name change, the holder shall include in the initial report prior known names and addresses of the original or previous holder(s).

Stat. Auth.: ORS 273.045 & ORS 273.051
Stats. Implemented: ORS 98.302 - ORS 98.436 & ORS 98.991 - ORS 98.992
Hist.: LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94; LB 6-1996, f. & cert. ef. 10-15-96

Confidentiality of Records
141-045-0105

(1) All records of dormant accounts shall be exempt from public review as follows:

(a) The holders shall withhold dormant account information for twelve (12) months from the time the property becomes reportable to the Division. (For example, under the five (5) year dormancy period, dormant records dated 7-1-1990 through 6-30-1991 will be reported in 1996. Thus, these accounts will become confidential 7-1-1995.)

(b) The Division shall withhold unclaimed account information for twenty-four (24) months after receipt of the report and property.

(c) All lists of uncashed warrants or stale dated checks issued by a government or public authority pursuant to ORS 98.336 shall be exempt from public review from the issued date until twenty-four (24) months after the property is remitted to the Division.

(2) The Division shall not disclose to any other state or any person any confidential information provided by the Department of Revenue from taxpayer returns.

Stat. Auth.: ORS 273.045 & ORS 273.051
Stats. Implemented: ORS 98.302 - ORS 98.436 & ORS 98.991 - ORS 98.992
Hist.: LB 5-1994, f. & cert. ef. 10-20-94; LB 6-1996, f. & cert. ef. 10-15-96

141-045-0115
Requirements of the Division of State Lands to Locate Owners

(1) Within one year of receipt of reports, payment, and delivery of accounts as required by OAR 141-045-0100, the Division shall publish the names of the owners of these accounts at

least once each week for two (2) successive weeks in a newspaper or other generally circulated periodical published in this state.

(2) Notwithstanding (1) above, the Division is not required to publish information concerning accounts which have a value of less than $100 (One Hundred Dollars), unless the Division deems such publication to be in the public interest.

(3) The Division shall also undertake reasonable efforts to locate the owners of unclaimed property reported and received by the Division, which shall include, but not be limited to the following:

(a) Contracted services with established firms, credit bureaus, telephone networking companies; or

(b) Interagency agreements with other governmental agencies, such as Social Security Administration, Insurance Commission, Motor Vehicles Division, Corporation Commission; or

(c) Use of reverse directories, telephone books, or other such publications.

Stat. Auth.: ORS 273.045 & ORS 273.051
Stats. Implemented: ORS 98.302 - ORS 98.436 & ORS 98.991 - ORS 98.992
Hist.: LB 5-1994, f. & cert. ef. 10-20-94; LB 6-1996, f. & cert. ef. 10-15-96

141-045-0120
Examination of Holder Accounts

(1) Pursuant to ORS 98.412, the Division may examine the records and other accounts of any holder to determine whether the holder has complied with the provisions of ORS 98.302 through 98.436.

(2) Among the reasons for which an examination may be conducted are erratic or inconsistent reporting practices, or the fact that the holder has never reported unclaimed property (even if the holder believes it is not in possession of any property reportable according to this statute).

(3) The examination may be performed by personnel employed by the Division of State Lands, employees of the Department of Commerce, Banking Division or Insurance Division, Division of Audits of the Office of the Secretary of State, or any other designated person under contract with the Division of State Lands.

(4) To the extent possible, the Division shall enter into agreements and establish procedures to perform joint examinations with other state or federal entities who regularly examine the records of financial institutions defined in OAR 141-045-0010(7). If the state or federal agency does not enter into an agreement with the Division, the Division shall conduct the examination.

(5) The types of records and accounts subject to examination include, but are not limited to:

(a) Contractual agreements between depositors and the financial institution regarding the deduction of service charges authorized according to ORS 708.500, account increases or decreases, and the cessation of interest payments;

(b) Records of current accounts, dormant accounts, and accounts that may have been closed and archived;

(c) The holder's procedures for administering dormant accounts, including searching for and notifying owners to ensure compliance with OAR 141-045-0030.

(6) The Division shall give written notice at least ten (10) days prior to an examination of all records and accounts subject to the Unclaimed Property Act.

Stat. Auth.: ORS 98.302 - ORS 98.436
Stats. Implemented: ORS 98.302 - ORS 98.436
Hist.: LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94; Renumbered from 141-45-120(5) & (6) to 141-45-125(1) & (2)

141-045-0125
Owner Identification Information

(1) Every holder shall maintain a record of the name and last-known address of the owner, any signature cards, or other evidence which would assist in the identification of the owner for
five (5) years after the property has been remitted to the Division.

(2) Any holder that sells traveler's checks, cashier's checks, credit memos, money orders, or other similar written negotiable instruments, other than third party bank checks for which the business is directly liable, or that provides such instruments to others for sale, shall maintain a record of those instruments while they remain outstanding, including the state and date of issue, for five (5) years after the date the property has been remitted to the Division.

Stat. Auth.: ORS 273.045 & ORS 273.051
Stats. Implemented: ORS 98.302 - ORS 98.436 & ORS 98.991 - ORS 98.992
Hist.: LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94; Renumbered from 141-45-120(5) & (6); LB 6-1996, f. & cert. ef. 10-15-96

141-045-0130
Service Charges And Payments Of Interest On Deposit Accounts

(1) With respect to demand, savings, or time deposit accounts held by financial institutions, the financial institution may not impose a service charge based on dormancy or inactivity, or cease payment of interest based on dormancy or inactivity unless:

(a) A written contractual agreement exists between the financial institution and the account owner, which clearly and prominently sets forth the conditions under which a service charge may be imposed or the payment of interest terminated. For the purposes of this rule, a card which is held in the files of the financial institution merely to establish a record of the owner's signature, and which does not contain contractual provisions applicable to the account, will not be treated as a written contractual agreement. However, any other written contractual agreement between the financial institution and the account holder, including a signature card which contains contractual provisions and which clearly and prominently sets forth the conditions under which a service charge may be imposed or payment of interest terminated, will be treated as satisfying the requirement of this subsection. The contractual agreement required by this subsection need not be signed by the account owner if the owner has otherwise indicated the owner's acceptance of the agreement. An agreement meets the "clear and prominent" test set forth above if:

(A) It contains a list of each of the circumstances or conditions which must exist or occur before the financial institution will impose a service charge or cease payment of interest; and

(B) The list referred to in OAR 141-045-0130(a)(A) is set apart from the other provisions of the contractual agreement or is printed in a larger type size or different color than the other provisions, or is highlighted, underlined, placed in a box, or otherwise reasonably distinguished so as to bring it to the attention of the account holder.

(b) The financial institution uniformly applies its policies regarding service charges and cessation of interest payments based on dormancy or inactivity with respect to all dormant or inactive accounts as to which the financial institution and the account holder have a contractual agreement as described in OAR 141-045-0130(a) above; and

(c) The financial institution gives:

(A) Written notice to the owner at the owner's last-known address when the account becomes dormant or inactive, stating that the account has become dormant or inactive; and

(B) Written notice by certified mail to the owner at the owner's last-known address, stating that unless the owner activates the account within three (3) months from the date the notice is mailed, the financial institution may apply a service charge to the account or stop paying interest on it. This notice must be mailed at least three (3) months before the financial institution applies a service charge or ceases payment of interest.

(2) The financial institution may combine these notices into a single document, so long as the time requirements set forth above are observed. In the event the account is owned by two (2) or more persons, these notices may be sent to any one of them.

(3) A holder may not deduct from the amount of any check, draft, cashier's check, certified check, or similar instrument, on which a financial institution is directly liable, any charge imposed by reason of the failure to present the instrument for payment unless there is a valid and enforceable written contract between the holder and the owner of the instrument pursuant to which the holder may impose a charge, and the holder regularly imposes such charges and does not regularly reverse or otherwise cancel them.

(4) A holder shall not deduct a service charge or fee or otherwise reduce an owner's unclaimed account unless:

(a) The owner has signed a separate, valid written contractual agreement which clearly and prominently sets forth the conditions under which a service charge may be imposed; and

(b) The service charge or fee is imposed uniformly on every account, whether active or dormant; and

(c) Three (3) months' written notice is given by certified mail to the last-known address of all account owners before a charge or fee is levied.

Stat. Auth.: ORS 98.302 - ORS 98.436
Stats. Implemented: ORS 98.302 - ORS 98.436
Hist.: LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94

141-045-0150
Disposition of Unclaimed Property

(1) If the Division determines after investigation that any item delivered has insubstantial commercial value, the Division may destroy or otherwise dispose of the property at any time, pursuant to ORS 98.384.

(2) Contents of safe deposit boxes received from banks or credit unions may be sold after one (1) year unless the Division considers it in the best interest of the state to do otherwise.

(3) All other property presumed abandoned and delivered to the Division shall be sold by the Division at such time and place, and in such manner as the Division determines will bring the highest return.

(4) Securities shall be sold on the exchange at prices prevailing at the time of the sale or by any other method the Division considers advisable.

(5) The Division may employ the services of a qualified investment advisor to assist with the custody and sale of securities.

(6) Sales of unclaimed property (other than securities and money with no historic or other unusual value) shall be conducted through public oral competitive bidding conducted by a licensed auctioneer who is not an employee of the Division.

(7) Public sales shall be preceded by a least one (1) publication of notice of the sale, at least
ten (10) days before the sale, in a newspaper of general circulation in the county where the property will be sold.

(8) The Division may decline the highest bid and re-offer the property for sale if the Division considers the bid price insufficient.

(9) The Division need not offer any property for sale if the probable cost of the sale exceeds the value of the property.

(10) The purchaser of property at any sale conducted by the Division takes the property free of all claims of the owner or previous holder, and of all persons claiming through or under them. The Division shall execute any documents necessary to complete the transfer of ownership.

Stat. Auth.: ORS 98.302 - ORS 98.436
Stats. Implemented: ORS 98.302 - ORS 98.436
Hist.: LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94

141-045-0155
Indemnification

(1) Upon delivery or payment of reportable unclaimed property to the Division in compliance with ORS 98.3302 through 98.436, the state shall assume custody of the property and the holder is relieved of all liability for any claim which then exists or which thereafter may arise or be made in respect to the property, to the extent of the value of the property so paid or delivered.

(2) The Division shall indemnify the holder of securities presumed abandoned according to ORS 98.322 to the extent allowed under the Oregon Constitution.

(3) No person shall have any claim against the state, the holder, any transfer agent, registrar or other person acting for or on behalf of a holder for any change in market value of the property occurring after delivery by the holder to the Division, or after sale of the property by the Division.

141-045-0160
Deposit Of Funds

(1) All funds received pursuant to ORS 98.302 through 98.436, including the proceeds from the sale of unclaimed property, shall be deposited by the Division of State Lands in the Common School Fund Account with the State Treasurer.

(2) Before making a deposit, the Division shall record the name and last-known address of each person reported by the holder to be entitled to the unclaimed property, the amount due the owner, the name of the holder, and any identifying account, policy or contract number.

(3) Before making a deposit, the Division may deduct:

(a) Any costs in connection with the sale of unclaimed property;

(b) Any costs of mailing, publication, or other efforts to locate owners of unclaimed property as set forth in OAR 141-045-0115; and;

(c) Reasonable service charges.

Stat. Auth.: ORS 98.302 - ORS 98.436
Stats. Implemented: ORS 98.302 - ORS 98.436
Hist.: LB 5-1994, f. & cert. ef. 10-20-94

141-045-0170
Claims for Recovery of Unclaimed Property

(1) All claims for recovery of unclaimed property reported to the Division in accordance with ORS 98.302 through 98.436 shall be submitted to the Division pursuant to OAR 141-040-0200 through 141-040-0220.

(2) If the claim allowed is for property deposited in the Common School Fund Account, the Division shall return the property or make payment of the proceeds of the sale of the property to the claimant(s).

(3) If the claim allowed is for funds deposited in the General Fund, the Division shall pay the claim and file a request for reimbursement with the State Treasurer. The State Treasurer shall reimburse the Division within five (5) working days from the fund against which the check or order represented in the claim was issued.

(4) A holder, subsequent to payment or delivery of accounts to the Division may make payment to the apparent owner, and file a claim with the Division. The Division shall reimburse the holder within sixty (60) days of receiving proof from the holder that the owner was paid. The Division shall not assess any fee or other service charge. Upon receiving the funds from the Division, the holder shall assume liability for the claimed asset, and hold the Division harmless from all future claims to the account.

(5) A person making a claim pursuant to ORS 98.392 for securities is entitled to receive either the securities delivered to the Division by the holder, if they still remain with the Division, or the proceeds received from sale, less any amounts deducted pursuant to ORS 98.386. The Division may require claimants to provide a lost instrument bond if the original certificate is not surrendered to the Division.

Stat. Auth.: ORS 98.302 - ORS 98.436
Stats. Implemented: ORS 98.302 - ORS 98.436
Hist.: LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94

141-045-0180

Penalties

(1) Any person who willfully fails to file any report, to pay or deliver property, or to perform other duties required by ORS 98.302 to 98.436 is guilty of a misdemeanor under ORS 98.991, and may be required to forfeit and pay an amount determined by the Division pursuant to ORS 183.909.

(2) The Division may waive any penalty due according to this section with appropriate justification.

Stat. Auth.: ORS 98.302 - ORS 98.436

Stats. Implemented: ORS 98.302 - ORS 98.436

Hist.: LB 4-1991, f. & cert. ef. 6-21-91; LB 5-1994, f. & cert. ef. 10-20-94

Port of Portland

Box 3529, Portland, Oregon 97208, U.S.A.
503/231-5000

August 5, 1999

Mr. Wayne Cozad
Cascade General, Inc.
P.O. Box 4367
Portland, OR 97208

Re: Division of State Lands Lease ML-10124
Audit Findings

Dear Wayne:

Enclosed is the report the Port received from the Division of State Lands concerning the results of the audit conducted in June 1999. As you will see, they have determined that we have a credit of $89,723.56 due to overpayments for 1998 actual and 1999 estimated rent.

This results from discrepancies which the auditor discovered in berthage occupancy records. She has recommended that the Port and Cascade work together to develop more accurate methods of determining actual berth occupancy. She also recommended that a mid-year occupancy report be submitted by August 30th of each year.

Please review the report and give me a call at (503) 731-7509 so we can discuss ways to improve the process and generation of the interim report.

Thank you for your time and consideration.

Sincerely,

Suzanne Brooks
Contracts Administrator
Property & Development Services

/slb

Enclosure

c: Cory Streisinger
Marie Mullins

Oregon
John A. Kitzhaber, M.D., Governor

Division of State Lands
775 Summer Street NE
Salem, OR 97310-1337
(503) 378-3805
FAX (503) 378-4844
TTY (503) 378-4615

State Land Board
John A. Kitzhaber
Governor
Phil Keisling
Secretary of State
Jim Hill
State Treasurer

July 15,1999

Suzanne L. Brooks, Contract Administrator
Property and Development Services
Port of Portland
PO Box 3529
Portland, OR 97208

Subject: Lease Rental Review: ML-10124

Dear Suzanne:

Thank you for your courtesy and continued cooperation extended to our auditor during this year's annual lease rental process. I would like to also extend our appreciation to Cascade General, Inc. and Wayne Cozad for producing the original records for this review.

Your copy of the auditor's memo report to me dated June 18, 1999 is enclosed for your review. Based on the audit findings the Port of Portland has a credit balance of $89,723.56 as illustrated below.

Actual Rent Due for 1998.	$ 90,870.40	
Estimated Rent Paid to DSL for 1998.	($135,732.18)	
Credit Due to Port of Portland based on Audit.		($44,861.78)

Estimated rent 1999 prior to audit.	($135,732.18)	
Estimated Rent for 1999 based on audit findings.	$ 90,870.40	
Estimated Credit Balance for 1999 based on 98 audit findings.		($44,861.78)
Total Credit Balance		($89,723.56)

This report also contains several recommendations made by the auditor, please review them. Currently estimates are made on past berth occupancy, which seems to vary considerably from year to year. Subsequent to the audit in 1998 the Port of Port owed an additional $23,273.18, this year the Port of Portland overpaid the 1998 rental by $44,861.98. The auditor recommends that the lease payment for 2000 not be submitted until after the Lease Rental Review is conducted. The auditor anticipates that the examination will be conducted in the early part of January 2000.

Lastly, the auditor would like you to review this report with your Lessee, Cascade General, Inc. To insure compliance with the lease agreement, the auditor would like to see improvements on the method of tracking berth occupancy.

If you have any questions or need further clarification, please do not hesitate to call me or Deborah Crook at 503-378-3805.

Sincerely,

Stephen J. Purchase
Assistant Director
Field Operations

Port of Portland
Audit Report

Division of State Lands
State of Oregon

Prepared by: Deborah J. Crook, Auditor

Division of State Lands
Internal Memo

June 18, 1999

To: Steve Purchase

From: Deborah J. Crook, Auditor

Subj: Port of Portland, Annual Lease Rental Review

This state lease (known as ML-10124) is effective for the twenty-one (21) year term, beginning January 1, 1996 and ending December 31, 2016 between the State of Oregon, acting by and through the Division of State Lands (Lessor) and the Port of Portland (Lessee). The lessee entered into a sublease agreement with Cascade General, Inc. for their optional use (commonly known as Portland Ship Yard (PSY) of the lease premises.

Background:
In accordance with Paragraph #5 of the state lease provides in part: "The lease payment to be paid by LESSEE to STATE shall be $66,923.00 per year or the amount set by redetermination at any time after the first anniversary date of the lease." It further provides: "STATE may perform an annual audit of occupancy of the leased premises" and "lease payments shall be payable annually and shall be due on the first day of January in advance". The annual rental amount may be calculated according to the formula: annual rental = Sq. Ft x $4.00 x .06 x percent occupied.

The actual berth occupancy rates experienced during any given year are included as a function of the final rental amount payable for that same lease year. Since those rates are unknown until each years end, the Divisions' annual billing for any given year must be considered an estimate based on the last known actual rates. The lease paragraph #5 also states: "Any overpayment of rent due to STATE will be credited to LESSEE for the year following the year rent is due. Any shortage of rent due to State will be billed to lessee and payable in 30 days from notice".

Please find attached the audit findings for the occupancy examination conduct on June 10, 1999.

Port of Portland

Statement of Findings
Lease Rental Review
January 1, 1998 - December 31, 1998

Division of State Lands
State of Oregon

Prepared by: Deborah J. Crook, Auditor

LIMITED PROCEDURES PERFORMED

The examination procedures performed were as follows:

1. The system of internal controls over Berth Occupancy were evaluated and personnel familiar with the accounting for Berth Occupancy were interviewed.
2. Obtained and reviewed PSY Security Maps..
3. Reviewed lease ML 10124.
4. Obtained and reviewed PSY 1998 Berthage Report.

Findings:

Note 1:
For the record, Port of Portland (LESSEE) has subleased the property name in lease ML-10124, to Cascade General Inc. Each year Cascade General, Inc. provides Port of Portland, with a detailed report named "Cascade General, Inc. –1998 DSL Berthage Report". All original documentation that would substantiate this report is located at Cascade General, Inc. In order for this auditor to verify the authenticity of the Berthage Report, Port of Portland was asked to make arrangements with Cascade General, Inc. for a records examination. Both parties complied.

Records Review:

1. Security Maps: Security Maps are prepared daily by Burns Security, who is contracted by Cascade General, Inc. to provide the ship yard with security. The security map encompasses the property named in ML 10124 (see attached). Each day the security company records the movement of vessels from berths to dry dock. Auditor reviewed and documented the activity between January 1, 1998 through December 31, 1998.

   The security map indicated at times 2 vessels were moored in one berthing area. It also indicated the vessel known as Thompson Pass occupied berth 306 for 365 days, extended over into berth 307 for that same amount of time. Thompson Pass has a length of 906'.

2. Berthage Occupancy Report: This report is based on project information that is entered into a database by Cascade General, Inc. This information along with other information stored in the database is used by Cascade General, Inc. for customer billing purposes. Occupancy is based on 24 hours, occupancy under 12 hours does not constitute time charged. During the course of review several discrepancies were found.

   a. Berth 301 Chevron WA entry for 6/29/98 to 6/29/98 s/b 1 day, recorded 6 days. Resolution was a date change to 7/4/98 for 6 days total. Report pg. 1.
   b. Berth 302 Global Sentinel has two entries that cover 9/28/98 to 9/30/98. Report pg. 4.
   c. Berth 302 Global Sentinel has two entries that cover 8/1/98 to 8/31/98. Report pg. 4.
   d. Berth 304 Matanuska the ending date of the week should be 11/22/98 instead of 11/24/98. Report page 6.
   e. Berth 305 Global Sentinel has two entries that cover 4/20/98-4/26/98. Report pg. 7.
   f. Berth 308 Barge 450-11 has a double entry for 4/14/98 to 4/14/98. Report pg. 8.
   g. Berth 308 Barge BMC 7 entry 4/6/98 to 4/8/98 has posted 7 days, calculating it appears to be 3 days. Report pg. 8.
   h. Berth 308 Barge BMC-7 double entry for 3/31/98 to 4/14/98. Report pg. 8.
   i. No record of Thompson Pass occupying Berth 307.
   j. Report overstated berth occupancy when more than one vessel was docked in the same berth.

3. Based on a recalculation of the Berthage Occupancy Report below is the revised occupancy calculation for 1998.

Berth #	Days Occupied per DSL	% Occupied by Berth	% Occupied by Parcel
301	225	61.64%	
302	198	54.25%	
303	181	49.59%	
304	96	26.30%	
305	181	49.59%	
			48.27%
306	365	100.00%	
307	365	100.00%	
308	19	5.21%	
			68.40%
311	59	16.16%	
			16.16%

Parcel #	Sq. ft	4.00 x 6%	% of Occupancy	1998 Rent
1	347217	0.24	48.27%	$40,227.71
2	262402	0.24	68.40%	$43,077.06
3	195018	0.24	16.16%	$7,565.63

Actual Rent Due for 1998. $90,870.40

Estimated Rent Paid to DSL for 1998. ($135,732.18)

Credit Due to Port of Portland based on Audit. ($44,861.78)

Estimated rent 1999 prior to audit. ($135,732.18)

Estimated Rent for 1999 based on audit findings. $ 90,870.40

Estimated Credit Balance for 1999 based on 98 audit findings. ($44,861.78)

Total Credit Balance ($89,723.56)

Audit Recommendations:

1. **Port of Portland is responsible for reporting accurate information to Division of State Lands for the occupancy of the property covered by ML-10124. Based on the findings listed above, Division of State Lands Auditor, recommends that the Port of Portland work with Cascade General to develop more accurate methods of determining the actual berth occupancy.**
2. **"Occupancy" clarification –occupancy is when any part of the property covered by ML-10124 is occupied. Based on the findings above, Cascade General overstated the occupancy time, when the report indicated two vessels were occupying the same berth. The berthage report was understated when a berth 306 and 307 were occupied for 365 days by the Thompson Pass, which has a length of 906'.**
3. **Based on the information received and audited for 1997 and 1998 the Port of Portland has a credit balance of $89,723.56 (see schedule). Recommendation is that the estimated rent due January 2000, not be remitted until after an examination of records by the Division of State Lands in January 2000.**
4. **Recommendation that the Port of Portland submit a mid-year occupancy report to the Division, no later than August 30th of each year.**

Cascade General, Inc.
1998 DSL Berthage Report

Ship length

Berth Number	Vessel Name	Length Overall	BL Date Arrived 1	BL Date Departed 1	BL Total Days 1	BL Date Arrived 2	BL Date Departed 2	BL Total Days 2	BW Date Arrived 1	BW Date Departed 1	BW Total Days 1	BW Date Arrived 2	BW Date Departed 2	BW Total Days 2
301	BARGE 450-10	400							12/12/98	12/15/98	3 ✓			
301	BARGE 450-10	400							12/21/98	12/31/98	11 ✓			
301	BARGE 450-11	400										4/6/98	4/8/98	3 ✓
301	BARGE 450-11	400							3/21/98	3/29/98	8 ✓			
301	BARGE 450-11	400							3/30/98	4/5/98	7 ✓			
301	BARGE BMC-18	197							2/25/98	3/8/98	11 ✓			
301	BLUEBACK	219							11/7/98	11/8/98	2 ✓			
301	BLUEBACK	219							11/9/98	11/17/98	(8) 9			
301	BMC-18	197							3/9/98	3/15/98	7 ✓			
301	BMC-18	197							3/16/98	3/17/98	1 ✓			
301	Chevron Washington	650							6/29/98	6/29/98	6			
301	HALEIWA	242							5/11/98	5/16/98	5 ✓			
301	Le Conte	236										4/6/98	4/12/98	7 ✓
301	Le Conte	236							2/11/98	2/15/98	4 ✓			
301	Le Conte	236							2/16/98	2/22/98	7 ✓			
301	Le Conte	236							2/23/98	3/1/98	7 ✓			
301	Le Conte	236							3/2/98	3/8/98	7 ✓			
301	Le Conte	236							3/9/98	3/15/98	7 ✓			
301	Le Conte	236							3/16/98	3/17/98	1 ✓			
301	Le Conte	236							3/30/98	4/5/98	7 ✓			

2-18-1998 1:16PM FROM WAYNE E CUZAD SR VP 206 1431 P.1

Cascade General, Inc.
1998 DSL Berthage Report

Berth Number	Vessel Name	Length Overall	BL Date Arrived 1	BL Date Departed 1	BL Total Days 1	BL Date Arrived 2	BL Date Departed 2	BL Total Days 2	BW Date Arrived 1	BW Date Departed 1	BW Total Days 1	BW Date Arrived 2	BW Date Departed 2	BW Total Days 2
301	Le Conte	236							4/13/98	4/19/98	7 ✓			
301	Le Conte	236							4/20/98	4/26/98	7 ✓			
301	Le Conte	236							4/27/98	5/3/98	7 ✓			
301	Le Conte	236							5/4/98	5/10/98	7 ✓			
301	Le Conte	236							5/11/98	5/17/98	7 ✓			
301	Le Conte	236							5/18/98	5/18/98	1 ✓			
301	NORTHERN VICTOR	397							5/25/98	5/26/98	1 ✓			
301	POTOMAC TRADER	658	5/31/98	6/7/98	7 ✓									
301	POTOMAC TRADER	658							6/8/98	6/8/98	1 ✓	6/13/98	6/14/98	2 ✓
301	POTOMAC TRADER	658							6/15/98	6/21/98	7 ✓			
301	POTOMAC TRADER	658							6/22/98	6/23/98	1 ✓			
301	S/R San Francisco	810	8/10/98	8/31/98	22 ✓									
301	S/R San Francisco	810	9/1/98	9/30/98	30 ✓									
301	S/R San Francisco	810	10/1/98	10/4/98	4 ✓									
301	S/R San Francisco	810							7/31/98	8/2/98	2 ✓			
301	S/R San Francisco	810							8/3/98	8/9/98	7 ✓			
301	SAUSE BROS. BARGE	286							3/10/98	3/11/98	1 ✓			
301	SEA ROBIN TUG	120							10/26/98	10/27/98	1 -2?			
301	SITKA BARGE	272							11/26/98	11/29/98	4 ✓			
301	SITKA BARGE	272							11/30/98	12/2/98	3 ✓			

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2-10-1998 1:10PM FROM WAYNE E COZAD SR VP 247 1431 P.2

Cascade General, Inc.
1998 DSL Berthage Report

Berth Number	Vessel Name	Length Overall	BL Date Arrived 1	BL Date Departed 1	BL Total Days 1	BL Date Arrived 2	BL Date Departed 2	BL Total Days 2	BW Date Arrived 1	BW Date Departed 1	BW Total Days 1	BW Date Arrived 2	BW Date Departed 2	BW Total Days 2
301	TANZLINA	272							5/16/98	5/17/98	1 ✓			
301	TANZLINA	272							5/18/98	5/24/98	6 ✓			
301	TUG WARRIOR	132							12/12/98	12/31/98	19 ✓			
301	USCG COWSLIP	180							7/30/98	7/31/98	1			
302	BARGE APL-5	263										4/6/98	4/12/98	7
302	BARGE APL-5	263							2/2/98	2/8/98	7			
302	BARGE APL-5	263							2/9/98	2/15/98	7			
302	BARGE APL-5	263							2/16/98	2/22/98	7			
302	BARGE APL-5	263							2/23/98	3/2/98	7			
302	BARGE APL-5	263							3/2/98	3/8/98	7			
302	BARGE APL-5	263							3/9/98	3/15/98	7			
302	BARGE APL-5	263							3/16/98	3/22/98	7			
302	BARGE APL-5	263							3/23/98	3/29/98	7			
302	BARGE APL-5	263							3/30/98	4/5/98	7			
302	BARGE APL-5	263							4/13/98	4/19/98	7			
302	BARGE APL-5	263							4/20/98	4/26/98	7			
302	BARGE APL-5	263							4/27/98	5/3/98	7			
302	BARGE APL-5	263							5/4/98	5/10/98	7			
302	BARGE APL-5	263							5/11/98	5/15/98	5			
302	BARGE BRANDON	272							6/20/98	6/21/98	1			

2-16-1998 1:17PM FRUM WAYNE E CUZAD SR VP 247 1431 P.5

Cascade General, Inc.
1998 DSL Berthage Report

Berth Number	Vessel Name	Length Overall	BL Date Arrived 1	BL Date Departed 1	BL Total Days 1	BL Date Arrived 2	BL Date Departed 2	BL Total Days 2	BW Date Arrived 1	BW Date Departed 1	BW Total Days 1	BW Date Arrived 2	BW Date Departed 2	BW Total Days 2
302	ESSAYONS	333							8/20/98	8/22/98	2			
302	ESSAYONS	350							10/19/98	10/25/98	7			
302	ESSAYONS	350							10/26/98	10/30/98	4			
302	GLOBAL SENTINEL	475	9/1/98	9/30/98	30									
302	GLOBAL SENTINEL	475	8/1/98	8/31/98	31									
302	GLOBAL SENTINEL	475							8/1/98	8/31/98	31			
302	GLOBAL SENTINEL	475							9/28/98	10/4/98	7			
302	GLOBAL SENTINEL	475							10/5/98	10/11/98	6			
302	NENA F.	600							7/28/98	7/30/98	2			
302	P.J. BRIX	86										1/26/98	2/2/98	7
302	SOUTH PACIFIC	95							7/26/98	7/27/98	1			
302	STEADFAST	210							11/8/98	11/9/98	1	11/11/98	11/12/98	1
303	BARGE APL-5	263							1/1/98	1/4/98	4			
303	BARGE APL-5	263							1/5/98	1/11/98	7			
303	BARGE APL-5	263							1/12/98	1/18/98	7			
303	BARGE APL-5	263							1/19/98	1/25/98	7			
303	BARGE APL-5	263							1/26/98	2/1/98	7			
303	HALEIWA	242							5/22/98	5/23/98	1			
303	M/V KENNICOTT	382							10/5/98	10/11/98	7			
303	NAPHALAI	438										4/6/98	4/12/98	7

Cascade General, Inc.
1998 DSL Berthage Report

Berth Number	Vessel Name	Length Overall	BL Date Arrived 1	BL Date Departed 1	BL Total Days 1	BL Date Arrived 2	BL Date Departed 2	BL Total Days 2	BW Date Arrived 1	BW Date Departed 1	BW Total Days 1	BW Date Arrived 2	BW Date Departed 2	BW Total Days 2
303	NAPHALAI	438							12/29/97	1/4/98	7			
303	NAPHALAI	438							1/5/98	1/11/98	7			
303	NAPHALAI	438							1/12/98	1/18/98	7			
303	NAPHALAI	438							1/19/98	1/25/98	7			
303	NAPHALAI	438							1/26/98	2/1/98	7			
303	NAPHALAI	438							2/2/98	2/8/98	7			
303	NAPHALAI	438							2/9/98	2/15/98	7			
303	NAPHALAI	438							2/16/98	2/22/98	7			
303	NAPHALAI	438							2/23/98	3/1/98	7			
303	NAPHALAI	438							3/2/98	3/8/98	7			
303	NAPHALAI	438							3/9/98	3/15/98	7			
303	NAPHALAI	438							3/16/98	3/22/98	7			
303	NAPHALAI	438							3/23/98	3/29/98	7			
303	NAPHALAI	438							3/30/98	4/5/98	7			
303	NAPHALAI	438							4/13/98	4/19/98	7			
303	NAPHALAI	438							4/20/98	4/26/98	7			
303	NAPHALAI	438							4/27/98	5/3/98	7			
303	NAPHALAI	438							5/4/98	5/10/98	7			
303	NAPHALAI	438							5/11/98	5/17/98	7			
303	NAPHALAI	438							5/18/98	5/24/98	7			

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Cascade General, Inc.
1998 DSL Berthage Report

Berth Number	Vessel Name	Length Overall	BL Date Arrived 1	BL Date Departed 1	BL Total Days 1	BL Date Arrived 2	BL Date Departed 2	BL Total Days 2	BW Date Arrived 1	BW Date Departed 1	BW Total Days 1	BW Date Arrived 2	BW Date Departed 2	BW Total Days 2
303	NAPHALAI	438							5/25/98	5/31/98	7			
303	NAPHALAI	438							6/1/98	6/7/98	7			
303	NAPHALAI	438							6/8/98	6/14/98	7			
303	NAPHALAI	438							6/15/98	6/16/98	1	6/18/98	6/21/98	3
304	CSO CONSTRUCTOR	364							9/14/98	9/15/98	1	9/15/98	9/19/98	5
304	M/V KENNICOTT	382							9/21/98	9/27/98	7			
304	M/V KENNICOTT	382							9/28/98	10/4/98	7			
304	M/V KENNICOTT	382							10/12/98	10/14/98	2			
304	M/V KENNICOTT	382							10/23/98	10/25/98	2			
304	M/V KENNICOTT	382							10/26/98	10/29/98	4			
304	MATANUSKA	408							11/6/98	11/8/98	2			
304	MATANUSKA	408							11/9/98	11/15/98	7			
304	MATANUSKA	408							11/16/98	11/24/98	7			
304	MATANUSKA	408							11/23/98	11/29/98	7			
304	MATANUSKA	408							11/30/98	12/6/98	7			
304	MATANUSKA	408							12/7/98	12/13/98	7			
304	MATANUSKA	408							12/14/98	12/20/98	7			
304	MATANUSKA	408							12/21/98	12/31/98	11			
304	USNS VICTORIUS	235							5/4/98	5/10/98	7			
304	VICTORIOUS	235							6/8/98	6/14/98	6			

212

96

2-16-1998 1:18PM FROM WAYNE E CUZAD SR VP 224 1431 P.6

Cascade General, Inc.
1998 DSL Berthage Report

Berth umber	Vessel Name	Length Overall	BL Date Arrived 1	BL Date Departed 1	BL Total Days 1	BL Date Arrived 2	BL Date Departed 2	BL Total Days 2	BW Date Arrived 1	BW Date Departed 1	BW Total Days 1	BW Date Arrived 2	BW Date Departed 2	BW Total Days 2
05	BMC 18 FOSS	207							11/22/98	12/3/98	11			
05	BROOKS RANGE	906	1/1/98	1/31/98	31									
05	BROOKS RANGE	906	2/1/98	2/28/98	28									
05	GLOBAL SENTINEL	475	2/1/98	2/28/98	28									
05	GLOBAL SENTINEL	475	3/1/98	3/31/98	31									
05	GLOBAL SENTINEL	475	4/1/98	4/30/98	30									
05	GLOBAL SENTINEL	475	5/1/98	5/31/98	31									
05	GLOBAL SENTINEL	475							4/20/98	4/26/98	7			
05	GLOBAL SENTINEL	475							6/8/98	6/14/98	7			
05	GLOBAL SENTINEL	475							6/22/98	6/28/98	6			
05	GLOBAL SENTINEL	475							7/6/98	7/12/98	6			
06	THOMPSON PASS	906	1/1/98	1/31/98	31									
06	THOMPSON PASS	906	2/1/98	2/28/98	28									
06	THOMPSON PASS	906	3/1/98	3/31/98	31									
06	THOMPSON PASS	906	4/1/98	4/30/98	30									
06	THOMPSON PASS	906	5/1/98	5/31/98	31									
06	THOMPSON PASS	906	6/1/98	6/30/98	30									
06	THOMPSON PASS	906	7/1/98	7/31/98	31									
06	THOMPSON PASS	906	8/1/98	8/31/98	31									
06	THOMPSON PASS	906	9/1/98	9/30/98	30									

Cascade General, Inc.
1998 DSL Berthage Report

Berth Number	Vessel Name	Length Overall	BL Date Arrived 1	BL Date Departed 1	BL Total Days 1	BL Date Arrived 2	BL Date Departed 2	BL Total Days 2	BW Date Arrived 1	BW Date Departed 1	BW Total Days 1	BW Date Arrived 2	BW Date Departed 2	BW Total Days 2
306	THOMPSON PASS	906	10/1/98	10/31/98	31									
306	THOMPSON PASS	906	11/1/98	11/30/98	30									
306	THOMPSON PASS	906	12/1/98	12/31/98	31						365			
308	Barge 450-11	400							4/14/98	4/19/98	5			
308	Barge 450-11	400							4/14/98	4/19/98	5			
308	Barge BMC-7	204										4/6/98	4/8/98	7
308	Barge BMC-7	204							3/31/98	4/5/98	6			
308	Barge BMC-7	204							4/13/98	4/14/98	1			
308	Barge BMC-7	204							3/31/98	4/14/98	14	38		
311	S/R Philadelphia	810	1/1/98	1/31/98	31									
311	S/R Philadelphia	810	2/1/98	2/28/98	28	59								

2-16-1998 1:19PM FKUM WAYNE E CUZAD SK VP 247 1431

SHIP LOCATIONS

DATE 11-15-98 TIME 0001

Richard K Parlette

Richard K Parlette

SHIP LOCATIONS

ARRIVED _____ LEFT _____ AT _____ HOURS

ARRIVED _____ LEFT _____ AT _____ HOURS

ARRIVED _____ LEFT _____ AT _____ HOURS

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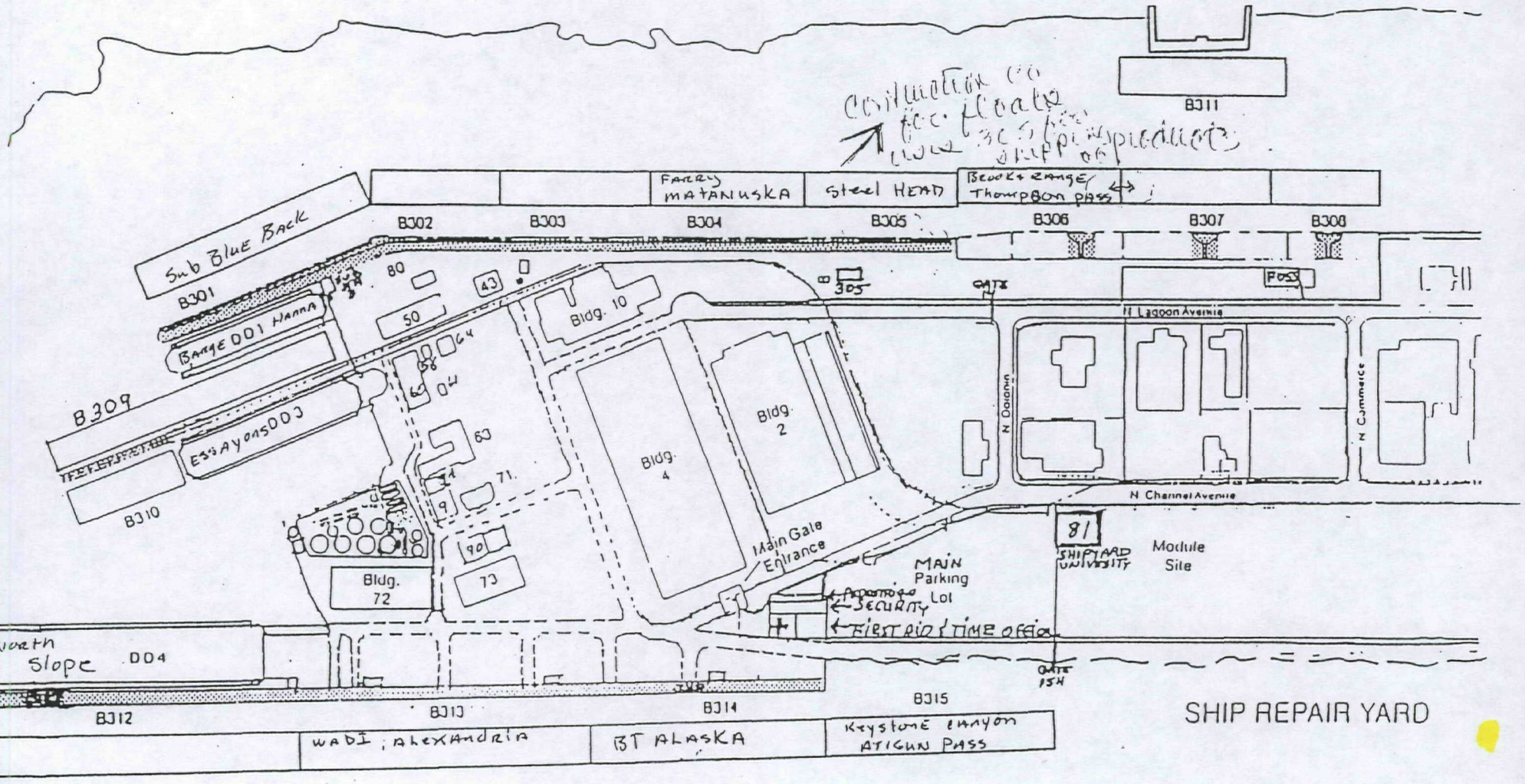

SHIP LOCATIONS

DATE 12-31-98

Richard K Pinelette

Richard K Pinelette

SHIP LOCATIONS

12-31

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ARRIVED _____ LEFT _____ AT _____ HOURS

ARRIVED _____ LEFT _____ AT _____ HOURS

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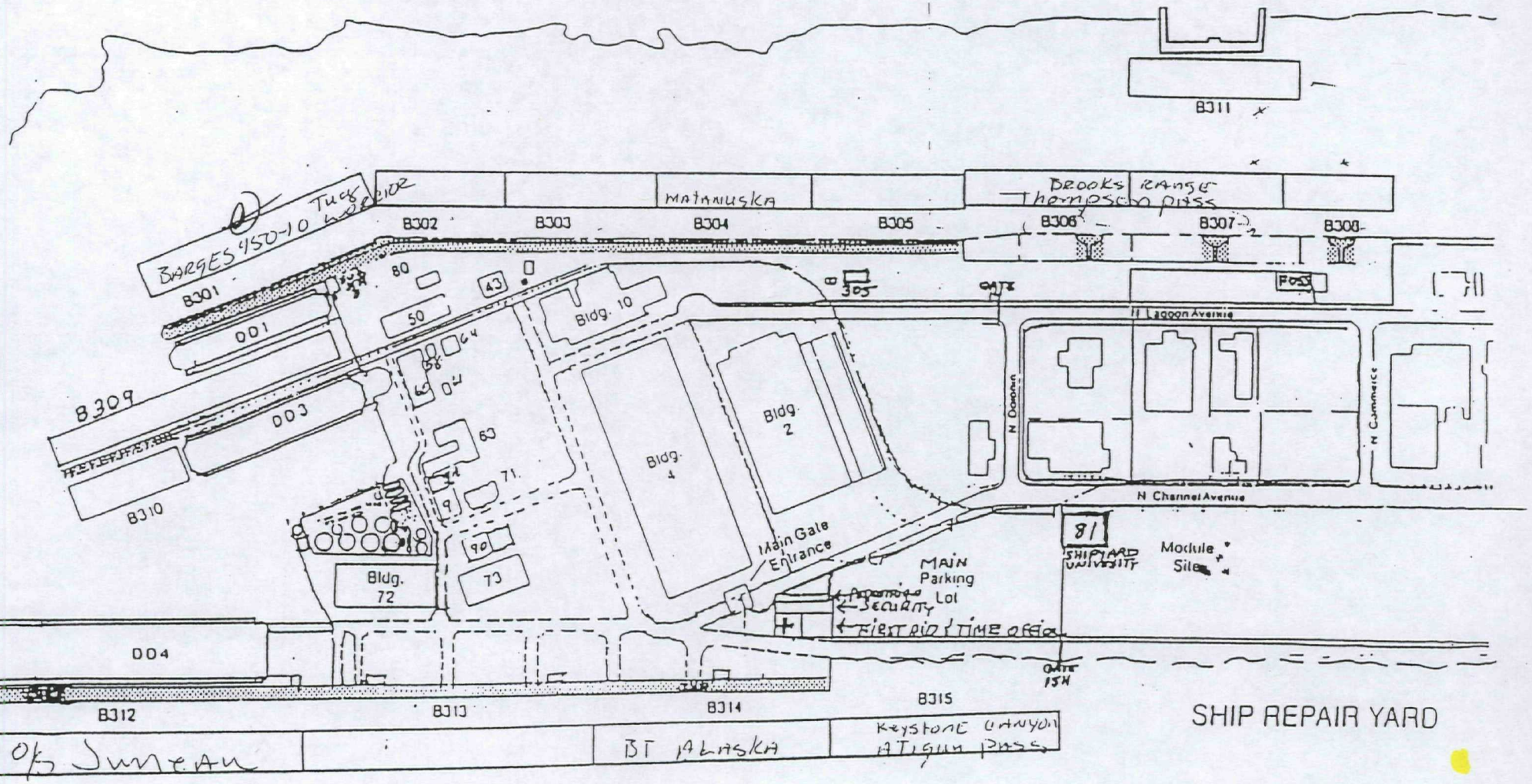
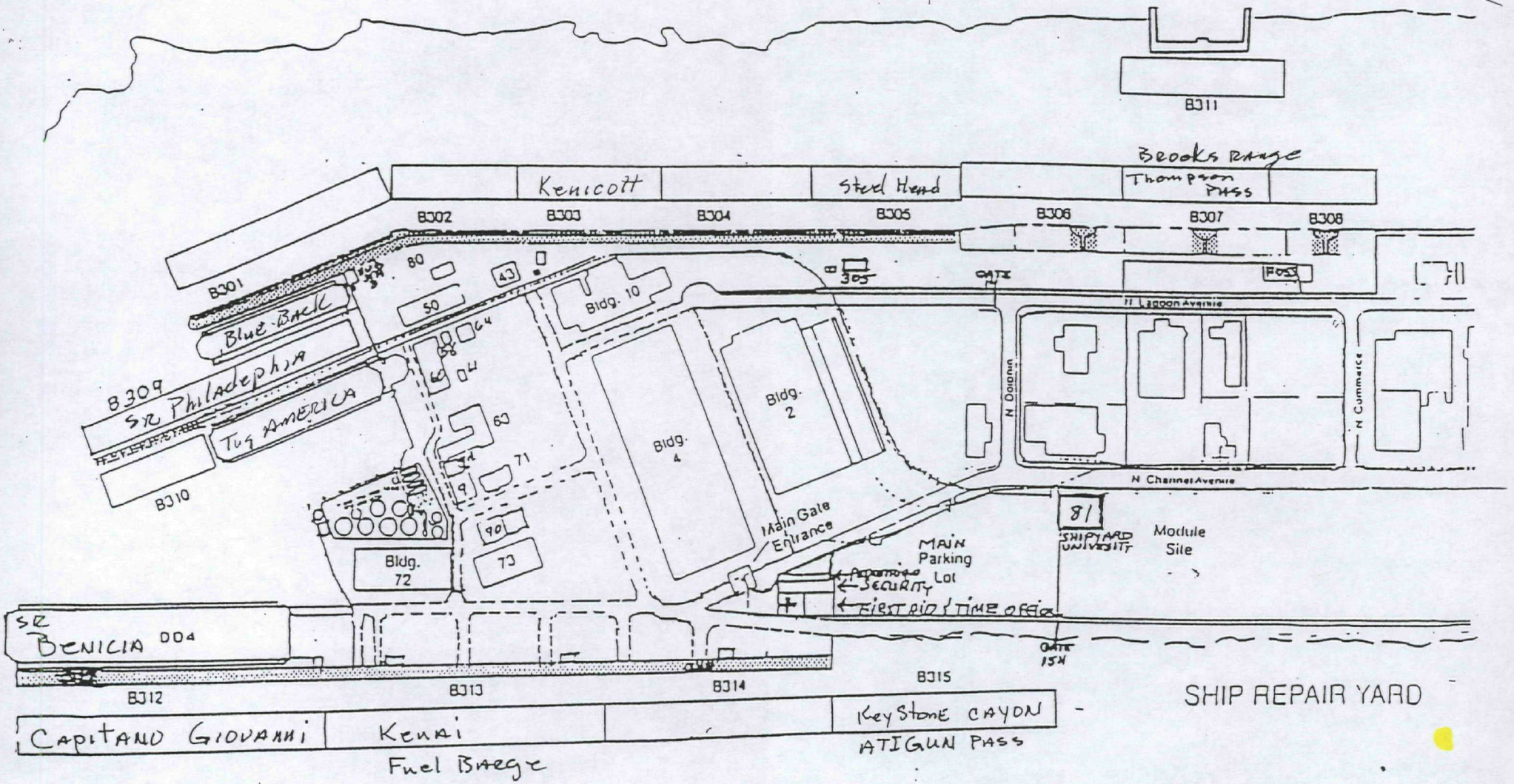


10-11

SHIP LOCATIONS DATE 10-11-98 SHIP LOCATIONS

Richard K Parlette

Fuel Barge	ARRIVED LEFT	B313	AT	1821	HOURS		ARRIVED LEFT		AT		HOURS
Global Sentinel	ARRIVED LEFT	B302	AT	0630	HOURS		ARRIVED LEFT		AT		HOURS
	ARRIVED LEFT		AT		HOURS		ARRIVED LEFT		AT		HOURS
	ARRIVED LEFT		AT		HOURS		ARRIVED LEFT		AT		HOURS

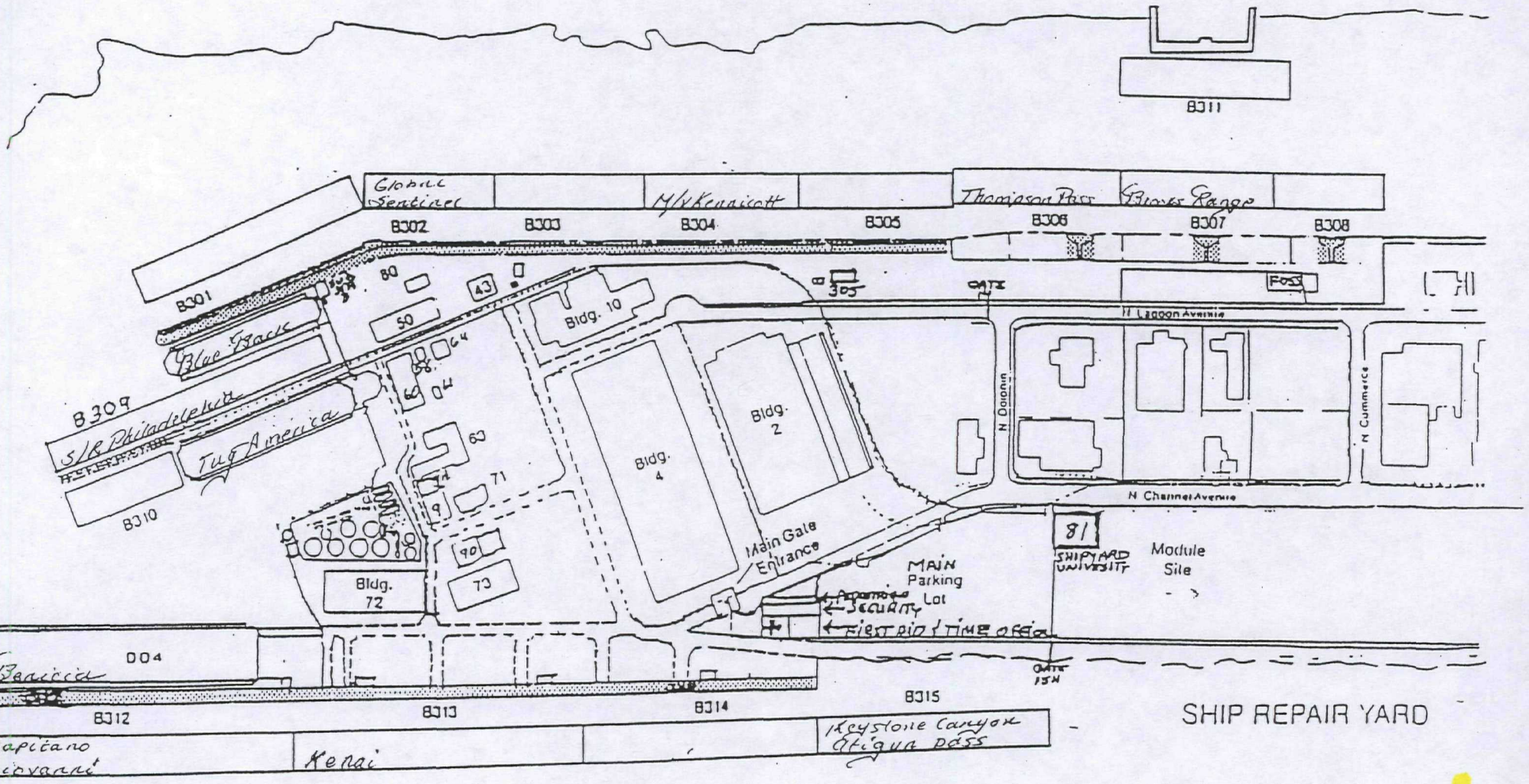


10-10

SHIP LOCATIONS DATE 10-10-[illegible] SHIP LOCATIONS

Jenifer [illegible] Jenifer Klaszyk S/S [illegible]

ARRIVED	LEFT	AT	HOURS	ARRIVED	LEFT	AT	HOURS
ARRIVED	LEFT	AT	HOURS	ARRIVED	LEFT	AT	HOURS
ARRIVED	LEFT	AT	HOURS	ARRIVED	LEFT	AT	HOURS
ARRIVED	LEFT	AT	HOURS	ARRIVED	LEFT	AT	HOURS



Form No. 591

Oregon
John A. Kitzhaber, M.D., Governor

Division of State Lands
775 Summer Street NE
Salem, OR 97310-1337
(503) 378-3805
FAX (503) 378-4844
TTY (503) 378-4615

MEMORANDUM

State Land Board
John A. Kitzhaber
Governor
Phil Keisling
Secretary of State
Jim Hill
State Treasurer

May 20, 1999

TO: Interested Persons

FROM: Paul R. Cleary PRC
Director

SUBJECT: **Notice Of State Land Board Meeting On Tuesday, June 8th 1999 To Consider:**

Adoption Of Proposed Administrative Rules Governing The Management And Leasing Of State-Owned Submerged And Submersible Land Including Lease Contract Form

June Land Board Meeting To Consider Adoption Of Revised Draft Rules

The Division of State Lands (Division) has completed its review and analysis of the public testimony on the March 1999 draft administrative rules governing the management and leasing of state-owned submerged and submersible land. Based on this evaluation, the Division has made a number of significant changes to the March 1999 draft rules. On Tuesday, June 8th, at 10 AM, the Land Board will meet in Salem at the Division of State Lands Building, 775 Summer Street NE, to decide whether to adopt these proposed rules.

Summary Of Major Changes Made To The March 1999 Draft Rules

- Adopt the "Simple Choice" method of ratemaking (see attached chart).
- Drop minimum annual lease rental payments from $300 to $250.
- Require the Division to share in the cost of leasehold boundary survey when needed, by reimbursing lessee/lease applicant for one-half of survey cost to be applied as credit against the annual lease rental payment.
- Require the Division to share in land appraisal cost by reimbursing lessee/lease applicant for one-half of appraisal cost to be applied as credit against the annual lease rental payment if the appraisal is used in calculating the lease rental payment under the "assessed value" (AV) rate choice.
- Drop the 8% of assessed value proposal for Non-Marine Uses and Floating Homes and use 5% of assessed value for all use classifications that choose that approach (a 17% reduction in percentage factor) with further reduction by using assessed value rather than real market value.
- Offer the same rate choices for Floating Home Moorages and Marinas, or mixed floating home/boat moorages: $0.02/square foot or 5% assessed value (AV) or 3% of annual slip rentals (a one-third reduction from prior "Revised Modified Choice" floating home rate proposal).
- Reduce the rates for Non-Marine Uses: $0.35/square foot (a 37% reduction) or 5% assessed value.
- Combine Fish Processing with Marine Industrial/Marine Service; use the same flat rate: $0.30/square foot or 5% assessed value.
- Provide for use of independent mediator/facilitator (at Division expense) to help resolve disputes informally.

- Require structured review of new rule/program implementation with continuation of Technical Advisory/Public Interest Committee (TAPIC) and formal survey of lessees. Interim status report to Land Board after 6 months and detailed implementation report to Board with recommended revisions (if any) in 18 months. Reports on the waterway improvement inventory and related activities will also be submitted at every other Land Board meeting (three times a year).

Reasons For The Changes

- Further simplifies ratemaking calculations by reducing the number of flat rate factors from six to four, and number of assessed value factors from two to one.
- Promotes further equity among waterway lessees, while recognizing differences between local economic/business conditions.
- Groups "working waterfront" users together in a single marine use-type classification.
- Maintains revenue neutral position, and pressure on the Division to aggressively inventory and address unauthorized uses/structures in order to increase total revenues.
- Responds to public comment to reduce burden on Non-Marine lessees.
- Responds to public comment that waterway lessees assume more risk and have higher operation costs than comparable land-based businesses.
- Responds to public comment that the Division is only entitled to a much lower than market rate of return for submerged and submersible land because it is not an active land manager and that the real estate (i.e., state submerged and submersible land) subject to lease requires significant capital investment to be made useable.
- Responds to public comment that lessees/lease applicants need access to independent mediator/facilitator in disputes with the Division.
- Responds to public comment that lessees/lease applicants need to be able to challenge adjacent upland assessed valued with independent appraisals and that Division needs to share in cost of those appraisals if they prove assessed values are wrong.
- Responds to public comment that new rules/program implementation need structured review with direct lessee involvement to evaluate strengths/weakness and pursue adaptive management.
- Responds to public comment that lessees need enhanced lease tenure (15 year primary term with option to renew for additional 15 year terms) and rate certainty (rate escalation fixed for entire 15 year term rather than subject to open-ended annual revision or 5 year redetermination).

Availability Of Proposed Rules

Copies of the proposed rules for adoption are available from the Division upon request by contacting:

Ms. Shannon Relaford, Rules Coordinator
Division of State Lands
(503) 378-3805 ext. 271
FAX: (503) 378-4844
e-mail: shannon.relaford@ dsl.state.or.us

You can also get a copy by visiting the Division's website at: http://statelands.dsl.or.us

Opportunity For Comment

The public record will remain open until the day of the Land Board meeting. Should you want to comment on the proposed rules for adoption, you may do so by sending your comments to the Division in care of Ms. Relaford. Alternatively, a limited amount of time will be available to present your testimony orally to the State Land Board at its meeting. Should you want to address the Land Board directly, please contact Ms. Gail Lowry (503) 378-3805 ext. 224 to make arrangements.

"SIMPLE CHOICE" MODEL*

(May 19, 1999)

1.	Log Rafts/Log storage areas	Choice of lowest... $0.01/sq. ft.; or 5% by riparian land value method (see note below)
2.	Commercial Marinas & Floating Home Moorages	Choice of lowest... $0.02/sq. ft.; or 5% by riparian land value method; or 3% of actual annual boat or slip rentals
3.	Non-Commercial Marinas & Floating Home Moorages	Choice of lowest... $0.02/sq. ft.; or 5% by riparian land value method; or 3% of imputed annual slip rentals
4.	Marine Industrial/Marine Service Uses including Fish Processing Facilities	Choice of lowest... $0.30/sq. ft.; or 5% by riparian land value method
5.	Non-Marine Uses	Choice of lowest... $0.35/sq. ft.; or 5% by riparian land value method
6.	Historical Vessels Moorage/Charitable Organization-Owned Facilities	$250 per year

- Note: Lessee may choose lowest rate based on a variety of methods for the term of lease; rate is escalated annually by 3% if flat rate or riparian land value method is selected; lease term is 15 years with additional 15 year terms right of renewal under basic conditions; **minimum rate set at $250.**
- The Riparian Land Value method is a means of calculating the annual lease rental payment by multiplying the assessed value (per square foot) of the adjacent riparian tax lot times 5% times the area of state-owned submerged and submersible land occupied by a leasable structure (e.g. fish processing facility, hotel, restaurant, etc.) or use (e.g. marina, barge moorage, etc.).

*Comparison of Current and Proposed Lease Rates**

Waterway Use Class	*Current Method with "Freeze"*	*Simple Choice Model*	*Graduated Flat Rate*
Non-Marine Uses (Use includes retail outlets, restaurants, motels, offices, and warehouses)	$108,632	$91,0714	$49,348
% of Total Revenue	13%	10%	5%
Marine Industrial and Marine Service Uses (Use includes barge and work boat moorage, ship repair, and vessel dismantling)	$280,498	$303,562	$311,400
% of Total Revenue	33%	34%	31%
Fish Processing Facilities	$90,051	$35,888	$34,090
% of Total Revenue	10%	4%	3%
Log Raft	$105,011	$113,613	$228,438
% of Total Revenue	12%	13%	23%
Floating Homes/Moorage (includes private non-commercial moorages and individual floating homes)	$57,611	$89,688	$78,887
% of Total Revenue	7%	10%	8%
Commercial/Non-Commercial Marina/Moorage	$218,877	$260,117	$286,743
% of Total Revenue	25%	29%	29%
Annual Statewide Revenue	$860,680	$893,939	$989,006

*Note: This chart uses the data from current lease files (April 1999) to compare the estimated annual lease revenue from each category of use. Some lessees were excluded from this analysis due to: (1) eligibility for registration; (2) rates set by long term contract; (3) the proposed rule offers a one-time payment for certain public facilities

SIMPLE CHOICE RATE SCHEDULE MODEL

AVERAGE ANNUAL LEASE RENTAL PAYMENT PER SQUARE FOOT BY LEASE USE

Use Classification	Effective Use Area (sq. ft.)	Total Lease Revenue	Ave. Rate (sq. foot)	% of Total Revenue
NM	278,056	$91,071	$0.3275	10%
FP	326,409	$35,888	$0.1099	4%
MI/MS	2,949,837	$303,562	$0.1029	34%
FH	5,211,518	$89,688	$0.0172	10%
MM	18,640,133	$260,117	$0.0140	29%
LR	23,822,223	$113,613	$0.0048	13%
GRAND TOTAL	51,228,176	$893,939		100%

Notes:

1. Minimum Rate = $250

1. "Effective Use Area" is the portion of the leasehold occupied by a structure (i.e., the actual footprint of the building used for Non-Marine (NM), Fish Processing Facilities (FP) or Marine Industrial/Marine Service (MI) activities).

The "Effective Use Area" is used to calculate the rate for Non-Marine, FP and MI uses. Usually the Lease Area and Effective Use Area are the same. Sometimes, as in the case of a mixed use lease, they are not. For example, a leasehold may include both an Marina/Moorage (MM) use area and NM, FP or MI. In other cases, a portion of the leasehold may be unused or in an exempt use (e.g., wharf) where no lease rate is calculated.

WATERWAY LEASE RATE COMPARISONS
WINNERS/LOSERS/AVERAGES

A. Non-Marine Use

	Graduated Flat Rate	Simple Choice
Winners (average)	22; ($2,801)	20; ($1,530)
Losers (average)	5; $467	7; $1,862

B. Fish Processing

	Graduated Flat Rate	Simple Choice
Winners (average)	17; ($4,129)	18; ($3,116)
Losers (average)	3; $4,745	2; $964

C. Marine Industrial/Marine Service

	Graduated Flat Rate	Simple Choice
Winners (average)	11; ($8,654)	19; ($1,132)
Losers (average)	27; $4,670	19; $2,346

D. Floating Home Moorages

	Graduated Flat Rate	Simple Choice
Winners (average)	11; ($628)	16; ($477)
Losers (average)	23; $1,230	18; $2,206

E. Marinas

	Graduated Flat Rate	Simple Choice
Winners (average)	58; ($573)	74; ($723)
Losers (average)	106; $939	90; $1,053

F. Log Rafts

	Graduated Flat Rate	Simple Choice
Winners (average)	2; ($1,092)	22; ($1,691)
Losers (average)	45; $2,791	25; $1,832

Overall

	Graduated Flat Rate	Simple Choice
Total Winners	121	169
Total Losers	209	161

PROPOSED RULES FOR

AUTHORIZING STRUCTURES ON, AND USE OF STATE OWNED SUBMERGED AND SUBMERSIBLE LAND BY LEASE, REGISTRATION, TEMPORARY USE PERMIT, AND PUBLIC FACILITY LICENSE

These proposed rules will be presented by the Division of State Lands to the State Land Board on Tuesday, June 8, 1999 for its review and adoption.

Proposed Rules For Authorizing Structures On, And Use Of State-Owned Submerged And Submersible Land By Lease, Registration Temporary Use Permit, And Public Facility License

141-082-0000 ***Purpose And Applicability***

These rules:

(1) Govern the management of state-owned submerged and submersible land for a wide variety of commercial and non-commercial uses and structures such as, but not limited to: aquaculture facilities; marine industrial facilities; marine service facilities; floating homes and floating home moorages; fish processing facilities; log raft and log storage booming areas; combination boat houses and combination boat house moorages; marinas, including owner-oriented facilities; boat ramps; docks; floats; boat houses; and non-marine uses (for example, restaurants, warehouses, offices, motels, and dwellings). This land is managed by the Division of State Lands (Division) as the administrative arm of the State Land Board.

(2) Establish procedures for authorizing structures on, and uses of state-owned submerged and submersible land by lease, registration, temporary use permit or public facility license.

(3) Do not pertain to the management of state-owned submerged and submersible land for the removal of sand and gravel, mineral exploration, granting of easements, or leasing of upland created from state-owned submerged and submersible land. These uses/activities are covered under separate Division rules. In addition, these rules do not apply to structures on, or uses of state-owned submerged and submersible land which are exempt from lease such as wharves, and navigation aids placed by public agencies.

141-082-0010 Policies

(1) Pursuant to Oregon law as defined in ORS 274, all tidally-influenced and title navigable waterways (referred to as state-owned submerged and submersible land) have been placed by the Legislature under the jurisdiction of the State Land Board and the Division.

(2) The State Land Board, through the Division, has a constitutional responsibility to manage "the lands under its jurisdiction with the object of obtaining the greatest benefit for the people of this state, consistent with the conservation of this resource under sound techniques of land management" pursuant to Article 8, Section 5(2) of the Oregon Constitution.

(3) State-owned submerged and submersible land is managed to ensure the collective rights of the public, including riparian owners, to fully use and enjoy this resource for commerce, navigation, fishing, recreation and other public trust values.

(4) No person shall place a structure on, or make use of state-owned submerged and submersible land without the required authorization described in these rules unless the structure or use is exempt from such authorization by law or these rules.

(5) All uses of state-owned submerged and submersible land shall conform to local (including local comprehensive land use planning and zoning ordinance requirements), state, or federal laws.

(6) An applicant shall be ineligible for an authorization under the provisions of these rules if the proposed use:
   (a) Is inconsistent with local, state, or federal laws;
   (b) Is not in compliance with these rules;
   (c) Would result in an unreasonable interference with the public trust values of commerce, navigation, fishing and recreation;
   (d) Would have unacceptable impacts on public health, safety or welfare, or natural resource values; and
   (e) Is prohibited by a State Land Board or Division adopted area closure, use restriction, or waterway management plan.

(7) The Division shall administer these rules to ensure to the extent possible that:
   (a) The people of Oregon receive fair compensation for the use of state-owned submerged and submersible land reflective of local market conditions;
   (b) Persons applying for, and holding an authorization to use state-owned submerged and submersible land receive consistent, predictable, and fair treatment; and
   (c) Public trust values (commerce, navigation, fishing, and recreation) are supported, protected, and enhanced.

141-082-0020 Definitions

(1) "Actual Annual Slip Or Boat Rental Income" means the gross revenue received by a lessee during the prior year from the rental or subleasing of slips, boat rental, or similar activities within the authorized area.

(2) "Adjacent Riparian Owner" or "Riparian Owner" means a person holding recorded title to property that fronts or abuts state-owned submerged and submersible land.

(3) "Applicant" is any person applying for authorization to use state-owned submerged and submersible land.

(4) "Adjacent Riparian Tax Lot" means the non-Division-owned portion of a tax lot that fronts or abuts state-owned submerged and submersible land.

(5) "Appraised Value" means a value or estimate of value of property by disinterested persons of suitable qualifications, for example, a licensed independent appraiser.

(6) "Aquaculture" means the culture and/or farming of food fish, shellfish, and other aquatic plants and animals in fresh or salt water areas. Aquaculture practices include the hatching, seeding or planting, cultivating, feeding, raising, and/or harvesting of planted or natural crops so as to maintain an optimum yield, and the processing of aquatic plants or animals.

(7) "Assessed Value" means the current value in dollars per square foot assigned to the land within the adjacent riparian tax lot or comparable tax lot by the county tax assessor for the purpose of computing the property tax.

(8) "Assignment" means a transfer by the lessee of the rights of use and occupancy of the leasehold to another legal entity, including for benefit of creditors (for example, mortgages).

(9) "Authorization" means a lease, registration, temporary use permit or public facility license issued to an applicant by the Division conveying a right to limited use of state-owned submerged and submersible land for a specific and defined purpose for a fixed period of time.

(10) "Authorized Area" is the area of state-owned submerged and submersible land which the Division allows a structure to occupy or person to use through a lease, registration, temporary permit or public use facility license. For the purposes of leasing, the authorized area shall encompass, at a minimum, all leasable structures and directly associated uses of the water surface area.

(11) "Boat House" means a covered or enclosed structure used exclusively to store, shelter, or protect a boat or boats and boating equipment.

(12) "Combination Boat House" or "Combo" means a boat house which is combined with, attached to, or a part of a floating home, or which includes facilities which could be used as a dwelling.

(13) "Commercial Use" means an activity conducted on, within, or over state-owned submerged and submersible land for business purposes, including but not limited to: offices, stores, hotels, banks, marinas, restaurants, or retail service outlets.

(14) "Director" means the Director of the Division of State Lands.

(15) "Division" means the Division of State Lands.

(16) "Dock/Float" means an individual secured and stationary or floating structure (other than a mooring buoy) used exclusively for mooring boats and for similar uses.

(17) "Dolphin" is a cluster of piles or piling which are bound together.

(18) "Dwelling" means a structure designed or occupied as the permanent or temporary living quarters of one or more households which is usually equipped with cooking, bathing, toilet and heating facilities.

(19) "Fish Processing Facility" means a stationary structure where the cleaning, freezing, canning, preserving and/or storing of aquatic animal life is conducted.

(20) "Flat Rate Method" means a manner of calculating annual lease rental payment based on a fixed dollar amount per square foot of leasehold area that varies by use classification and is increased annually by three percent (3%) each June 1st.

(21) "Floating Home" means a moored floating structure that is secured and stationary and is used primarily as a dwelling and not as a boat or floating recreational cabin.

(22) "Floating Recreational Cabin" is a moored floating structure, accessible only by boat, used wholly or in part as a dwelling, not physically connected to any upland utility services (for example, water, sewer, or electricity), and used only periodically or seasonally.

(23) "Gangway" means a walkway or access ramp which connects, and is used exclusively for the purpose of traversing from the upland to a dock/float, marina, floating home, boat house, or other structure.

(24) "Goods And Merchandise" means products and raw materials transported in pursuit of trade, business, and/or economic gain. Goods and merchandise does not include materials used by a vessel for its maintenance, alteration, or operation.

(25) "Historical Vessel" means a vessel listed or eligible for listing on the National Register of Historic Places.

(26) "Imputed Annual Slip Rental" means the estimated annual slip rental income from a non-commercial marina or moorage based upon the market value of the slips and actual or estimated occupancy.

(27) "Industrial Use" means an activity conducted on, within, or over state-owned submerged and submersible land for business purposes that involves the assembly, processing, or manufacture of products from raw materials or fabricated parts, or that renders services such as, but not limited to: storage warehouses, factories, or shipyards.

(28) "Lease" for the purposes of these rules, is a valid, enforceable contract executed by the Division and signed by the lessee allowing the use of a specific area of state-owned submerged and submersible land for a specific use under the terms and conditions of the lease and these rules.

(29) "Lease Anniversary Date" means the month and date the lease was initially entered into and on which, in subsequent years, the annual lease rental payment is due.

(30) "Leasehold" means the same as "Authorized Area."

(31) "Line Of Ordinary High Water" means the line on the bank or shore to which the high water ordinarily rises annually in season.

(32) "Limited Service Restaurant" means the same as in ORS 624.010(4).

(33) "Line Of Ordinary Low Water" means the line on the bank or shore to which the low water ordinarily recedes annually in season.

(34) "Log Boom Area" means a water surface area bounded by floating, connected logs or other devices, used for confining loose logs, grading and sorting logs, making log rafts, or to feed whole or partially processed wood products to a mill.

(35) "Log Raft" means a group of loose or bundled logs surrounded by boom logs which can be stored or moved on water.

(36) "Log Raft Storage Area" means the unbounded water surface area used for mooring and storing log rafts, usually marked by piles and dolphins to which the rafts are fastened.

(37) "Marina" means a small harbor, boat basin, or moorage facility providing boat berthing, docking and mooring, and incidental services for recreational, commercial and/or charter fishing, or tour boats. Incidental services include, but are not limited to the following: restrooms, showers, minor boat and motor repair; mooring buoys; refueling facilities; boat hoists/lifts; boat launch ramp; small office for marina management; club house and/or meeting room; vending machines; small retail area for marine, fishing and other outdoor supplies and equipment; ice, packaged beverages and foods; limited service restaurants; and temporary restaurants.

(38) "Marine Industrial/Marine Service" means structures or uses which are commercial or industrial in nature and which need to be located in or adjacent to water areas because the use requires water access. Such uses include, but are not limited to: ship, tug barge and workboat moorage and storage; vessel repair facilities; aquaculture facilities; and fish processing facilities.

(39) "Mooring Buoy" means a floating device anchored to the bed of a waterway to which a boat is fastened through the use of lines or ropes for the purpose of maintaining the boat in a stationary position in the water.

(40) "Multi-Family Dock" means a non-commercial dock, maintained and owned in common by several families, and situated adjacent to their residences.

(41) "Navigation Aids" are structures or devices such as buoys, channel markers, beacons, etc., placed in or along a waterway, by or with the consent of appropriate public agencies, to aid persons engaged in navigation of a waterway.

(42) "Non-Marine Uses" means structures or uses, typically commercial or residential, which do not need to be located in or adjacent to water areas. Such structures and uses include, but are not limited to: apartments, hotels, motels, residences, restaurants, offices, retail stores, manufacturing, and warehouses.

(43) "Non-Commercial" means a use which does not result in and/or is not associated with any monetary consideration or gain. For example, a use which includes the renting, leasing, or sale of space would not qualify as "non-commercial."

(44) "Ownership-Oriented Facility" means non-commercial facilities where the access and privilege to use is limited to a membership group of persons.

(45) "Person" is an individual at least eighteen (18) years old, a political subdivision or public agency, or any corporation, association, firm,

partnership, joint stock company, or quasi-public corporation registered to do business in the State of Oregon.

(46) "Pile" or "Piling" is a wood, steel, or concrete beam driven or jetted into the bed or bank of a waterway to secure a floating structure, log raft, or boat.

(47) "Preference Right" means a riparian property owner's statutory privilege, as found in ORS 274.040(1), to obtain a lease without advertisement or competitive bid for the state-owned submerged and submersible land that fronts and abuts the riparian owner's property. The Division will not recognize a claim of lease preference right from a non-riparian owner. A person claiming the right of occupancy to submerged and submersible land under a conveyance recorded before January 1, 1981, shall have a preference right to the requested lease area.

(48) "Preference Right Holder" means the person holding the preference right to lease as defined in these rules and ORS 274.040(1).

(49) "Protective Boom" or "Shear Boom" refers to logs or similar floating devices attached to each other to protect a structure or bank from floating debris, erosion or wave action.

(50) "Public Agency" means an agency of the Federal Government, the State of Oregon, and every political subdivision thereof.

(51) "Public Facility License" is a form of authorization issued by the Division to public agency owned, operated, and maintained transient use docks/floats, boat ramps, boat landings and/or viewing structures where no or minimal entry or use fees are charged.

(52) "Public Trust Use(s)" means activities that support, protect, and enhance public trust values (commerce, navigation, fishing and recreation) including but not limited to short term moorage, camping, bank fishing, picnicking, and boating.

(53) "Registration" is a form of authorization issued by the Division allowing a qualifying structure or use to occupy state-owned submerged and submersible land.

(54) "Residential Use" means an activity conducted on, within, or over state-owned submerged and submersible land devoted to, or available for single or multiple dwelling units, single family homes, floating homes, apartments or condominiums.

(55) "Restaurant" means the same as in ORS 624.010(5).

(56) "Riparian Land Value Method" means a manner of calculating the annual lease rental payment by multiplying the assessed value times five percent (5%) times the area of the leasehold for each use classification.

(57) "Riparian Property" means a parcel of land that fronts or abuts on state-owned submerged and submersible land.

(58) "State Land Board" means the constitutionally created body consisting of the Governor, Secretary of State, and State Treasurer that is responsible for managing the assets of the Common School Fund as well as for additional functions placed under its jurisdiction by law. The Division of State Lands (Division) is the administrative arm to the State Land Board.

(59) "Structure" means anything placed, constructed, or erected over state-owned submerged and submersible land that is associated with a use that requires a lease, registration, temporary use permit or public facility license.

(60) "Sublease" means a subordinate lease between the lessee and a third party of less than all of the leasehold, where the lessee remains contractually and primarily liable under the lease with the Division. A subordinate lease of the entire premises for a term less than a year and for the use authorized under the lease shall not be considered an assignment and shall not require prior approval of the Division.

(61) "Submerged Land" means land lying below the line of ordinary low water of all title navigable and tidally influenced water within the boundaries of the State of Oregon.

(62) "Submersible Land" means land lying between the line of ordinary high water and the line of ordinary low water of all title navigable and tidally influenced water within the boundaries of the State of Oregon.

(63) "Temporary Use Permit" is an authorization issued by the Division to a person allowing the short term use, usually less than one (1) year, of a specific area of state-owned submerged and submersible land for a specific use under specific terms and conditions.

(64) "Temporary Restaurant" means the same as in ORS 624.010(6).

(65) "Transient Use" means any public trust use of state-owned submerged and submersible land which is of a short or intermittent duration, and not more than fourteen (14) consecutive days in any one location or area.

(66) "Use" means an activity with associated structures on state-owned submerged and submersible land that requires a lease, temporary use permit, public facility license, or registration under these rules.

(67) "Use Classification" means the specific category of similar uses and structures subject to authorization described in OAR 141-082-0100.

(68) "Water Sport Structures" means water ski buoys, jumps and ramps, kayak race gates, and other such devices used in association with a water recreational sport. Such devices are typically temporary in nature, and not permanently attached to a piling, dolphin, or other fixed object.

(69) "Wharf" or "Wharves" as used in ORS 780.040 and these rules means a structure placed on state-owned submerged and submersible land that is/are actively and exclusively used to accommodate ships, boats, or vessels engaged exclusively in the receipt and discharge of goods or merchandise, or in the performance of active government functions on the waterway.

141-082-0030 Types Of Uses And Required Authorizations

(1) All uses of, and structures occupying state-owned submerged and submersible land require prior written approval of the Division by a lease, temporary use permit or public facility license unless otherwise exempt by law or eligible for registration pursuant to these rules. Uses and structures requiring leases or temporary use permits include, but are not limited to:

(a) Aquaculture facilities;
(b) Marine industrial/marine service uses;
(c) Floating homes and floating home moorages;
(d) Fish processing facilities;
(e) Log raft, log storage or log booming areas;
(f) Historical vessel moorages;
(g) Combination boat houses and combination boat house moorages;
(h) Commercial and non-commercial marinas including owner-oriented facilities and multi-family docks not qualifying for registration;
(i) Non-marine uses (for example, restaurants, warehouses, offices, motels, etc.);
(j) Individual non-commercial docks/floats, boat houses, and floating recreational cabins not qualifying for registration or public use facility license;
(k) Structures used for the loading and unloading of vessels which do not meet the definition of a wharf as provided in these rules;
(l) Commercial, industrial or residential uses; and
(m) Other similar non-transient uses and structures not exempted by statute or these administrative rules, and determined by the Director to be subject to lease or temporary use permit.

(2) Uses and structures that are eligible for registration are:
(a) Non-commercial structures including docks/floats and/or boat houses of two-thousand five hundred (2,500) square feet or less excluding associated gangways, pilings, dolphins, mooring buoys, and protective booms;
(b) Floating recreational cabins of one-thousand five hundred (1,500) square feet or less excluding associated, pilings, dolphins, mooring buoys, and protective booms;
(c) Water sport structures (pursuant to OAR 141-082-0140 through OAR 141-082-0200); and
(d) Other similar structures determined by the Director to be eligible for registration.

(3) Uses and structures that are eligible for public facility licenses are:
(a) Boat ramps/landings;
(b) Viewing structures;
(c) Fishing piers; and
(d) "Short term stay" or transient docks/floats.

(4) Uses and structures that are exempt from lease are:
(a) Wharves;
(b) Structures, piers, docks/floats owned, operated by, or under contract to a government agency as long as they are in active service and used exclusively by the government agency to perform the function of that agency;
(c) Transient uses;
(d) Navigation aids placed by public agencies; and
(e) Uses/structures eligible for registration or public facility license.

141-082-0040 Lease Or Temporary Use Permit Application Requirements

(1) If a use of, or structure upon state-owned submerged and/or submersible land requires a lease or temporary use permit, no person may begin to use such land, or erect such structure(s) without first having applied for, and been granted either a lease or temporary use permit pursuant to these rules.

(2) Persons needing to obtain a lease or temporary use permit for a structure on, or use of state-owned submerged and submersible land must apply to the Division on a form provided by the Division.

(3) All applications for lease must be fully completed and accompanied by a non-refundable fee in the amount of two hundred and fifty dollars ($250) payable to the Division. The Division shall review applications in a timely manner.

(4) To be accepted by the Division for consideration, an application for a lease or temporary use permit shall be:
   (a) Fully completed; and
   (b) For an area initially determined by the Division to be available for use.

   Applications which fail to meet these requirements shall be returned to the applicant with an explanation of the reason(s) for rejection.

(5) If a rejected application is resubmitted within one hundred and twenty (120) days from the date the Division returned the application, no additional application fee with be assessed.

141-082-0050 Lease And Temporary Use Permit Application Review Process

(1) The appropriate city or county planning department, pertinent state and federal agencies, and all lessees and riparian property owners (as available from the local county assessor's office records) within two hundred (200) feet of the proposed or existing use shall be notified by the Division of the opportunity to review and comment on the accepted applications.

(2) Based on the evaluation of the application and the comments received, the Division shall:
   (a) Approve the application and continue to process the lease or temporary use permit;
   (b) Require that the applicant modify and resubmit the application; or
   (c) Deny the application.

(3) If the Division determines that the proposed or existing use meets the policies set forth in these rules in OAR 141-082-0010, the Division shall determine the area needed to fully encompass the perimeter of the use as well as any additional water surface area needed to support the use. The Division shall also determine the method to describe the boundary of the authorized area.

(4) In the event the Division cannot readily determine a leasehold description from the applicant's information or, if in the judgment of the Division, a dispute may arise concerning the description, the Division may require the applicant to have a

survey of the requested area conducted by a licensed professional engineer or surveyor. The Division shall provide survey instructions as well as specify the information required in the survey and accompanying notes. Generally the applicant will be responsible for any costs of the survey. However, the Division, at its discretion, will share in one-half of the cost of the survey when doing so is beneficial to the overall management of the state-owned submerged and submersible land and fulfills the policies in these rules (OAR 141-082-0010). The Division will credit its share of the cost to the lessee's lease rental payment.

(5) If more than one application for a specific lease area is received by the Division, the Division shall determine which proposed use best fulfills the policies specified in OAR 141-082-0010, and proceed with that application and reject the others.

(6) The Division shall offer a preference right to lease to the eligible party as defined in OAR 141-082-0020(47), hereafter referred to as the preference right holder. When a lease application has been approved, the Division shall:

(a) Subdivide the requested lease area into smaller parcels by extending the boundaries of adjacent riparian tax lot so that there is a separate lease parcel for each parcel of property that fronts and abuts the lease area;

(b) In accordance with the proposed use(s), calculate in a manner consistent with OAR 141-082-0100 a minimum annual lease rental payment for each lease parcel; and

(c) Notify each preference right holder in writing that a lease application has been approved by the Division, and provide thirty (30) calendar days from the date that the letter is postmarked for the preference right holder to exercise the preference right to take the lease at the established minimum annual lease rental payment.

(7) The Division shall consider that the preference right holder has accepted the offer of a preference right to lease by executing the lease form and all other documents and remitting the required minimum annual lease rental payment within the required thirty (30) calendar day period.

(8) If the preference right holder does not exercise the preference right to take a lease applied for by another person, the Division shall prepare and publish an advertisement for bids pursuant to the requirements of ORS 274.040. The highest qualified bidder shall be awarded the lease. The minimum bid amount shall be set by the Division.

(9) The fee for structures and uses authorized under a temporary use permit shall be determined by the Director, utilizing these rules as guidance, on a case-by-case basis and shall not be less than one hundred dollars ($100).

141-082-0060 General Lease Conditions And Form

(1) The lease form contained in Exhibit A shall be the principal lease form used by the Division to authorize the use of state-owned submerged and submersible land. However, the Division in its good faith discretion may determine that the size and/or nature of a proposed use, or the risks associated therewith, make it advisable to require a lease with terms other than those contained in Exhibit A. In

such event, the Division may condition acceptance of the proposed use upon acceptance of a lease form proposed by the Division and, if requested by the Division or otherwise required by law, approved by the Department of Justice.

(2) The maximum lease term for state-owned submerged and submersible land shall be fifteen (15) calendar years. Renewal provisions shall allow for additional periods of up to the maximum of fifteen (15) calendar years as specified in OAR 141-082-0070. The length of a lease offered by the Division shall depend on:

(a) Whether the proposed use is reasonably expected to exist for the time period requested by the applicant, and

(b) The policies contained in these rules.

(3) State-owned submerged and submersible land, regardless of whether or not it is included in authorized areas, shall remain available and open to the public for commerce, navigation, fishing, and recreation unless restricted or closed to public entry by the State Land Board or Division. The lessee may request the Division to close the authorized area to public entry or restrict recreational use by the public on all or portions of the authorized area to protect persons or property from harm rising from, or in connection with the authorized use or activity, or for any other purpose consistent with the policies of OAR 141-082-0010.

(4) The lessee may restrict public use of lessee-owned property or structures authorized under the lease.

(5) The Division or its authorized representative(s) shall have the right to enter into and upon the authorized area at any time for the purposes of inspection or management.

(6) The lessee shall dispose of all waste in a proper manner and shall not permit debris, garbage or other refuse to either accumulate within the authorized area or be discharged into the waterway. A lessee's failure to comply with this provision shall be considered a material default since a violation of this obligation may harm the public trust values in the waterway. As such, the Division shall have both the right to terminate the lease upon a substantial or repeated violation of this obligation, as well as the right to remove the debris and collect the cost of such removal from the lessee.

(7) The lessee shall not cut, destroy or remove, or permit to be cut, destroyed or removed any vegetation (except for noxious weeds) that may be upon the authorized area except with the written permission of the Division. The lessee shall promptly report to the Division the cutting or removal of vegetation by other persons.

(8) The lessee shall conduct all operations within the authorized area in a manner which conserves fish and wildlife habitat, protects water quality, and does not contribute to soil erosion or growth of noxious weeds.

(9) The lessee shall maintain all buildings, docks, pilings, floats, gangways, similar structures, and other improvements located within the authorized area in a good state of repair.

(10) The Division may require the lessee to obtain a surety bond to ensure that the lessee will perform in accordance with all terms and conditions of the lease. The

surety bond amount shall be determined by the Division and shall be reasonable and within generally accepted business practices. A cash deposit or certificate of deposit in an amount equal to the amount required for a surety bond and which names the State of Oregon as co-owner may be substituted in lieu of a bond.

141-082-0070 Lease Renewal

(1) A lessee shall have an option to renew a lease entered into after the effective date of this rule for additional terms equivalent to that of the original lease, but not more than fifteen (15) calendar years, provided that the lessee has submitted a completed lease renewal application form to the Division not less than one hundred eighty (180) calendar days of the lease expiration date. Upon receipt of such application, the lease shall be renewed by the Division unless:

(a) The Division determines, in its sole discretion, that the lessee has not complied with the terms of this lease, the applicable statutes, and Oregon Administrative Rules; or

(b) The lessee is no longer the preference right holder; or

(c) The Division determines that the renewal of this lease for all or portions of the authorized area would be contrary to local, state, or federal law, or would be inconsistent with the policies set forth in OAR 141-082-0010.

In the event that the Division determines that the lessee is not entitled to renew their lease pursuant to the standards described above, but less than two (2) years remain in the initial term, the Division shall give the lessee written notice that the lease will be terminated in two (2) years, and will issue a temporary use permit for the period of time between the expiration of the initial lease term and the effective date of the termination. Temporary use permits may also be issued in the event that a final decision with regard to a lease renewal has not occurred by the expiration of the initial lease term. The Division shall report to the State Land Board all leases that the Division proposes not to renew pursuant to this subsection (OAR 141-082-0070(1)) for review.

(2) All lease renewal applications shall be on a form provided by the Division. Completed applications must be received by the Division not less than one hundred eighty (180) calendar days prior to the expiration of the initial lease term.

(3) If an application to renew a lease is not timely received by the Division, the Division at its option may elect to either let the lease expire without renewal, or assess a late fee of two hundred and fifty dollars ($250) payable to the Division.

(4) An application for renewal shall be accompanied by a non-refundable fee in the amount of two-hundred and fifty dollars ($250) payable to the Division. Any late fees, as required under OAR 141-082-0070(3) shall also be included with the application fee for lease renewal.

141-082-0080 Lease Or Temporary Use Permit Modifications For Size And Use

(1) Lessees may request that the Division expand or reduce the size, or change the use of the authorized area using a form provided by the Division. However, no such change shall occur unless first authorized in writing by the Division.

(2) The Division may amend a lease to reduce the authorized area as requested if the portion of the lease area is not in use, and does not contain any leasable structures.

(3) Requests to change an authorized use, or increase an authorized area shall be processed and reviewed in the same manner as a new lease application as specified in OAR 141-082-0040 and OAR 141-082-0050 of these rules.

141-082-0090 Subleasing And Assignment Of Leases

(1) Any lessee desiring to sublease in a manner not permitted outright by the lease or these rules, or assign a lease shall:
   (a) Apply to the Division on a form provided by the Division, and
   (b) Submit a non-refundable application fee of two hundred and fifty dollars ($250) payable to the Division.

(2) The Division shall make a good faith effort to complete its review of such applications within thirty (30) calendar days of receipt. If the application is incomplete, or if the Division requests additional information concerning the proposed assignment or sublease, the time period for reviewing applications shall be extended.

(3) Except as authorized in the lease or these rules, in no event shall the lessee assign or sublease any portion of the authorized area prior to receipt of written approval from the Division. Violation of this provision may be grounds for termination of the lease.

(4) Sublessees and assignees shall meet all applicable requirements set forth in these rules and the lease.

(5) Subleases permitted outright, that is, without prior approval of the Division, include only the following:
   (a) Subleases of portions of the leasehold area entered into (for example, rental of boat slips) in the ordinary course of business as authorized by the lease; or
   (b) Subleases of the entire leasehold area for a term that is less than (1) year and for a use authorized in the lease.

(6) Upon the sale of the lessee's interest in the lease, the lessee (seller) shall submit an application to the Division requesting an assignment of the lease to the purchaser.

(7) The transfer of ownership of the lease caused by the death of the lessee shall be considered an assignment requiring the Division's approval. A transfer of ownership to a spouse or immediate family member is an assignment that does not require the Division's prior approval.

(8) The lessee shall not grant a mortgage or security interest in the lease without prior

written consent of the Division which shall not be unreasonably withheld. Any subsequent assignment by the creditor or civil recovery shall require the prior written approval of the Division.

141-082-0100 Lease Rental Formulas And Calculations; Redeterminations

(1) Subject to the minimum annual lease rental payment established in OAR 141-082-0100, lessees or lease applicants (including lease renewal applicants) may select the method of annual lease rental payment calculation for their authorized use classification as described in OAR 141-082-0100(4)(a) through (h) below that results in the lowest annual lease rent payment for the term of the lease, except for leases awarded through competitive bidding for which the annual lease rental payment shall be based on the bid award. The lessee or lease applicant shall provide all pertinent information to the Division to assist in calculating the annual lease rental payment. The method of annual lease rental payment calculation shall remain in effect throughout the term of the lease, except as permitted in the lease contract or these rules.

(2) In the event the lessee and the Division cannot agree on the method of calculating the annual lease rental payment or any aspect of the method, the annual lease rental payment shall be determined by the Division using the flat rate method until such time as the dispute is resolved and implemented at the next lease anniversary date.

(3) The annual lease rental payment for eligible individual non-commercial docks, boat houses, and floating recreational cabins not contained within marinas or moorages shall be calculated based on the area encompassed by the perimeter of the structures, and shall exclude gangways, protective booms, pilings, and dolphins from the annual lease rent payment calculation.

(4) The following eight (8) use classifications (OAR 141-082-0100(4)(a) through (h)) shall be used to establish annual lease rental payments or minimum bid, whichever is applicable. For the riparian land value method described below, utility, railroad or publicly-owned land shall not be used for establishing the AV unless the assessed value is readily available and reflective of comparable similarly situated tax lots. If not, the AV of privately owned comparable tax lots shall be substituted. In cases where the adjacent riparian tax lot is less than one hundred (100) feet deep, the Division will assume the adjacent riparian tax lot has a depth of one hundred (100) feet and apportion the AV based on this derived area.

Formula Explanation

AV	=	Assessed value or appraised value (as defined in OAR 141-082-0020 (5) and (7) of these rules) whichever is less except as stated in OAR 141-082-0100(10) and (11).
LA	=	Authorized lease area in square feet of state-owned submerged and submersible land.
AR	=	Annual lease rental payment.

(a) Commercial marinas and docks, and commercial floating home moorages. The annual base rental payment calculation is the lesser of the:

- Flat rate method of $0.02 per square foot x LA; or
- 3% of actual annual slip or boat rental income; or
- Riparian land value method of AV x LA x 5% = AR.

(b) Non-commercial marinas and docks, including all types of ownership oriented marinas and docks and excluding those structures qualified for registration and exempt from lease (e.g. docks and boat houses less than 2,500 square feet). The annual rental lease rate calculation is the lesser of the:

- Flat rate method of $0.02 per square foot x LA; or
- 3% of the imputed annual slip rentals; or
- Riparian land value method of AV x LA x 5% = AR.

(c) Non-commercial floating home moorages including those operated by ownership-oriented organizations. The annual lease rental rate calculation is the lesser of the:

- Flat rate method of $0.02 per square foot x LA; or
- 3% of imputed annual slip rentals; or
- Riparian land value method of AV x LA x 5% = AR.

(d) Individual floating homes and similar structures and uses such as, but not limited to, a combination boathouse/floating home or any structures connected to utilities and associated with residential use not eligible for registration. The annual lease rental payment calculation is the lesser of the:

- Flat rate method of $0.02 per square foot x LA; or
- Riparian land value method of AV x LA x 5% = AR.

(e) Historical vessels, moorages, docks or similar structures not eligible for registration and owned by charitable organizations (limited to youth-oriented, historical, educational, or scientific organizations). The annual lease rental payment rate is:

- $250 per year per structure or combination of structures at a single location or facility (e.g. youth camp).

(f) Log boom areas, log raft storage areas. The annual lease rental payment calculation is the lesser of the:

- Flat rate method of $0.01 per square foot x LA; or
- Riparian land value method of AV x LA x 5% = AR.

(g) Marine industrial and marine service commercial uses/structures including fish processing facilities. The annual lease rental payment calculation is the lesser of the:
- Flat rate method of $0.30 per square foot x LA; or
- Riparian land value method of AV x LA x 5% = AR.

(h) Non-Marine Uses (except as identified in these rules, for example, floating homes). The annual lease rental payment calculation is the lesser of the:
- Flat rate method of $0.35 per square foot x LA; or
- Riparian land value method of AV x LA x 5% = AR.

(5) The minimum annual lease rental payment for any lease shall be two-hundred and fifty ($250) per year.

(6) Rates for uses within each authorized area shall be calculated by the Division on a square foot basis of state-owned submerged and submersible land as applicable for each use classification (for example, non-commercial marina), and based on the lessee's choice of rate calculation methods except as noted in OAR 141-0100(2) above. More than one use (known as a mixed use) may be permitted by the Division within an authorized lease area. Rates will be calculated for each use area based on the most applicable use classification, as specified in OAR 141-082-0100(4)(a) through (h), and summed to derive the total annual lease rental payment or minimum bid for the entire leasehold.

(7) Annual lease rental payments based on three percent (3%) of actual or imputed annual slip or boat rental shall be supported by documentation provided by the lessee or lease applicant. The Division, based on consultation with the lessee, shall establish and identify in the lease the reporting schedule and the form of documentation required for the Division and lessee to perform the due diligence necessary to verify the imputed income.

(8) Wharf areas or areas occupied by uses or structures exempt from authorization by law or these rules may be included within the authorized area, but are not included in the calculation of the annual lease rent payment.

(9) The annual lease rental payment shall be determined in the following manner:
(a) The flat rate shall increase at the rate of three percent (3%) per year rounded to the nearest dollar.
(b) The riparian land value method shall be increased annually at the rate of three percent (3%) per year.

(10) The Division shall notify lessees in writing of the new annual lease rental payment not less than sixty (60) calendar days in advance of the lessee's lease anniversary date.

(11) In calculating the initial annual lease rental payment using the riparian land value method, lessees or lease applicants may substitute an appraised value of the adjacent riparian tax lot or as determined by the Division, a comparable tax lot in place of the assessed value. The Division reserves the right to evaluate, review, and challenge the appraisal. The appraisal shall be conducted at the lessee or

lease applicant's expense, subject to reimbursement of one-half of the cost by the Division, if the appraisal is used by the Division to calculate the annual lease rental payment. The Division will credit one-half of the cost of the appraisal to the lessee's lease rental payment. In the event of a dispute between the Division and the lessee or lease applicant, the value shall be determined through the three appraiser method specified in ORS 274.929(3).

(12) If in the process of using the riparian land value method the AV is found to be artificially depressed due to the presence of hazardous materials or some other extenuating circumstance(s) as determined by the Division, another comparable upland tax lot shall be selected by the Division as the basis for calculating the annual lease rental payment. The lease applicant may suggest a comparable tax lot or may appeal the Division's selection as allowed in OAR 141-082-0200.

(13) Current lessees (that is, those holding valid existing leases at the time of the adoption of these rules on _____1999) shall have their annual lease rental payment determined in accordance with OAR 141-082-0100. However, the lessee shall notify the Division in writing not less than one hundred and twenty (120) calendar days in advance of their first lease anniversary date following the adoption of these rules of the lessee's selection of the method of annual lease rental payment calculation. The method of annual lease rental payment calculation shall remain in effect for the remainder of the current lessee's lease term but not more than fifteen (15) years.

(14) The Division may adjust the lease anniversary dates for leases executed after the effective date of these rules in order to group payments and redeterminations into a specific time period.

(15) For all other structures/uses not listed in OAR 141-082-0100(4)(a) through (h) and determined by the Director pursuant to OAR 141-082-030(1) to be eligible for lease or temporary use permit, the annual lease rental payments shall be determined on a case-by-case basis and be not less than the minimum annual lease rental payment.

141-082-0105 Public Facility Licenses

(1) Public agencies shall apply for a public facility license for all eligible facilities in the same manner as described in OAR 141-082-0040 and OAR 141-082-0050(1) to (4).

(2) The maximum term for a public facility license shall be fifteen (15) years and shall be renewable for an additional fifteen (15) years upon application.

(3) Existing public facility licenses shall remain in effect until expiration, at which time they shall be reviewed for renewal in accord with these rules.

141-082-0110 Removal Of Unauthorized Structures

(1) The Division may require the owner of an unauthorized structure on state-owned submerged and submersible land to remove it at his/her own expense.

(2) If the owner refuses to remove the unauthorized structure, or if no owner can be located, the Division may, at its own expense, remove the structure from state-owned submerged and submersible land.

(3) The Division shall pursue whatever legal options are available to recover such removal costs from the owner, including placing a lien on the assets of that owner.

(4) If the owner does not pay the costs incurred in the removal of the unauthorized structure by the Division, the Division may impose a civil penalty pursuant to OAR 141-82-0130.

141-082-0120 Submerged And Submersible Land Closures And Use Restrictions

(1) The Land Board may, based upon a request from any person, including a public agency, declare that certain state-owned submerged and submersible lands shall not be available for sale, lease, registration, temporary use permit or public facility license, or that any such sale, lease, registration, temporary use permit, or public facility license shall be limited to certain designated uses, or that any such authorizations must meet certain specific conditions designed to protect public trust values in a specific area.

(2) The Land Board may approve all or a portion of such a request upon a finding that the requested limitation is necessary to prevent unreasonable interference with the public's right to use the waterway for commerce, navigation, fishing and recreation or to carry out the policies set out in these rules at OAR 141-082-0010.

(3) Any such limitation of use shall be adopted by administrative rule. There shall be at least one (1) public hearing in the subject area. Prior notice of public hearings shall be given to riparian property owners within the immediately affected area as provided by the local county tax assessor's office, other affected public agencies (for example, Oregon State Marine Board, U.S. Coast Guard, U.S. Army Corps of Engineers, and local government), and other public interests.

141-082-0130 Civil Penalties

(1) In addition to any other penalty or sanction provided by law, the Director may assess a civil penalty of not more than one thousand dollars ($1,000) per day of violation for the following:
  (a) Violations of any administrative rule adopted under ORS 274.040; or
  (b) Violations of any term or condition of a written authorization granted by the Division under ORS 274.040.

(2) The Director shall give written notice of a civil penalty by registered or certified mail to the person incurring the penalty. The notice shall include, but not be limited to the following:
  (a) The particular section of the statute, rule, or written authorization involved;
  (b) A short and clear statement of the matter asserted or charged;

(c) A statement of the party's right to request a hearing within twenty (20) calendar days of the notice;
(d) The time allowed to correct a violation; and
(e) A statement of the amount of civil penalty which may be assessed and terms and conditions of payment if the violation is not corrected within the time period stated.

(3) The person incurring the penalty may request a hearing within twenty (20) calendar days of the date of service of the notice provided in OAR 141-082-0130(2). Such a request must be in writing. If no written request for a hearing is made within the time allowed, or if the party requesting a hearing fails to appear, the Director may make a final order imposing the penalty.

(4) The amount of a civil penalty shall be not less than fifty ($50) per day, or more than one-thousand dollars ($1,000) per day for violation of an authorization issued under ORS 274.040 or violation of any administrative rule adopted under ORS 274.040.

(5) In imposing a penalty under OAR 141-082-0130 of these rules, the Director shall consider the following factors as specified in ORS 274.994:
(a) The past history of the person incurring a penalty in taking all feasible steps or procedures necessary or appropriate to correct any violation;
(b) Any prior violations of statutes, rules, orders and authorizations pertaining to submerged and submersible lands;
(c) The impact of the violation on public trust uses of commerce, navigation, fishing and recreation; and
(d) Any other factors determined by the Director to be relevant and consistent with the policy of these rules.

(6) Pursuant to ORS 183.090(2), a civil penalty imposed under OAR 141-082-0130 shall become due and payable ten (10) days after the order imposing the civil penalty becomes final by operation of law or on appeal.

(7) If a civil penalty is not paid as required by OAR 141-082-0130, interest shall accrue at the maximum rate allowed by law.

141-082-0140 Registration Of Structures

(1) Qualifying structures subject to registration under this section include non-commercial:
(a) Docks/floats and/or boat houses and associated or individual pilings, dolphins, mooring buoys, and protective booms;
(b) Floating recreational cabins; and
(c) Water sport structures unless authorized by the Oregon State Marine Board in compliance with OAR 250-010-0097 (Application For Special Use Device Permits).

(2) The Director may determine that other structures similar to those specified in OAR 141-082-0140(1) are also subject to registration and the rules governing registrable structures. If the director determines that a structure is registrable, s/he shall assign an appropriate fee.

(3) Public non-commercial docks/floats, boat houses, and similar structures are not subject to registration. A license or other form of authorization is required.

141-082-0150 Registration Requirements And Provisions

(1) All persons:
  (a) Owning structures subject to registration which were in existence at the time of the adoption of these rules on April 14, 1998 shall register the structure with the Division.
  (b) Placing a new structure subject to these rules, or changing the location of a registered structure after the effective date of these rules shall notify the Division in writing ninety (90) days prior to such placement, or change in location.
  (c) Making modifications to a registered structure which changes the fee category or eligibility of the structure for registration shall notify the Division ninety (90) days prior to making such a modification.

(2) Registration shall be made on a form provided by the Division.

(3) A separate registration form and accompanying payment shall be submitted for each individual dock/float, boat house, or other registrable structure.

(4) Each registration shall be accompanied by a fee payment in the amount indicated in OAR 141-082-0170 of these rules.

(5) For structures constructed, placed, or modified (pursuant to OAR 141-082-0150(1)(c)) after April 14, 1998 the applicant shall provide on the registration form the name(s), address(es), and telephone number(s) of the owner(s) of any adjacent riparian upland within two hundred (200) feet of the structure for which registration is requested.

(6) The applicant shall contact each adjacent upland riparian owner indicated on the registration form to determine if there are any concerns associated with the placement or modification of the structure, or if it would unreasonably interfere with the rights of the public to use the waterway for fishing, navigation, commerce, and recreation. The Division shall consider any information provided by the adjacent riparian upland owner(s) in deciding whether to register or condition the registration of the structure.

(7) In the event an applicant's proposed structure will not be situated adjacent to riparian property owned by the applicant, that riparian property owner shall have an option to register a structure at the same site. The Division shall send a copy of the application to the riparian property owner identified in the application. The riparian property owner shall have thirty (30) calendar days from the date the application is postmarked to object to the issuance of the registration or to submit a registration application for a structure at the same site as the original application. Any such registration application shall be submitted by the riparian property owner and processed by the Division in a manner consistent with these rules. The written objection must state the reasons why the original application does not meet the qualifications for registration as stated in OAR 141-082-0150(8). If no reason is received by the Division within the required thirty (30) calendar day

period, the Division may issue the registration to the original applicant. The original applicant as well as the involved riparian property owner shall have all rights of appeal as stated in OAR 141-082-0200.

(8) To qualify for registration, each structure shall:
  (a) Not unreasonably interfere with the public's right to use the waterway and state-owned submerged and submersible land for fishing, navigation, commerce, and recreation.
  (b) Comply with all applicable local, state, and federal laws including the local comprehensive plan and zoning requirements.
  (c) Comply with the size limitations specified in OAR 141-082-0030(2).

141-082-0160 Registration Terms And Conditions

(1) A registration issued by the Division shall be valid for a term of five (5) years.
(2) A structure registered with the Division is exempt from lease.
(3) Any registered structure in compliance with these rules may be repaired or replaced in a manner consistent with the requirements of OAR 141-082-0150, and remain authorized under the original registration issued by the Division.
(4) The Division shall be notified in writing of any:
  (a) Change in the location of a registered structure ninety (90) days prior to such change.
  (b) Change in ownership of a registered structure within ninety (90) days of the transfer of ownership.
(5) Registrations must be renewed every five (5) years. The Division shall notify all registrants by mail, and provide a form to renew their registration ninety (90) days prior to the expiration date of each registration(s).
(6) The Division may place conditions on a registration to address concerns of adjacent riparian upland owners and/or ensure that the continuance or placement of the use does not unreasonably interfere with the rights of the public to use the waterway for fishing, navigation, commerce, and recreation.
(7) The Division shall provide a copy of the registration to the appropriate county official (for example, county recorder) in the county where the registered structure is located.
(8) The Division may reject a registration application, modify the conditions of a registration, or cancel a registration if the subject structure does not conform with applicable local, state, and federal laws or these rules.

141-082-0170 Fees

Except as provided in OAR 141-082-0180(1), the five (5) year fee for each registration or renewal for shall be as follows:

(1) One hundred dollars ($100) for a dock/float or boat house one-thousand (1,000) square feet or less in size (excluding associated gangways, dolphins, pilings and protective booms).

(2) Two hundred dollars ($200 for a dock/float or boat house from one thousand and one (1,001) square feet to two thousand (2,000) square feet in size (excluding associated gangways, dolphins, pilings and protective booms).
(3) Two hundred fifty dollars ($250) for a dock/float or boat house from two thousand and one (2,001) square feet to two thousand five hundred (2,500) square feet in size.
(4) Three hundred dollars ($300) for a floating recreational cabin.
(5) One hundred dollars ($100) for a water sport structure.
(6) The fee for structures determined to be registrable by the Director pursuant to OAR 141-082-0030(2) shall be determined on a case by case basis and be not less than one hundred dollars ($100).

141-082-0180 Transition From Lease To Registration

(1) A person who has a lease from the Division for a structure eligible for registration under these rules may request that the Division terminate the lease and register the structure. If the lessee is in good standing, and in full compliance with all of the terms and conditions of their lease, the initial five (5) year registration shall be issued for no fee.
(2) A request to register a structure currently under lease shall be made pursuant to the provisions of OAR 141-082-0150(2) through 141-082-0150(7).
(3) Upon termination of the lease and issuance of the registration, the Division shall determine the amount of prepaid rental (if any) within the lease year which remains, and shall adjust the lessee's account accordingly.

141-082-0190 Penalties

(1) In addition to any other penalties provided by law, the placement or use of any structure subject to registration on state-owned submerged and submersible land without registration or otherwise not in compliance with these rules shall constitute a trespass.

141-082-0200 Appeals

(1) An applicant for an authorization, or any other person adversely affected by a decision by the Division concerning an authorization, closure or restriction to the use of state-owned submerged and submersible land may appeal the decision to the Director.
  (a) Such an appeal shall be received by the Director no later than thirty (30) calendar days after the delivery of the decision.
  (b) The Director shall decide the appeal within sixty (60) calendar days after the date of delivery of the appeal.
  (c) The Director may affirm the decision, issue a new or modified decision, or request the appellant to submit additional information to support the appeal.

(2) If following the completion of the Director's review in OAR 141-082-0200(1), above, an applicant wants to informally continue an appeal, s/he may request that the Director enter into an alternative dispute resolution process. The Director and the appellant shall select a trained facilitator/mediator from a list of pre-qualified individuals. The Division shall pay the costs of the facilitator/mediator. The appellant shall retain the right of formal appeal as described in OAR 141-082-0200(3).

(3) When an applicant for an authorization to use state-owned submerged and submersible land or any other person adversely affected by a decision of the Division concerning an authorization has exhausted the informal appeal process before the Director, s/he may submit an appeal to a contested case hearing. If the person is legally entitled to a contested case hearing, the Land Board shall select a hearing officer and proceed pursuant to ORS 183.413 through 183.470. Otherwise, the appeal before the Land Board shall proceed informally.

141-082-0210 Waterway Management Program and Rule Review

(1) The Division shall provide interim progress and status reports to the State Land Board regarding the implementation of these rules. Such reports shall be presented no later than six (6) months after the effective date of these rules.

(2) No later than eighteen (18) months after the effective date of these rules, the Division shall complete and report to the State Land Board for review and discussion a detailed report including the following:

(a) The results of a formal survey of lessees aimed at identifying strengths and weaknesses in the implementation of these rules;

(b) The results of a public review of the implementation of these rules; and

(c) Recommendations, if any, for amendments to these rules.

EXHIBIT A

STATE OF OREGON
DIVISION OF STATE LANDS
SUBMERGED AND SUBMERSIBLE LAND LEASE

ML-INSERT NUMBER

The Oregon State Land Board and the Division of State Lands (STATE) hereby lease to the person(s) herein named (LESSEE), the following described lands on the terms and conditions stated herein, to wit:

NAME of LESSEE: ADDRESS:

Legal classification of LESSEE (is a/an "individual," Oregon corporation, etc.):_____

Land situated in INSERT COUNTY County more fully described as follows:

LEGAL DESCRIPTION (or see Attachment 1, if applicable)

Total number of acres: INSERT ACRES more or less.

Hereinafter referred to as "leasehold"

SECTION 1 - LEASE TERM AND RENEWAL

1.1 Term: This Lease shall continue for a period of INSERT YEARS years (not to exceed fifteen (15) years) commencing on INSERT DATE the month and date of which shall be known as the LEASE ANNIVERSARY DATE, and expiring on INSERT DATE, the month and date of which shall be known as the LEASE EXPIRATION DATE.

1.2 Renewal: LESSEE shall have an option to renew this Lease for an additional period of INSERT DATE years (not to exceed the term authorized in Subsection 1.1 of this Lease) after the original and each renewal lease term provided that LESSEE has submitted a completed lease renewal application form to the STATE not less than one hundred and eighty (180) days prior to LEASE EXPIRATION DATE. Upon receipt of such application, this Lease shall be renewed by the STATE unless:

1.2.1 The STATE determines, in its sole discretion, that the LESSEE has not complied with the terms of this Lease, the applicable statutes and Oregon Administrative Rules; or

1.2.2 The LESSEE is no longer the adjacent riparian property owner; or

1.2.3 The STATE determines that the renewal of this Lease for all or portions of the leasehold would be contrary to local, state, or federal law, or would be inconsistent with the the policies set forth in OAR 141-082-0010. STATE shall provide LESSEE two (2) years advance written notice of its intent to not renew this Lease for all or portions of the leasehold pursuant to the provisions of this Subsection (1.2.3). In the event that the STATE determines not to renew this Lease, but less than two (2) years remain in the initial term, the STATE shall give the LESSEE written notice as required in Subsection 1.2.3 of this Lease, and will issue a Temporary Use Permit for the period between the expiration of the initial lease term and the effective date of the termination as determined by the STATE.

SECTION 2 - AUTHORIZED USES

2.1 Purpose: This Lease shall grant the LESSEE the right to use the above described land for the specific purpose(s) described below in accordance with these LEASE TERMS and CONDITIONS, applicable local (including local comprehensive land use planning and zoning ordinances), state and federal laws and the applicable Oregon Administrative Rules.

FULLY DESCRIBE AND LIST SPECIFIC USES AUTHORIZED

SECTION 3 - RENTAL CALCULATION/REDETERMINATION

3.1 Lease Rental Payment: The Lease rent payment to be paid by LESSEE to STATE shall be $INSERT RENT for the first year of the Lease as provided in Subsection 3.1.1. Receipt of the first year's Lease rent payment is hereby acknowledged. For subsequent Lease years the annual Lease rent payment shall be adjusted annually and billed by the STATE based on the INSERT METHOD OF RENT CALCULATION as shown below.

3.1.1 The initial annual Lease rent payment shall be calculated as follows:

	Use Class	Area (square ft.)	Rate Choice	Annual Rent
a)	insert Type	insert Square Footage	insert Choice	insert $Rent$
b)				
			TOTAL	

SECTION 4 - MODIFICATION OF LEASEHOLD AREA OR USE

4.1 Modification of Leasehold Area or Use: LESSEE may request that the STATE expand or reduce the size, or change the use of the leasehold using a form provided by the STATE. However, no such change shall occur unless authorized in writing by the STATE.

4.1.1 The STATE may amend this Lease to reduce the leasehold area as requested if the portion of the leasehold is not in use, or does not contain any leasable structures. Structures and improvements within the vacated leasehold area shall be treated as in Subsection 9.3. If the modification results in a reduction of rental(s) due hereunder, such reduction shall become effective commencing on the first (1st) full year after the later of: (1) the date of the change of area or use, or (2) the date of the issuance of the STATE's written approval.

4.1.2 Requests to change an authorized use, or increase the leasehold shall be processed and reviewed in the same manner as a new lease application.

SECTION 5 - RESERVATIONS AND RESTRICTIONS

5.1 Compliance: The STATE shall have access to the leasehold at all reasonable times for the purpose of evaluating and ensuring compliance with the terms and conditions of this Lease. The State shall have the right to examine pertinent records of LESSEE for the purpose of ensuring compliance with the Lease.

5.2 Reservations: The STATE reserves:

5.2.1 The right to lease and dispose of all coal, oil, gas, geothermal resources and other minerals, and all deposits of clay, stone, gravel and sand valuable for building, mining, or commercial purposes together with the right to explore, mine, develop, produce and remove such minerals and other deposits with the right of ingress and egress thereto, and to terminate this Lease as to all or any portion of the leasehold when required for these purposes with one hundred twenty (120) days prior written notice to LESSEE or as otherwise provided in law.

5.2.2 The right to enter in and upon the leasehold at any time for purposes of inspection or management.

5.2.3 The right at any time to grant easements across the premises for tunnels, telephone and fiber optic cable lines, pipelines, power lines, or other lawful purpose, with right of ingress and egress thereto. The STATE shall include in any such grant of easement a

requirement that the easement holder take all reasonable precautions to ensure that their exercise of their easement rights do not unreasonably interfere with LESSEE's use(s) authorized in this Lease.

5.2.4 All rights not expressly granted to LESSEE are reserved by the STATE.

5.3 Public Access and Recreational Use Reservation: All state-owned submerged and submersible land shall remain available and open to the public for commerce, navigation, fishing and recreation unless restricted or closed by the STATE to public entry pursuant to the provisions of applicable Oregon Administrative Rules. LESSEE may request the STATE to close the leasehold to public entry or restrict recreational use by the public on all or portions of the leasehold to protect persons or property from harm arising from or in connection with the LESSEE's activities.

This reservation shall not grant the public any right to use or occupy LESSEE-owned property or structures authorized under this lease without LESSEE'S permission.

5.4 Restriction on Use: In connection with use of the leasehold, the LESSEE shall:

5.4.1 Comply with all applicable local, state and federal laws and regulations affecting the leasehold and the use thereof, including local comprehensive land use planning and zoning ordinances, and correct at the LESSEE's own expense any failure of compliance created through the LESSEE's fault or by reason of the LESSEE's use;

5.4.2 Dispose of all waste in a proper manner and not allow debris, garbage or other refuse to accumulate within the leasehold. If LESSEE allows debris, garbage or other refuse to accumulate within the leasehold, the STATE shall have the right to remove the debris, garbage and other refuse, and collect the cost of such removal from LESSEE;

5.4.3 Not cut, destroy or remove, or permit to be cut, destroyed or removed, any vegetation that may be upon the leasehold except with written permission of the STATE. The LESSEE shall promptly report to the STATE the cutting or removal of vegetation by other persons;

5.4.4 Conduct all operations within the leasehold in a manner which conserves fish and wildlife habitat, protects water quality, and does not contribute to soil erosion or growth of noxious weeds; and

5.4.5 Maintain all buildings, docks, pilings, floats, gangways, similar structures, and other improvements located within the leasehold in a good state of repair.

5.4.6 Not unreasonably interfere with the public's trust rights of commerce, navigation, fishing or recreation.

5.5 Waste Water Disposal: In addition to any other applicable laws and regulations, LESSEE shall comply with Oregon Department of Environmental Quality and Oregon State Marine Board requirements for sewage collection and disposal for on water boat and floating structures.

5.6 Hazardous Materials: LESSEE shall use, place, store or release, or allow to be used, placed, stored or released, any material that may pose a danger to the public, wildlife, or its habitat, including, but not limited to, hazardous wastes, pesticides, or toxic substances only in strict compliance with all laws and manufacturer's instructions and shall take all necessary precautions to protect the leasehold and its soil and vegetation. LESSEE shall keep and maintain accurate and complete records of the amount of such materials stored and/or used on the leasehold and shall immediately notify STATE of any potential risk to the leasehold, adjacent lands, waters, structures or property.

SECTION 6 - REQUIREMENTS

6.1 Assignment and Sublease: Except as noted in Section 6.2, the LESSEE may not assign or sublease nor enter into any third party agreement without first obtaining the prior written consent of the STATE pursuant to the requirements of the applicable Oregon Administrative Rules Requests must be received by the STATE, in writing at least thirty (30) calendar days prior to the effective date of sublease or assignment. The STATE shall make a good faith effort to complete its review of such applications within thirty (30) days. If the application is incomplete, or if the STATE requests additional information concerning the proposed assignment or sublease, the time period for reviewing applications shall be extended. The STATE reserves the right to condition its consent as it deems reasonably prudent, including the right to require changes to the terms of this Lease. Each assignee, sublessee, and third party interest shall be required to comply with all of LESSEE's obligations under this Lease, and the applicable Oregon Administrative Rules. LESSEE shall remain liable for the performance of the obligations under this Lease unless the STATE's written consent expressly releases LESSEE from further liability hereunder. For the purposes of this section, if LESSEE is a corporation or partnership, the transfer of any corporate stock or partnership interest (including by operation of law) shall be deemed an assignment subject to the provisions of this Section if the result of said transfer shall be the change of management control or controlling interest of LESSEE.

6.1.1 LESSEE may not grant a mortgage or security interest in this Lease without prior written consent of the STATE which shall not be unreasonably withheld. Any subsequent assignment by the creditor or civil recovery shall require the prior written approval of the STATE.

6.2 Permitted Assignments and Subleases: Notwithstanding the provisions of Section 6.1 of this Lease, the following assignments, mortgages and security interests, and subleases of the LESSEE's interest in the Leased Premises shall be allowed without further STATE approval:

6.2.1 Subleases of portions of the LESSEE's interest in the leasehold area, in the ordinary course of LESSEE's business for the purposes approved under this Lease as specified in Section 2.1.

6.2.2 Subleases of the entire leasehold for a term that is less than one year for the purpose specified in Section 2.1.

6.2.3 The transfer or ownership of the Lease caused by the death of the LESSEE shall be considered an assignment requiring the STATE'S approval. However, a transfer of ownership to a spouse or immediate family member is an assignment that does not require the STATE'S prior approval.

6.3 Condition of Premises and Improvements: The leasehold area has been inspected and is accepted in its present condition, and LESSEE takes the leasehold and improvements, if any, AS IS. The STATE has made no oral representations concerning the condition of the leasehold, nor its fitness or suitability for any purpose.

6.4 Liability: LESSEE agrees to defend and hold STATE harmless from any and all claims suffered or alleged to be suffered within the leasehold or arising out of the LESSEE's operations on the premises. Further, LESSEE shall be responsible for the payment of any fines or penalties charged against the leasehold as a result of LESSEE's action in not complying with laws or regulations affecting the leasehold.

6.5 Assessments: LESSEE shall pay all taxes and/or assessments that may be legally charged on public lands or related improvements which are levied against the property subject to this Lease, whether or not such taxes and/or assessments have been levied against the leasehold or STATE by the assessing agency.

6.6 Bond: The STATE reserves the right to require the LESSEE to furnish to the STATE a surety bond or an equivalent cash deposit or certificate of deposit which names the State of Oregon as co-owner to ensure that the LESSEE will perform in accordance with all terms and conditions of the Lease.

SECTION 7 - MISCELLANEOUS

7.1 No Partnership: The STATE is not a partner nor in a joint venture with LESSEE in connection with the business carried on under this Lease and shall have no obligation with respect to LESSEE's debts or other liabilities.

7.2 Non-Waiver: Waiver by either party of strict performance or any provisions of this Lease shall not be a waiver nor prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

7.3 Binding Interest: This Lease shall be binding upon and inure to the benefit of the parties, and the respective heirs, administrators, successors, and assigns of the parties hereto.

7.4 Notices: Any official STATE notice required under this Lease shall be sent by certified mail and shall expressly be deemed to be delivered after the certified letter is mailed to the address given by the LESSEE in the signature block of this Lease or as shown on the most recent written notice of record with this Lease. LESSEE shall provide the STATE with a written notice of any change of address, change in corporation/partnership/ownership, or change in person(s) authorized to represent the LESSEE. The STATE shall provide written acknowledgment of such LESSEE written notices and retain copies of both the LESSEE notice(s) and STATE acknowledgment(s) with this Lease. LESSEE'S failure to receive such written acknowledgment within thirty (30) days of the date LESSEE sent the original notice shall be constructive notice to LESSEE that: (1) the STATE has not properly received the notice, and (2) that such attempted notice shall be of no force and effect until such time as the notice is actually received and acknowledged by STATE.

7.5 Liens: In the event liens or other charges are placed on the leasehold premises, including land or improvements, arising out of LESSEE's actions directly or indirectly, the LESSEE shall immediately cause such liens to be discharged. The STATE may terminate this Lease if LESSEE fails to discharge such liens or charges or provide the STATE with a sufficient bond covering the full amount of the lien after ten (10) days notice to do so by the STATE. LESSEE shall pay and indemnify the STATE for all costs, damages or charges of whatsoever nature, including attorney's fees, necessary to discharge such liens or charges whether such costs, damages or charges are incurred prior or subsequent to any termination of this Lease.

7.6 Default: The following shall be events of default:

7.6.1 Failure of the LESSEE to pay any rent, tax, reimbursement or other charge or payment due hereunder within twenty (20) days of the date such payment is due. For the purposes of this subsection, if the due date for such payment is not otherwise stated in this Lease or otherwise defined in statute or administrative rule, such payment shall be due on the date set forth in the notice from the STATE to the LESSEE informing the LESSEE of its obligation to pay such charge or payment.

7.6.2 Failure of LESSEE to comply with applicable laws, Oregon Administrative Rules or any non-payment related terms or conditions or obligations of the Lease within thirty (30) days after written notice by the STATE specifying the nature of the deficiency.

Upon timely request from the LESSEE, the STATE may in its good faith discretion permit the deadline for curing such non-compliance to be extended if it finds that: (1) the default can not reasonably be cured within the thirty (30) day period, (2) the interests of the STATE will not be harmed by an extension, (3) such default was not due to the willful acts or gross negligence of the LESSEE, and (4) the STATE and the LESSEE are able to mutually agree upon a written plan and timeline for remediation.

7.6.3 Insolvency of LESSEE; the filing by LESSEE of a voluntary petition in bankruptcy; an adjudication that LESSEE is bankrupt or the appointment of a receiver of the properties of LESSEE; the filing of any involuntary petition of bankruptcy and failure of LESSEE to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of LESSEE to secure discharge of the attachment or release of the levy of execution within ten (10) days. If LESSEE consists of two (2) or more individuals or business entities, the events of default specified in this paragraph shall apply to each individual unless within ten (10) days after an event of default occurs the remaining individuals produce evidence satisfactory to STATE that they have unconditionally acquired the interest of the one causing the default. If the Lease has been assigned in compliance with Subsection 6.1 of this Lease, the events of default so specified in this subsection shall apply only with respect to the one then exercising the rights of LESSEE under the Lease.

7.6.4 Notwithstanding the above, if the STATE in good faith believes that a material default has occurred which may imperil the STATE's rights in the land or its fiduciary duties under law, the STATE may declare an immediate default without any right of LESSEE to cure the deficiency.

7.7 Termination Upon Default: In the event of a default by LESSEE, the STATE shall have the right to terminate this Lease if it has given LESSEE notice of the default and of the STATE'S intent to terminate this Lease if the default is not completely cured by the deadline contained in the notice and if the listed default has not been cured by the stated deadline. The deadline contained in the notice must be at least twenty (20) calendar days from the date the notice is sent by certified mail, or if earlier, the date LESSEE actually receives said notice. The STATE shall be entitled to recover from LESSEE all costs arising out of the re-entry and all costs of re-letting the premises. The STATE shall be entitled to recover the amount of unpaid rent required to be paid under the Lease from the date of default until a new Lease has been, or with the exercise of reasonable efforts could have been, secured, if the STATE was determined to re-let the leasehold. All improvements located thereon shall be disposed of as provided by Section 9.3 of this Lease. If the LESSEE owns a floating home and has placed such home on the property pursuant to the provisions of Section 2.1 of this

Lease, the lease termination provisions of ORS 90.630 shall apply to the extent that they are inconsistent with the provisions of this Lease.

7.8 STATE's Right to Cure Defaults:

7.10.1 If the LESSEE fails to perform any obligation under this Lease, the STATE shall have the option to perform the obligation of the Lease after thirty (30) days written notice to the LESSEE. All of the STATE's expenditures to carry out the obligation shall be reimbursed by the LESSEE on demand with interest at the rate of one percent (1%) per month accrued from the date of expenditure by the STATE.

7.10.2 In the event any violation or breach of the provision of this Lease is causing damage to the leasehold or the LESSEE is utilizing the leasehold in a manner not permitted by the provision of this Lease, or in any case damages are occurring to the leasehold, the STATE may immediately enter upon the leasehold and take such action as necessary to cease such damages or use. In the event the damage or use is occurring by reason of a violation or breach of the provisions of this Lease, the LESSEE shall be liable for all costs incurred by the STATE by reasons of such violations. The STATE, at its option, may send notice to the LESSEE of such violations and LESSEE shall immediately cease such use or violation and correct such violation.

7.9 Termination Upon Mutual Consent: This Lease may also be terminated by mutual written consent of LESSEE and STATE.

7.10 Weed Control: The LESSEE shall control noxious weeds including aquatic weeds, plant pests and diseases within the leasehold as directed by the local county weed control district, the Oregon Department of Agriculture and/or any other governmental authority which may now or in the future have authority with regard to the prevention and/or control of noxious weeds, plant pests and/or diseases, or as may be authorized or directed by the STATE.

7.11 Holdover: If LESSEE does not vacate the leasehold at the time required at expiration or upon termination of a Lease, STATE shall have the option to treat LESSEE as a tenant from month to month, subject to all of the provisions of this Lease except the provisions for term, renewal, and rental. The STATE shall have the option to unilaterally establish a new rental for the month-to-month tenancy, with said rental payable in advance. If a month-to-month tenancy results from holdover by LESSEE under this paragraph, the tenancy shall be terminable at the end of any monthly rental period upon written notice from STATE given not less than thirty (30) days prior to the termination date which shall be specified in the notice.

7.12 Governing Law: This Lease and all matters related to the rights and responsibilities hereunder are governed by and subject to the laws of the State of

Oregon and the Administrative Rules of the Division of State Lands and the State Land Board, as they may change from time to time. The Oregon Administrative Rules contain terms and conditions which relate to the rights and responsibilities of the parties hereunder, and such terms and conditions (as they may change from time to time) are hereby incorporated by reference and made a part of this Lease.

7.13 Binding on Successors: This Lease shall be binding on and shall inure to the benefit of the successors and assigns of the parties hereto, but nothing in this subsection shall be construed as a consent by STATE to any disposition or transfer of the Lease or any interest herein by LESSEE except as otherwise expressly provided in this Lease.

7.14 Nondiscrimination: The leasehold shall be used in a manner, and for such purposes, that assure fair and nondiscriminatory treatment of all persons without respect to race, creed, color, religion, handicap, disability, age, gender, or national origin.

7.15 Right To Sue More Than Once: STATE may sue periodically to recover damages for the period corresponding to the remainder of the lease term and no action for damages shall bar later actions for damages subsequently accruing

7.16 Remedies Cumulative: The remedies contained in this Lease shall be in addition to, and shall not exclude any other remedy available at law or in equity, and exercise by either party of any one or more of such remedies shall not preclude the exercise by it at the same or different times of any other such remedies for the same default or breach by the other party.

7.17 Attorney Fees: If suit or action is instituted in connection with any controversy arising out of or in connection with this Lease, the prevailing party shall be entitled to recover all costs and disbursements incurred, including such sum as the court may adjudge reasonable as attorney fees at trial and on any appeal of the suit or action, and in any bankruptcy case or proceedings.

7.18 Exhibits: All Exhibits to which reference is made in this Lease are incorporated in this Lease by the respective references to them, whether or not they are actually attached. References to "this Lease" include matters incorporated by reference.

7.19 Compliance With Applicable Law: The STATE's performance under this Contract is conditioned on the LESSEE's compliance with the provision of ORS 279.312, 279.314, 279.316, 279.320 and 279.555, which are incorporated by reference herein.

7.20 Late Charges and Interest: It is understood by both parties that late payments by the LESSEE of rent and other charges due hereunder will cause the STATE to incur costs not contemplated by this Lease, the exact amount of which will be difficult to ascertain, including costs associated with administrative processing and accounting. As such, the parties agree that, notwithstanding other remedies

permitted hereunder, if the LESSEE has not made full payment of amounts due within twenty (20) days of the date such payment is due, LESSEE shall pay an additional charge equal to five percent (5%) of the amount of the late rent or other charge. In addition, all amounts due and owing under this agreement, including late charges, shall bear interest at the lower of: (1) the highest interest rate allowable by law, or (2), twelve percent (12%) per year.

SECTION 8 - INSURANCE

8.1 Commercial General Liability: LESSEE shall obtain at LESSEE's expense, and keep in effect during the term of this Lease, comprehensive or commercial general liability insurance covering bodily injury and property damage with an insurance company acceptable to the STATE. This insurance shall include personal injury coverage, contractual liability coverage for the indemnity provided under this Lease and products/completed operations liability. Combined single limit per occurrence shall not be less than $INSERT $$ AMOUNT, or the equivalent. Each annual aggregate limit shall not be less than $INSERT $$ AMOUNT, when applicable.

8.2 Revisions/Amendments/New Requirements: The amounts and types of insurance (including those specified in Section 8) and the party responsible for procuring the insurance shall be established and reviewed when circumstance warrant. The requirements may be revised or amended by the STATE periodically at the STATE's sole discretion after STATE:

(a) consults with its insurance advisor;
(b) consults with LESSEE;
(c) considers the commercial reasonableness of any requirements, amendments or revisions, and
(d) considers the STATE's need for adequate insurance protection and the STATE's fiduciary obligations.

Within thirty (30) days notice to LESSEE of the STATE'S revision or amendment of the insurance requirements, LESSEE shall provide the STATE with satisfactory evidence that the LESSEE has obtained new insurance coverage which conforms with the revised/amended insurance requirements. If mutually agreed in writing, LESSEE may have additional time to obtain such insurance.

8.3 Named Insured Parties: The liability insurance coverages required for performance of the Lease shall include the State of Oregon, the Division of State Lands and their sections, officers and employees as additional insured but only with respect to the LESSEE's activities to be performed under this Lease.

8.4 Certificate(s) of Insurance: As evidence of the insurance coverages required by this Lease, the LESSEE shall furnish certificate(s) of insurance to the STATE prior to the issuance of this Lease, and not less often than annually thereafter and as reasonably requested by STATE. The certificate(s) will specify all of the parties who are additional insured (or loss payees). Insurance coverages required under this Lease shall be obtained from acceptable insurance

companies or entities. The LESSEE shall be financially responsible for all deductibles, self-insured retentions and/or self-insurance included hereunder.

SECTION 9 - IMPROVEMENTS

9.1 Authorized Improvements or Structures: No improvement that exceeds fifteen thousand dollars ($15,000) in cost or value may be constructed or placed upon the leasehold unless the LESSEE shall have first obtained the prior written authorization of the STATE. Approval for improvements consistent with the purposes of this lease shall not be unreasonably withheld or delayed. All improvements must be consistent with the authorized use(s) of this Lease as stated in Section 2.1.

9.2 Unauthorized Improvements or Structures: Unauthorized improvements shall, at the election of the STATE, either be removed from the leasehold by LESSEE (or if STATE so elects, by the STATE at LESSEE's cost and expense), or remain within the leasehold.

9.3 Removal of Structures and Improvements: Any LESSEE-owned structure or improvement must be removed within ninety (90) days of the termination of the Lease or modification of the lease as in Subsection 4.1.1 unless otherwise agreed by the parties as in the case of a structure exempt from authorization under OAR 141-082-0030(4). LESSEE shall be responsible for any damage done to the leasehold as a result of the removal of the structure improvements. Any structure or improvements remaining on the leasehold after the ninety (90) day period may at the option of the STATE become the property of STATE, unless otherwise agreed by the parties.

SECTION 10 - ADDITIONAL CONDITIONS AND STIPULATIONS

INSERT ADDITIONAL CONDITIONS AND STIPULATIONS

SECTION 11 ENTIRE AGREEMENT

11.1 ENTIRE AGREEMENT: THIS LEASE, TOGETHER WITH THE ATTACHED EXHIBITS AND ATTACHMENTS, CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES. NO WAIVER, CONSENT, MODIFICATION OR CHANGE OF TERMS OF THIS LEASE SHALL BIND EITHER PARTY UNLESS IN WRITING. SUCH WAIVER, CONSENT, MODIFICATION OR CHANGE, IF MADE, SHALL BE EFFECTIVE ONLY IN THE SPECIFIC INSTANCE AND FOR THE SPECIFIC PURPOSE GIVEN, AND SHALL BE VALID AND BINDING ONLY IF IT IS SIGNED BY EACH PARTY. THERE ARE NO UNDERSTANDINGS, AGREEMENTS OR REPRESENTATIONS, ORAL OR WRITTEN, NOT SPECIFIED HEREIN REGARDING THIS LEASE. LESSEE, BY THE SIGNATURE BELOW OF ITS AUTHORIZED REPRESENTATIVE, HEREBY ACKNOWLEDGES THAT LESSEE HAS READ THIS LEASE, UNDERSTANDS IT AND AGREES TO BE BOUND BY ITS TERMS AND

CONDITIONS. THIS LEASE SUPERSEDES ALL PRIOR OR EXISTING LEASE OR RENTAL AGREEMENTS BETWEEN THE PARTIES.

The LESSEE expressly agrees to all covenants herein and binds him/herself for the payment of the rental herein before specified.

DIVISION OF STATE LANDS	LESSEE
Authorized Signature (Note requirement below)	Signature/Title
Date	Date
Division of State Lands 775 Summer Street NE Salem, OR 97310-1337	Mailing Address

Note: If the LESSEE is a corporation, the signer warrants that s/he has the authority to sign the lease on behalf of the corporation by resolution of it Board of Directors, or through delegation of authority to the signer.

CERTIFICATE OF COMPLIANCE WITH OREGON TAX LAWS

I, the undersigned, hereby swear or affirm under penalty of perjury that to the best of my knowledge, I am not in violation of any Oregon Tax Laws.

For the purposes of this certificate, "Oregon Tax Laws" means those programs listed in ORS 305.380(4) which is incorporated herein by this reference. Examples include the state inheritance tax, personal income tax, withholding tax, corporation income and excise taxes, amusement device tax, timber taxes, cigarette tax, other tobacco tax, 9-1-1 emergency communications tax, the homeowners and renters property tax relief program and local taxes administered by the Department of Revenue (Lane Transit District Self-Employment Tax, Lane Transit District Employer Payroll Tax, Tri-County Metropolitan Transit District of Oregon ("Tri-Met") Employer Payroll Tax, and Tri-Met Self-Employment Tax).

Signature: _____

Date: _____

Printed Name: _____

Title: _____

Oregon
John A. Kitzhaber, M.D., Governor

Division of State Lands
775 Summer Street NE
Salem, OR 97310-1337
(503) 378-3805
FAX (503) 378-4844
TTY (503) 378-4615

May 13, 1998

State Land Board
John A. Kitzhaber
Governor
Phil Keisling
Secretary of State
Jim Hill
State Treasurer

To: Interested Parties

From: John Lilly, Assistant Director

Subject: **Announcement of Public Hearings: Proposed Revisions to Rules for Authorizing Structures On, and Use of State-Owned Submerged and Submersible Land by Lease and Registration**

Introduction

For the past two years, the Division has been working with the Waterway Leasing Task Force, lessees, interest groups, and the public to revise the rules governing the leasing of state-owned submerged and submersible land. Considerable effort has been made by a wide variety of interests to develop a new waterway leasing rate approach or formula that is comprehensive, fair, equitable, easy to understand and administer, and supports public trust values.

The Division held five public workshops in August 1997 to gauge public support for various ideas; in late September a day long public workshop was held in Salem to discuss a rate formula concept called a lessee "choice" approach. **In February 1998 the Land Board directed the Division to hold public hearings on the proposed new rules and lease rate formulas.** In addition, at its April 1998 meeting the Land Board adopted the "registration" rules. During the public testimony, the Land Board heard from waterfront property owners concerned about the possibility that non-waterfront owners may be able to place new structures on waterways. **The Land Board authorized the Division to re-open that portion of the registration rule dealing with this issue (see OAR 141-082-150(5)(6)) for public comment review and change.**

What is the proposal?

The proposed new rules would replace and update the Division's current 16 year old rules and lease rates for activities on state-owned submerged and submersible land where a lease is required. The rules describe, among other things, when a lease is needed; how to apply; how the Division will process the application; what the lease form and general conditions are; and the cost of the lease and how it is calculated.

How will these proposals affect me?

If you are currently a lessee in good standing, your lease contract remains in effect and your annual lease rental will be re-determined according to the provisions of the lease.

If your lease is for a marina, floating home moorage, log raft area or similar structure/use, lease rental is redetermined annually. Under the proposal you will have a choice of as many as three different ways to establish your new annual rent. You will be able to choose the method that is the least cost to you (but not less than $300 per year).

If your lease is for another type of use (e.g. fish processing facility), your rent is redetermined every five years. When it comes time to set the new rate, you will be able to pick the annual lease rental calculation method that is least expensive for you. Or you can choose to do it sooner if the new rates are cheaper, but you will need a new lease.

If you plan to lease state-owned submerged and submersible land the proposed new rules show how the Division will process your application; set your annual lease rental; and what the actual lease form says.

Where are the public hearings and how can I comment?

You can present testimony and comments at the hearings, or you can mail them to the Division. The hearings are all from **7:00pm to 10:00pm** and are scheduled as follows:

May 26, 1998
Red Lion Inn
Pacific Room
400 Industry St
Astoria

May 27, 1998
Hatfield Marine Science Center
Auditorium
2030 S Marine Science Dr
Newport

May 28, 1998
N. Bend Public Library
Meeting Room
1800 Sherman Ave
North Bend

June 1, 1998
Portland State Office Building
Room 140
800 NE Oregon Street
Portland

These meetings are being held in facilities that are accessible to persons with disabilities.

When will the final decision be made?

The Division expects to present the final proposed rule changes to the Land Board for adoption in October, 1998. But before then, the Division will compile and review all the public hearing comments and revise the draft rules. A public Technical Advisory Committee will review and comment on the final proposal before the Division offers the rule for adoption. **If you would like to be a part of the Technical Advisory Committee, please contact the Division of State Lands.**

For more information please contact:

Shannon Relaford, Rules Coordinator
Division of State Lands
775 Summer Street NE
Salem, OR 97310
(503) 378-3805, ext. 271

DIVISION OF STATE LANDS

WATERWAY LEASING PROGRAM REVIEW

REVISED TIMETABLE

May 1998

Status **October/November, 1997:**

✓ a) Prepare new rule proposal to register, rather than lease, private docks, boathouses and duck shacks.

✓ b) Continue to prepare potential revised waterway leasing rules including lease rates.

✓ c) Discuss (a) and (b) with interested parties.

December, 1997:

✓ a) Request Land Board adoption of $250 lease application fee to cover lease processing costs and temporary lease rate "freeze" retroactive to June 1, 1997.

✓ b) Request Land Board approval to initiate another round of public rulemaking on new private dock registration proposal.

✓ c) Report to Land Board on progress to revise waterway leasing rules including various lease rate proposals.

✓ d) Discuss (b) and (c) with interested parties.

IN PROCESS e) Continue Waterway Improvement Inventory project for Devils Lake, Multnomah Channel and portions of the Willamette and Columbia Rivers. (Pilot project).

January, 1998:

✓ a) Conduct public hearings on non-commercial small dock registration proposals.

✓ b) Review public comment from hearings and revise proposed private dock registration rules.

February, 1998:

✓ a) Request Land Board to authorize rulemaking and public hearings on proposed revised waterway lease rules and rates.

Status **April, 1998:**

✓ a) Request Land Board adoption of non-commercial small dock registration rule.

IN PROCESS b) Complete Waterway Inventory pilot project; continue to inventory developed areas on other state-owned waterways.

May, 1998:

a) Conduct public hearings on proposed revised waterway lease program rules and rates.

b) Continue discussions of proposed revised rules/rates with interested parties.

✓ c) Initiate dock registration program.

June/July, 1998:

a) Review public comment and revise/prepare proposed final waterway lease program rules and rates.

b) Discuss public comments and proposed final waterway lease program rules and rates with Technical Advisory Committee and interested parties.

September, 1998

a) Complete waterway improvement inventory in developed areas

October, 1998:

a) Present final waterway leasing program rules and lease rates to Land Board for adoption; present waterway improvement inventory.

6 May 1998

PLEASE NOTE:

- *The following proposed rules (OAR 141-082-0000 through 0130) are intended to replace the rules currently in effect (OAR 141-082-0005 through 0035).*
- *All text indicated* **in bold type** *is subject to public comment at this time.*
- *Text which is* not in bold type *has been adopted by the Land Board.*

Proposed Rules For Authorizing Structures On, And Use Of State-Owned Submerged And Submersible Land By Lease And Registration

141-082-0000 Purpose And Applicability

These rules:

(1) Govern the management of state-owned submerged and submersible land for a wide variety of uses. This land is managed by the Division of State Lands (Division) as the administrative arm of the State Land Board.

(2) Establish procedures for authorizing structures on, and uses of state-owned submerged and submersible land by lease or registration.

(3) Do not pertain to the management of state-owned submerged and submersible land for the removal of sand and gravel, mineral exploration, granting of easements, or leasing of upland created from state-owned submerged and submersible land. These uses/activities are covered under separate Division rules. In addition, they do not apply to structures on, or uses of state-owned submerged and submersible land which are exempt from lease such as wharves, and navigation aids placed by public agencies.

141-082-0010 Policies

(1) Pursuant to Oregon statute, all tidally-influenced and title navigable waterways (referred to as state-owned submerged and submersible land) have been placed by the Legislature under the jurisdiction of the State Land Board and the Division.

(2) The Land Board, through the Division, has a constitutional responsibility to manage "the lands under its jurisdiction with the object of obtaining the greatest benefit for the people of this state, consistent with the conservation of this resource under sound techniques of land management" pursuant to Article 8, Section 5(2) of the Oregon Constitution.

(3) State-owned submerged and submersible land is managed to ensure the collective rights of the public, including riparian landowners, to fully use and enjoy them for commerce, navigation, fishing, recreation and other related public purposes.

(4) No person shall place a structure on, or make use of state-owned submerged and submersible land without the required authorization described in these rules.

(5) All uses of state-owned submerged and submersible land shall conform to local, state, or federal laws.

(6) The Division shall not approve an application for a use which:
  (a) Is inconsistent with local, state, or federal laws;
  (b) Is not in compliance with these rules;
  (c) Would result in an unreasonable interference with the public trust rights of commerce, navigation, fishing and recreation;
  (d) Would have unacceptable impacts on public health, safety or welfare, or natural resource values; and
  (e) Is prohibited by a Land Board adopted area closure, use restriction, or waterway management plan.

(7) The Division shall administer these rules to ensure that:
  (a) The people of Oregon receive fair compensation for the use of state-owned submerged and submersible land reflective of local market conditions;
  (b) Persons applying for, and holding an authorization to use state-owned submerged and submersible land receive consistent, predictable, and fair treatment; and
  (c) Public trust values (commerce, navigation, fishing, and recreation) are supported, protected, and enhanced.

141-082-0020 Definitions

(1) "Actual Annual Slip Or Boat Rental Income" means the gross revenue received by a lessee during the prior year from the rental or subleasing of slips, boat rental, or similar activities within the authorized area.

(2) "Adjacent Upland Riparian Owner" or "Riparian Owner" means a person holding recorded title to property that fronts or abuts state-owned submerged and submersible land.

(3) "Applicant" is any person applying for authorization to use state-owned submerged and submersible land.

(4) "Aquaculture" means the culture and/or farming of food fish, shellfish, and other aquatic plants and animals in fresh or salt water areas. Aquaculture practices include the hatching, seeding or planting, cultivating, feeding, raising, and/or harvesting of planted or natural crops so as to maintain an optimum yield, and the processing of aquatic plants or animals.

(5) "Assessed Value" means the value in dollars per square foot assigned to the land within the adjacent upland riparian tax lot or comparable tax lot by the county tax assessor for the purpose of computing the prior year's property tax.

(6) "Authorization" means a lease or registration issued to an applicant by the Division conveying a right to limited use of state-owned submerged and

submersible land for a specific and defined purpose for a fixed period of time.

(7) **"Authorized Area" is the area of state-owned submerged and submersible land which the Division allows a structure to occupy or person to use through a lease or registration. For the purposes of leasing, the authorized area shall encompass, at a minimum, all leasable structures and uses associated with the water surface area.**

(8) **"Boat House" means a covered or enclosed structure used exclusively to store, shelter, or protect a boat.**

(9) **"Combination Boat House" or "Combo" means a boat house which is attached to, or a part of a floating home.**

(10) **"Director" means the Director of the Division of State Lands.**

(11) **"Division" means the Division of State Lands.**

(12) **"Dock/Float" means an individual fixed or floating structure (other than a mooring buoy) used exclusively for mooring boats and for other water-dependent activities.**

(13) **"Dolphin" is a cluster of piles or piling which are bound together.**

(14) **"Extension of Upland Use" means a use that is not water-related or water-dependent. Extensions of upland use include, but are not limited to apartments and hotels, private residences on pilings, restaurants and bars, office buildings, and retail sales outlets.**

(15) **"Floating Home" means a moored structure that is secured to a pier or pilings and is used primarily as a domicile and not as a boat.**

(16) **"Floating Recreational Cabin" is a moored floating structure, accessible only by boat, used wholly or in part as a dwelling, not physically connected to any upland utility services (for example, water, sewer, or electricity), and used only periodically or seasonally.**

(17) **"Gangway" means a walkway which connects, and is used exclusively for the purpose of traversing from the upland to a dock/float, marina, floating home, boat house, or other authorized structure.**

(18) **"Goods And Merchandise" means products transported in commerce. Goods and merchandise does not include materials used by a vessel for its maintenance, alteration, or operation.**

(19) **"Historical Vessel" means a vessel listed or eligible for listing on the National Register of Historic Places.**

(20) **"Lease" for the purposes of these rules, is a legal contract executed by the Division and signed by the lessee allowing the use of a specific area of state-owned submerged and submersible land for a specific use under the terms and conditions of the lease and these rules.**

(21) **"Line Of Ordinary High Water" means the line on the bank or shore to which the high water ordinarily rises annually in season.**

(22) **"Line Of Ordinary Low Water" means the line on the bank or shore to which the low water ordinarily recedes annually in season.**

(23) **"Log Boom Area" means a water surface area bounded by floating, connected logs or other devices, used for confining loose logs, grading and**

sorting logs, making log rafts, or to feed whole or partially processed wood products to a mill.

(24) "Log Raft" means a group of loose or bundled logs surrounded by boom logs which can be stored or moved on water.

(25) "Log Raft Storage Area" means the unbounded water surface area used for mooring and storing log rafts, usually marked by piles and dolphins to which the rafts are fastened.

(26) "Marina" means a small harbor, boat basin, or moorage facility providing dockage and incidental services for recreational, commercial and/or charter fishing, or tour boats.

(27) "Marine Industrial/Commercial" means such uses as, but not limited to barge and workboat moorage and storage, vessel layberthing, ship repair facilities, vessel dismantling, and water dependent retail stores.

(28) "Mooring Buoy" means a floating device anchored to the bed of a waterway to which a boat is fastened through the use of lines or ropes for the purpose of maintaining the boat in a stationary position in the water.

(29) "Multi-Family Dock" means a non-commercial dock, maintained and owned in common by several families, and situated adjacent to their residences.

(30) "Navigable" for the purposes of these rules, refers to any tidally influenced waterway or body of water; or any waterway, body of water, or segment thereof which has been determined through Land Board declaration, adjudication, or other legal processes to be owned by the State of Oregon. The submerged and submersible land underlying a waterway or body of water which has been declared navigable is owned by the state.

(31) "Navigation Aids" are structures or devices such as buoys, channel markers, beacons, etc., placed in or along a waterway, by or with the consent of appropriate public agencies, to aid persons engaged in navigation of a waterway.

(32) "Non-Commercial" means a use which is not associated with any monetary consideration or gain in any manner or form including, but not limited to, space for rent, lease, or sale.

(33) "Person" is an individual at least eighteen (18) years old, a political subdivision or public agency, or any corporation, association, firm, partnership, joint stock company, or quasi-public corporation registered to do business in the State of Oregon.

(34) "Pile" or "Piling" is a wood, steel, or concrete beam driven or jetted into the bed or bank of a waterway to secure a floating structure, log raft, or boat.

(35) "Preference Right" means an adjacent upland riparian owner's statutory privilege, as found in ORS 274.040(1), to obtain a lease without advertisement or competitive bid for the state-owned submerged and submersible land that fronts and abuts the riparian owner's property. This right may be executed by the adjacent upland riparian owner only if the Division determines that the subject state-owned submerged and submersible land is available for lease. A preference right cannot be segregated from ownership of the adjacent riparian upland and, therefore, may not be sold,

transferred, assigned or conveyed as a negotiable item separate from ownership of the upland parcel. A person claiming the right of occupancy to submerged and submersible land under a conveyance recorded before January 1, 1981, shall have a preference right to the requested lease area. In order to qualify, however, the conveyance must be from the present owner or predecessor in interest of the land.

(36) "Protective Boom" refers to logs or similar floating devices attached to each other to protect a structure or bank from floating debris or erosion.

(37) "Public Agency" means an agency of the Federal Government, the State of Oregon, and every political subdivision thereof.

(38) "Registration" is a form of authorization issued by the Division allowing a qualifying structure or use to occupy state-owned submerged and submersible land.

(39) "Riparian Property" means a parcel of land that fronts or abuts on a body of water or waterway.

(40) "Structure" means anything placed, constructed, or erected over state-owned submerged and submersible land that requires a lease or registration.

(41) "Sublease" means a leasing by the lessee of all or part of the leasehold for any portion of the unexpired lease term, except in the ordinary course of a lessee's business for uses approved under the lease.

(42) "Submerged Land" means land lying below the line of ordinary low water of all title navigable and tidally influenced water within the boundaries of the State of Oregon.

(43) "Submersible Land" means land lying between the line of ordinary high water and the line of ordinary low water of all title navigable and tidally influenced water within the boundaries of the State of Oregon.

(44) "Transient Use" means any use of state-owned submerged and submersible land which is of a short or intermittent duration.

(45) "Use" means an activity on state-owned submerged and submersible land that may require a lease or registration under these rules.

(46) "Water Dependent Use" means a structure or use which can be carried out only on, in, or adjacent to water areas because the use requires access to the water body for water-born transportation, recreation, energy production, or source of water.

(47) "Water Related Use" means a structure or use which is not directly dependent upon access to a water body, but which provides goods or services that are directly associated with water-dependent land or waterway use, and which, if not located adjacent to water, would result in a public loss of quality in the goods or services offered. Except as necessary for water dependent or water-related uses or facilities, residences, parking lots, spoil and dump sites, roads and highways, restaurants, businesses, factories, and trailer parks are not generally considered dependent on or related to water location needs.

(48) "Water Sport Structures" means water ski buoys, jumps and ramps, kayak race gates, and other such devices used in association with a water

recreational sport. Such devices are typically temporary in nature, and not permanently attached to a piling, dolphin, or other fixed object.

(49) "Wharf" or "Wharves" means a structure or structures placed on state-owned submerged and submersible land that is/are actively and exclusively used to accommodate ships, boats, or vessels engaged exclusively in the receipt and discharge of goods or merchandise, or in the performance of active government functions on the waterway.

141-082-0030 Types Of Uses And Required Authorizations

(1) Uses of state-owned submerged and submersible land which require leases from the Division include, but are not limited to:

- **(a) Aquaculture facilities;**
- **(b) Marine industrial/commercial uses;**
- **(c) Floating homes and floating home moorages;**
- **(d) Fish processing plants;**
- **(e) Log storage or booming areas including millside log boom areas (both makeup and breakdown areas);**
- **(f) Historical vessel moorages;**
- **(g) Combination boat houses and combination boat house moorages;**
- **(h) Commercial and non-commercial marinas including yacht clubs, homeowner and boating associations, and multi-family docks not qualifying for registration;**
- **(i) Extensions of upland use (for example, restaurants, warehouses, offices, motels, etc.);**
- **(j) Individual non-commercial docks/floats, boat houses, and floating recreational cabins not qualifying for registration;**
- **(k) Structures used for the loading and unloading of ships which do not meet the definition of a wharf as provided in these rules; and**
- **(l) Other similar uses not exempted by statute or administrative rule, and determined by the Director to be subject to lease.**

(2) Uses which require registration include, but are not limited to:

- **(a) Non-commercial structures including docks/floats and/or boat houses of two-thousand five hundred (2,500) square feet or less excluding associated gangways, pilings, dolphins, mooring buoys, and protective booms;**
- **(b) Floating recreational cabins of one-thousand five hundred (1,500) square feet or less excluding associated, pilings, dolphins, mooring buoys, and protective booms;**
- **(c) Water sport structures (pursuant to OAR 141-082-0140 through 141-082-0200); and**
- **(d) Other similar structures determined by the Director to be subject to registration.**

141-082-0040 Lease Application Requirements

(1) **Persons needing to obtain a lease for a structure on, or use of state-owned submerged and submersible land must apply to the Division on a form provided by the Division.**

(2) **All applications for lease must be fully completed and accompanied by a non-refundable fee in the amount of two hundred and fifty dollars ($250) payable to the Division.**

(3) **To be accepted by the Division for consideration, an application to lease state-owned submerged and submersible land shall be:**

(a) **Fully completed;**

(b) **For a proposed or existing use which is leasable and in compliance with these rules; and**

(c) **For an area initially determined by the Division to be available for lease.**

Applications which fail to meet these requirements shall be returned to the applicant with an explanation of the reason(s) for rejection.

141-082-0050 Lease Application Review Process

(1) **The appropriate city or county planning department, pertinent state and federal agencies, and all lessees and riparian property owners within two hundred (200) feet of the proposed or existing use shall be notified by the Division of the opportunity to review and comment on accepted lease applications.**

(2) **Based on the comments received in response to the notification, and the Division's own assessment, the Division shall determine whether the proposed lease-associated use:**

(a) **Can be accommodated without unreasonably interfering with the public trust rights of commerce, navigation, fishing or recreation; and**

(b) **Is consistent with local, state, or federal laws.**

The Division shall consider the information received concerning the use for which a lease is requested to decide whether to reject the lease application, or require that the applicant modify it before further consideration by the Division.

(3) **If the Division determines that the proposed or existing use meets the above requirements, the Division shall determine the area needed to fully encompass the perimeter of the lease-associated use as well as any additional water surface area needed, as determined by the Division, to support the use. The Division shall determine the method to describe the boundary of the authorized area.**

(4) **The Division may require the applicant to have a survey of the requested lease area conducted by a licensed professional engineer or surveyor. If a survey is required, the Division shall specify the information required. The applicant shall be responsible for any costs of the survey.**

(5) If more than one application for a specific lease area is received by the Division, the Division shall determine which proposed use best fulfills the policies described in these rules.

(6) If the applicant does not own all of the upland riparian property fronting the proposed lease area, the Division shall offer a preference right to lease to the adjacent upland riparian owner(s). When such a lease application is received, the Division shall:

(a) Subdivide the requested lease area into smaller parcels by extending the boundaries of adjacent upland riparian owner's tax lot so that there is a separate lease parcel for each parcel of property that fronts and abuts the lease area;

(b) In accord with the proposed use(s), establish a minimum annual rental for each lease parcel; and

(c) Notify each adjacent upland riparian owner that a lease application has been accepted by the Division, and provide thirty (30) calendar days from the date that the letter is postmarked for the adjacent riparian upland owner to exercise the preference right to take the lease at the minimum annual rental fixed by the Division.

(7) The Division shall consider that the adjacent upland riparian owner has accepted the offer of a preference right to lease if it receives a fully completed lease application and required application fee within the required thirty (30) calendar day period.

(8) If the adjacent upland riparian owner does not exercise the preference right to take a lease applied for by another person, the Division shall prepare and publish an advertisement for bids pursuant to the requirements of ORS 274.040. The highest qualified bidder shall be awarded the lease.

(9) An adjacent upland riparian owner accepting the Division's preference right offer to lease may apply for a use different than the original applicant's by submitting a separate application pursuant to the requirements of these rules.

141-082-0060 General Lease Conditions And Form

(1) The lease form contained in Exhibit A shall be the only lease form used by the Division to authorize the use of state-owned submerged and submersible land pursuant to these rules.

(2) The maximum lease term for state-owned submerged and submersible land shall be thirty (30) calendar years. The length of a lease offered by the Division shall depend on:

(a) Whether the proposed use is reasonably expected to exist for the time period requested by the applicant, and

(b) The policies contained in these rules.

(3) State-owned submerged and submersible land, regardless of whether or not it is incorporated in authorized areas, shall remain available and open to the public for commerce, navigation, fishing, and recreation subject to any

limitations which may be imposed by the Land Board or Division. However, the public shall not have the right to substantially interfere with the use(s) authorized by the Division, or trespass on lessee-owned property or structures.

(4) The Division or its authorized representative(s) shall have the right to legally access and enter upon any state-owned submerged and submersible land at any time to make any necessary examinations or investigations.

141-082-0070 Lease Renewal

(1) Any person needing to renew a lease issued by the Division which provides for such renewal shall apply to the Division using a form provided by the Division at least ninety (90) days prior to lease expiration.

(2) An application for renewal shall be accompanied by a non-refundable fee in the amount of two-hundred and fifty dollars ($250) payable to the Division.

141-082-0080 Lease Modifications For Size And Use

(1) Lessees may request that the Division expand or reduce the size, or change the use of the lease area using a form provided by the Division. However, no such change shall occur unless authorized in writing by the Division.

(2) The Division may amend a lease to reduce the authorized area as requested if the portion of the lease area is not in use, or does not contain any leasable structures.

(3) Requests to change an authorized use, or increase an authorized area shall be processed and reviewed in the same manner as a new lease application.

141-082-0090 Subleasing And Assignment Of Leases

(1) Any lessee desiring to sublease, or assign a lease to another person, must:

(a) Apply to the Division on a form provided by the Division, and

(b) Submit a non-refundable application fee of two hundred and fifty dollars ($250) payable to the Division.

(2) All such requests must be received by the Division at least thirty (30) calendar days prior to the requested date of sublease or assignment.

(3) The Division may terminate the lease of any lessee who subleases or assigns any or all of his/her leasehold area to another person without the prior written approval of the Division.

(4) Sublessees and assignees shall meet all applicable requirements set forth in these rules.

141-082-0100 Lease Rental Formulas And Calculations

(1) Subject to the minimum annual rental established in OAR 141-082-0100, lessees may select the method of rent calculation for their authorized use

classification that results in the lowest annual rent, except for leases awarded through competitive bidding for which the annual rental shall be based on the bid award.

(2) The annual rental for individual non-commercial docks, boat houses, and floating recreational cabins not contained within marinas shall be based on the area encompassed by the perimeter of the structures, and shall exclude gangways, protective booms, pilings, and dolphins.

(3) The following eleven (11) classifications of use (OAR 141-082-0100(3)(a) through (l)) shall be used to establish annual rent or minimum bid, whichever is applicable.

Formula Explanation

AV	=	County assessed value per square foot of upland tax lot for the preceding year.
LA	=	Authorized lease area in square feet of state-owned submerged and submersible land.
AR	=	Annual rental.

The AV of the upland tax lot will be calculated by dividing the assessed value by the area of the upland tax lot. Utility, railroad or publicly-owned land shall not be used as the upland tax lot. Privately owned comparable upland tax lots shall be substituted. In cases where the upland tax lot is less than one hundred (100) feet deep, the Division will assume the upland tax lot has a depth of one hundred (100) feet and apportion the AV based on this derived area.

(a) For Commercial Marinas and Docks. Excludes Floating Homes/Moorages

Annual rental rate:

- **$0.02 per square foot x LA; or**
- **3% of actual annual slip or boat rental income; or**
- **AV x LA x 5% = AR**

(b) For Private Non Commercial Marinas and Docks. Includes Yacht Clubs, Multi-Family Docks, and Homeowners' Associations. Excludes Those Structures Qualified for Registration and Exempt From Lease (e.g. docks and boat houses less than 2,500 square feet).

Annual rental rate:

- **$0.02 per square foot x LA; or**
- **AV x LA x 5% = AR**

(c) **Commercial Floating Home Moorages**

Annual rental rate:

- **$0.03 per square foot x LA; or**
- **3% of actual annual slip rental income ; or**
- **AV x LA x 8% = AR**

(d) **Private Non-Commercial Floating Home Moorages. Includes Homeowners Associations.**

Annual rental rate:

- **$0.03 per square foot x LA; or**
- **AV x LA x 8% = AR**

(e) **Individual Floating Homes and Similar Structures (single floating home residence, combination boathouse/floating home or any non-marina or dock structures connected to utilities and associated with residential use not eligible for registration)**

Annual rental rate:

- **$0.03 per square foot x LA; or**
- **AV x LA x 8% = AR**

(f) **Docks or Similar Facilities Not Eligible for Registration and Owned by Charitable Organizations (limited to youth oriented, educational, or scientific organizations)**

Annual rental rate:

- **$300 per year per structure or combination of structures at a single location or facility (e.g. youth camp).**

(g) **Public Agency Owned, Operated, and Maintained Transient Docks, Boat Ramps, and Viewing Structures (no or minimal entry or use fees charged)**

Annual rental rate:

- **No annual rental charged; initial application fee required.**

(h) **Log Rafts**

Annual rental rate:

- **$0.01 per square foot x LA; or**
- **AV x LA x 5% = AR**

(i) **Marine Industrial and Commercial Use. Includes tug, vessel moorage and layberthing, barge storage, ship repair and water-dependent retail, and aquaculture facilities.**

Annual rental rate:

- **$0.14 per square foot x LA; or**
- **AV x LA x 5% = AR**

(j) **Fish Processing Plants**

Annual rental rate:

- **$0.45 per square foot x LA; or**
- **AV x LA x 5% = AR**

(k) **Extension of Upland Use. Includes restaurants, retail outlets, warehouses, offices, motels, and single or multi-family dwellings built on pilings.**

Annual rental rate:

- **$0.56 per square foot x LA; or**
- **AV x LA x 8% = AR**

(l) **Historical Vessel Moorages**

Annual rental rate:

- **$0.01 per square foot x LA; or**
- **AV x LA x 5% = AR**

(3) **The minimum annual rental for any lease except leases issued under categories (b) and (g) above shall be three hundred dollars ($300) per year.**

(4) **Rates for uses within each authorized lease area shall be calculated on a square foot basis of state-owned submerged and submersible land as applicable for each use category (for example, commercial marina). More than one use many be permitted within an authorized lease area. Rates will be calculated for each use area based on the applicable classification and summed to derive the total annual rental for the entire leasehold.**

(5) **Adjacent upland riparian lessees may change their method of lease rate calculation every three (3) years throughout the term of the lease. Lessees shall declare their choice at least ninety (90) days prior to their lease anniversary.**

(6) **Current lessees (those persons with valid leases on the effective date of these rules) shall select the method of lease rate calculation by July 1, 1999. If the lessee does not select a method of rental calculation, the Division shall utilize the cent per square foot fee formula appropriate to the use classification. The new annual rental shall take effect on January 1, 2000, or thirty (30) days after the current lessee chooses a rental calculation method and the lease form is executed, whichever is sooner.**

141-082-0110 **Removal Of Unauthorized Structures**

(1) **The Division may require the owner of an unauthorized structure on state-owned submerged and submersible land to remove it at his/her own expense.**

(2) **If the owner refuses to remove the unauthorized structure, or if no owner can be located, the Division may, at its own expense, remove the structure from state-owned submerged and submersible land.**

(3) **The Division shall pursue whatever legal options are available to recover such removal costs from the owner if s/he is located, including placing a lien on the assets of that owner.**

(4) **If the owner does not pay the costs incurred in the removal of the unauthorized structure by the Division, the Division may impose a civil penalty pursuant to OAR 141-82-0130.**

141-082-0120 **Submerged And Submersible Land Closures And Use Restrictions**

(1) **The Land Board may, based upon a request from any person, including a public agency, close or otherwise restrict to authorization certain portions of state-owned submerged and submersible land.**

(2) **The Land Board may adopt a closure or restriction when evidence shows that such action will prevent unreasonable interference with the public's right to use the waterway for commerce, navigation, fishing, and recreation.**

(3) **Such closures or restrictions shall be adopted by administrative rules and shall include at least one public hearing in the subject area. Prior notice shall be given to adjacent upland riparian property owners within the subject area.**

141-082-0130 **Civil Penalties**

(1) **In addition to any other penalty or sanction provided by law, the Director may assess a civil penalty of not more than one thousand dollars ($1,000) per day for the following:**

(a) Violations of any administrative rule adopted under ORS 274.040; and

(b) Violations of any term or condition of a written authorization granted by the Division under ORS 274.040.

(2) The Director shall give written notice of a civil penalty by registered or certified mail to the person incurring the penalty. The notice shall include, but not be limited to the following:

(a) The particular section of the statute, rule, or written authorization involved.

(b) A short and clear statement of the matter asserted or charged.

(c) A statement of the party's right to request a hearing within twenty (20) calendar days of service of the notice;

(d) The time allowed to correct a violation; and

(e) A statement of the amount of civil penalty which may be assessed and terms and conditions of payment if the violation is not corrected within the time period stated.

(3) The person incurring the penalty may request a hearing within twenty (20) calendar days of the date of service of the notice provided in OAR 141-082-0130(2). Such a request must be in writing. If no written request for a hearing is made within the time allowed or if the party requesting a hearing fails to appear, the Director may make a final order imposing the penalty.

(4) The amount of a civil penalty shall be not less than one hundred dollars ($100) per day, or more than one-thousand dollars ($1,000) per day for violation of any administrative rule adopted under ORS 274.040.

(5) The amount of a civil penalty shall be not less than five hundred dollars ($500) per day, or more than one-thousand dollars ($1,000) per day for violation of an authorization issued under ORS 274.040.

(6) In imposing a penalty under OAR 141-082-0130 of these rules, the Director shall consider the following factors as specified in ORS 274.994:

(a) The past history of the person incurring a penalty in taking all feasible steps or procedures necessary or appropriate to correct any violation;

(b) Any prior violations of statutes, rules, orders and authorizations pertaining to submerged and submersible lands;

(c) The impact of the violation on public trust uses of commerce, navigation, fishing and recreation; and

(d) Any other factors determined by the Director to be relevant and consistent with the policy of these rules.

(7) Pursuant to ORS 183.090(2), a civil penalty imposed under OAR 141-082-0130 shall become due and payable twenty (20) days after the order imposing the civil penalty becomes final by operation of law or on appeal.

(8) If a civil penalty is not paid as required by OAR 141-082-0130, interest shall accrue at the maximum rate allowed by law.

PLEASE NOTE:

The Division is accepting public comment at this time not only on the rules contained in OAR 141-082-0000 through 0130, but also on OAR 141-082-0150(5) and (6) of the following rules (indicated in the box on Page 16) which concern the registration of structures on state-owned submerged and submersible land.

141-082-0140 Registration Of Structures

(1) Qualifying structures subject to registration under this section include non-commercial:
  (a) Docks/floats and/or boat houses and associated or individual pilings, dolphins, mooring buoys, and protective booms; and
  (b) Floating recreational cabins; and
  (c) Water sport structures unless authorized by the Oregon State Marine Board in compliance with OAR 250-010-0097 (Application For Special Use Device Permits).

(2) The Director may determine that other structures similar to those specified in OAR 141-082-0140(1) are also subject to registration and the rules governing registrable structures. If the director determines that a structure is registrable, s/he shall assign an appropriate fee.

(3) Public non-commercial docks/floats, boat houses, and similar structures are not subject to registration. A license or other form of authorization is required.

141-082-0150 Registration Requirements And Provisions

(1) All persons:
  (a) Owning structures subject to registration which are in existence at the time of the adoption of these rules shall register them with the Division by July 1, 1999.
  (b) Placing a new structure subject to these rules, or changing the location of a registered structure after the effective date of these rules shall notify the Division in writing ninety (90) days prior to such placement, or change in location.
  (c) Making modifications to a registered structure which changes the fee category or eligibility of the structure for registration shall notify the Division ninety (90) days prior to making such a modification.

(2) Registration shall be made on a form provided by the Division.

(3) A separate registration form and accompanying payment shall be submitted for each individual dock/float, boat house, or other registrable structure.

(4) Each registration shall be accompanied by a fee payment in the amount indicated in OAR 141-082-0170 of these rules.

(5) For structures constructed, placed, or modified (pursuant to OAR 141-082-0150(1)(c) after the adoption of these rules, the applicant shall provide on the registration form the name(s), address(es), and telephone number(s) of the owner(s) of any adjacent riparian upland within two hundred (200) feet of the structure for which registration is requested.

(6) The applicant shall contact each adjacent upland riparian owner indicated on the registration form to determine if there are any concerns associated with the placement or modification of the structure, or if it would unreasonably interfere with the rights of the public to use the waterway for fishing, navigation, commerce, and recreation. The Division shall consider any information provided by the adjacent riparian upland owner(s) in deciding whether to register or condition the registration of the structure.

(7) To qualify for registration, each structure shall:
- (a) Not unreasonably interfere with the public's right to use the waterway and state-owned submerged and submersible land for fishing, navigation, commerce, and recreation.
- (b) Comply with all applicable local, state, and federal laws including the local comprehensive plan and zoning requirements.
- (c) Comply with the size limitations specified in OAR 141-082-0030(2).

141-082-0160 Registration Terms And Conditions

(1) A registration issued by the Division shall be valid for a term of five (5) years.

(2) A structure registered with the Division is exempt from lease.

(3) Any registered structure in compliance with these rules may be repaired or replaced in a manner consistent with the requirements of OAR 141-082-0150, and remain authorized under the original registration issued by the Division.

(4) The Division shall be notified in writing of any:
- (a) Change in the location of a registered structure ninety (90) days prior to such change.
- (b) Change in ownership of a registered structure within ninety (90) days of the transfer of ownership.

(5) Registrations must be renewed every five (5) years. The Division shall notify all registrants by mail, and provide a form to renew their registration ninety (90) days prior to the expiration date of each registration(s).

(6) The Division may place conditions on a registration to address concerns of adjacent riparian upland owners and/or ensure that the continuance or placement of the use does not unreasonably interfere with the rights of the public to use the waterway for fishing, navigation, commerce, and recreation.

(7) The Division shall provide a copy of the registration to the appropriate county official (for example, county recorder) in the county where the registered structure is located.

(8) The Division may reject a registration application, modify the conditions of a registration, or cancel a registration if the subject structure does not conform with applicable local, state, and federal laws or these rules.

141-082-0170 Fees

Except as provided in OAR 141-082-0180(1), the five (5) year fee for each registration or renewal for shall be as follows:

(1) One hundred dollars ($100) for a dock/float or boat house one-thousand (1,000) square feet or less in size (excluding associated gangways, dolphins, pilings and protective booms).

(2) Two hundred dollars ($200 for a dock/float or boat house from one thousand and one (1,001) square feet to two thousand (2,000) square feet in size (excluding associated gangways, dolphins, pilings and protective booms).

(3) Two hundred fifty dollars ($250) for a dock/float or boat house from two thousand and one (2,001) square feet to two thousand five hundred (2,500) square feet in size.

(4) Three hundred dollars ($300) for a floating recreational cabin.

(5) One hundred dollars ($100) for a water sport structure.

(6) The fee for structures determined to be registrable by the Director pursuant to OAR 141-082-0030(2) shall be determined on a case by case basis and be not less than one hundred dollars ($100).

141-082-0180 Transition From Lease To Registration

(1) A person who has a lease from the Division for a structure eligible for registration under these rules may request that the Division terminate the lease and register the structure. If the lessee is in good standing, and in full compliance with all of the terms and conditions of their lease, the initial five (5) year registration shall be issued for no fee.

(2) A request to register a structure currently under lease shall be made pursuant to the provisions of OAR 141-082-0150(2) through 141-082-0150(7).

(3) Upon termination of the lease and issuance of the registration, the Division shall determine the amount of prepaid rental (if any) within the lease year which remains, and shall adjust the lessee's account accordingly.

141-082-0190 Penalties

(1) In addition to any other penalties provided by law, the placement or use of any structure subject to registration on state-owned submerged and submersible land without registration or otherwise not in compliance with these rules shall constitute a trespass.

141-082-0200 Appeals

(1) An applicant for an authorization, or any other person adversely affected by a decision by the Division concerning an authorization, closure or restriction to the use of state-owned submerged and submersible land may appeal the decision to the Director.

(a) Such an appeal shall be received by the Director no later than thirty (30) calendar days after the delivery of the decision.

(b) The Director shall decide the appeal within sixty (60) calendar days after the date of delivery of the appeal.

(c) The Director may affirm the decision, issue a new or modified decision, or request the appellant to submit additional information to support the appeal.

(d) The Director shall not stay a decision made by the Division pursuant to these rules for which an appeal has been received.

(2) When an applicant for an authorization to use state-owned submerged and submersible land or any other person adversely affected by a decision of the Division concerning an authorization has exhausted the informal appeal process before the Director, s/he may submit an appeal to a contested case hearing. If the person is legally entitled to a contested case hearing, the Land Board shall select a hearing officer and proceed pursuant to ORS 183.413 through 183.470. Otherwise, the appeal before the Land Board shall proceed informally.

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EXHIBIT

STATE OF OREGON
DIVISION OF STATE LANDS
SUBMERGED AND SUBMERSIBLE LAND LEASE

ML-

1. PARTIES

The parties to this Lease are the STATE OF OREGON, acting by and through the Division of State Lands, ("STATE") and INSERT NAME, ("LESSEE").

2. LEASED PREMISES

STATE, for the consideration and upon the terms and conditions herein mentioned, does hereby lease to the LESSEE the following property:

INSERT AUTHORIZED LEASE AREA DESCRIPTION

hereinafter referred to as the "Leased Premises."

3. PURPOSE

LESSEE shall use the Leased Premises for the sole purpose of INSERT USE and for no other purpose without prior written consent of STATE.

4. TERM OF LEASE

The LESSEE, subject to compliance with the terms and provisions of this Lease, shall have and hold the Leased Premises for the purposes stated above from INSERT START DATE , through INSERT EXPIRATION DATE.

5. LEASE RENTAL PAYMENT

The lease rent payment to be paid by LESSEE to STATE shall be $INSERT RENT for the first year of the lease. For subsequent lease years the annual lease rent payment shall be adjusted and billed by the STATE based on the method of rent calculation provided for in the applicable administrative rules. Receipt of the first year's lease rental payment is hereby acknowledged. Lease rental payments shall be payable annually and shall be due on the 1st day of INSERT MONTH DUE in advance. Lease rental payments shall be sent to the Division of State Lands, 775 Summer Street NE, Salem, Oregon 97310-1337. STATE shall give LESSEE 30 days advance notice of the due date and amount of the lease rental payment due. If STATE has not received the full amount of the lease payment due within ten (10) calendar days from the due date, STATE may impose a late payment penalty on the LESSEE at the maximum legal rate pursuant to ORS 82.010 on the late payment from the date due until paid.

6. ACCESS TO PROPERTY AND RECORDS

STATE shall have access to the Leased Premises at all reasonable times for the purpose of ensuring compliance with the terms and conditions of this Lease. STATE shall have the right to examine pertinent records of LESSEE for the purpose of ensuring compliance with the Lease and for the purpose of redetermining the lease payment rate.

7. RESERVATIONS

The interest of LESSEE under this Lease shall at all times be subject to STATE's right to grant rights-of-way in and over said property or a portion of the property for other purposes, including, but not limited to, railroads, telegraph and telephone lines, pipelines, irrigation or other water canals and ditches, and to STATE's right to lease all or part of the property for the exploration, discovery, development and production of oil, gas, or minerals of any nature whatsoever, provided the right-of-way or lease does not unreasonably interfere with the purpose of this Lease.

8. CONDITIONS OF THE PROPERTY

LESSEE certifies that it has inspected the Leased Premises and is fully informed as to their condition. LESSEE agrees to accept the Leased Premises as is and with all faults. LESSEE acknowledges that no representations or warranties of any kind have been made by STATE. STATE will not provide a survey or pay any costs of a survey to determine boundaries. If LESSEE elects not to have a survey performed and a discrepancy or boundary overlap later becomes evident, the STATE, at its discretion may provide a corrected description of the Leased Premises.

9. COMPLIANCE WITH LAW

This Lease and all matters relating to this Lease, shall be governed by the laws of the State of Oregon and the rules of the Division of State Lands and State Land Board in force at the time any need for interpretation of or decision regarding this Lease arises. The rights and responsibilities of the LESSEE under this Lease which are granted or imposed by the laws of the State of Oregon or rules of the Division of State Lands and State Land Board, are subject to change during the term of this Lease as a result of the adoption, amendment, or repeal of statutes or rules.

LESSEE shall comply with all applicable federal, state, and local statutes, ordinances, rules and regulations in its use of the Leased Premises. This Lease does not give LESSEE permission to conduct any use on the Leased Premises which is not in conformance with applicable land use requirements, and it is the LESSEE's responsibility to determine and comply with those and all other requirements.

LESSEE shall store and handle all hazardous waste or toxic substances as defined in 42 USC 9601-965 in compliance with local, state and federal law.

LESSEE shall comply with the State of Oregon Department of Environmental Quality and State Marine Board Guidelines for Sewage Collection and Disposal for On-Water Boat and Floating Structures.

LESSEE shall use the Leased Premises only in a manner, or for such purposes, that assure fair and nondiscriminatory treatment of all persons without respect to race, creed, color, religion, handicap, disability, age, gender or national origin.

10. TAXES, LIENS, ASSESSMENTS, CHARGES

LESSEE shall pay before they become delinquent all taxes, assessments, penalties, fines, charges, rates or liens of any nature whatsoever that may be levied, assessed, charged, imposed or claimed on or against the Leased Premises or any improvements or fixtures thereon or appurtenances thereto. If LESSEE fails to pay any taxes, assessments, penalties, fines, charges, rates or liens, within ten (10) days after notice that such sums are due, STATE may pay such sums. Any such sums paid by STATE shall be reimbursed on demand with interest at the maximum legal rate pursuant to ORS 82.010 from the date of expenditure by STATE until paid.

11. RESTRICTION ON USE

LESSEE shall exercise reasonable diligence in its operation on and from said Leased Premises; shall carry on all operations hereunder in a good and workmanlike manner having due regard for public safety and the prevention of waste and for the restoration and conservation of said Leased Premises for future use, and shall take all reasonable steps to avoid erosion damage to soil, timber, fish and wildlife habitat and water quality of both ground water and surface water; and shall not unreasonably interfere with public rights to use the Leased Premises for navigation, commerce, fisheries and recreation.

12. PUBLIC ACCESS AND USE RESERVATION

State-owned submerged and submersible land, regardless of whether or not it is incorporated in the Leased Premises, shall remain available and open to the public for commerce, navigation, fishing and recreation subject to any limitations which may be imposed by the STATE. However, the public shall not have the right to substantially interfere with the use(s) authorized by the STATE, or trespass on lessee-owned property or structures.

Subject to written approval by the STATE, the LESSEE may restrict entry to any portion of the Leased Premises as may be necessary to protect persons and property from harm arising from or in connection with the LESSEE's activities upon the Leased Premises.

13. ASSIGNMENT OR SUBLEASE

With respect to any assignment, mortgage, or sublease, the following provisions shall apply:

13.1 RESTRICTIONS: Except as provided for in subsection 16.2, LESSEE's interest in the Leased Premises or any part thereof shall not be assigned, mortgaged or subleased, nor shall any right of use of said Leased Premises be conferred on any third person by another means without the prior consent of STATE. Said consent shall not be unreasonably withheld or delayed. This provision shall apply also to all transfers by operation of law. Except as provided in Subsection 16.2, any assignment, or attempted assignment, subletting, or attempted subletting, or grant of right of use, or attempted grant of right of use without such consent, shall be absolutely null and void and shall, at the option of STATE, terminate all rights of the LESSEE under or by virtue of this Lease. STATE may, in its discretion, consent to an assignment or sublease provided the following conditions are satisfied:

13.1.1 A fee of $250 is prepaid to cover administrative costs, and

13.1.2 LESSEE has satisfied all conditions of the Lease precedent to assignment or sublease, and

13.1.3 LESSEE and its assignee have completed a standard assignment form or new lease form as required by STATE, and have assured the STATE that the assignee or sublessee has the capability to perform on the Lease, and

13.1.4 STATE determines that such assignment or sublease is in the best interest of the STATE.

13.2 PERMITTED ASSIGNMENTS: The following assignments, mortgages and security interests, and subleases of the LESSEE's interest in the Leased Premises shall be allowed without further STATE approval:

13.2.1 Subleases and subsubleases of portions of the LESSEE's interest in the Leased Premises, in the ordinary course of LESSEE's business or portions thereof for uses of the Leased Premises approved under this Lease.

13.2.2 Any mortgage(s), trust deed(s) or other encumbrance(s) which LESSEE may cause to attach to LESSEE's interest in the Leased Premises (1) in connection with the acquisition or refinancing(s) of the acquisition of the improvements in, on or about the Leased Premises and (2) in connection with financing and refinancing (a) development, construction, reconstruction, maintenance or repair of improvements on the Leased Premises and (b) operations on or about the Leased Premises. Within ten (10) days of any transfer pursuant to this subsection 16.2.2, LESSEE shall provide STATE the name and business address of any entity obtaining a security interest pursuant to this subsection 16.2.2.

13.2.3 Transfers to any entity or entities which controls, is controlled by, or is under common control with LESSEE.

14. ALTERATIONS AND IMPROVEMENTS

LESSEE shall obtain written approval of STATE prior to making substantial change, alteration or improvements to the Leased Premises or structures thereon.

15. DEFAULT

15.1 DEFAULT, NOTICE AND CURE BY LESSEE: A default by the LESSEE shall occur if any of the following shall occur and if said default shall continue and not be remedied within sixty (60) days after STATE shall have given notice specifying the breach (within ten (10) days for delinquency or failure to pay rent.)

15.1.1 Delinquency or failure to pay rent in the amounts and at the time specified in the Lease.

15.1.2 Failure of LESSEE to comply with any term or condition imposed by the STATE in the Lease.

15.1.3 Failure of LESSEE to use the Leased Premises for the purposes authorized under the terms of the Lease.

15.1.4 LESSEE maintaining a nuisance on the Leased Premises.

15.1.5 Insolvency of LESSEE; an assignment by LESSEE for the benefit of creditors; the filing by LESSEE of a voluntary petition in bankruptcy; an adjudication that LESSEE is bankrupt or the appointment of a receiver of the properties of LESSEE; the filing of any involuntary petition of bankruptcy and the failure of LESSEE to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of LESSEE to secure discharge of the attachment or release of the levy of execution within ten (10) days.

15.1.6 Failure by LESSEE to remove any lien or encumbrances placed upon the Leased Premises other than a lien or encumbrance on LESSEE's interest permitted by Section 16 of this Lease.

15.2 MORTGAGEE PROTECTION PROVISION: Whenever the STATE shall deliver any notice or demand to the LESSEE with respect to any breach or default by the LESSEE in its obligations or covenants under this Lease, the STATE shall at the same time forward a copy of such notice or demand to each holder of any mortgage authorized by this Lease at the last address of such holder shown in the records of the STATE. After any default in or breach of the Lease by the LESSEE or its successor in interest, each holder of any mortgage permitted under the Lease shall (insofar as the rights of the STATE are concerned) have the right after the failure of the LESSEE to cure or remedy said default or breach, at its option, to cure or remedy such breach or default (or such breach or default to the extent that it relates to the part of the land covered by its mortgage) within sixty (60) days and to add the cost thereof to the mortgage debt and the lien of its mortgage. The mortgage holder's exercise of its option to cure or remedy any default by LESSEE shall not constitute grounds for termination of this Lease by STATE. In the event the holder of any mortgage which LESSEE has caused to attach to LESSEE's interest in the Leased Premises forecloses on the leasehold estate then STATE shall enter into a new lease with that lienholder on the same terms and conditions as this Lease.

16. TERMINATION

16.1 TERMINATION UPON LESSEE'S DEFAULT: In the event of a default by LESSEE, the Lease may be terminated at the option of STATE by thirty (30) days advance notice in writing to LESSEE. In the event the Lease is terminated by either party, all remedies afforded under this Lease in Section 24 herein shall survive such

termination. LESSEE shall have thirty (30) days after date of termination to remove all fixtures and property from the Leased Premises. Failure to remove such items within the thirty (30) day period will constitute abandonment by the LESSEE and, subject to the rights of any secured parties having a security interest in such fixtures and property, the STATE may take title to the property after the expiration of thirty (30) days, in which event STATE may reenter, take possession of the Leased Premises and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages directly resulting from such reasonable force.

16.2 STATE'S OPTIONS TO MITIGATE: Following reentry, STATE may relet the Leased Premises and in that connection make any suitable alteration to the Leased Premises or change the character or use of the Premises but STATE shall not be required to relet for any use or purpose (1) which is different from that specified in the Lease or (2) which STATE may reasonably consider injurious to the Premises or (3) to any LESSEE which STATE may reasonably consider objectionable. STATE may relet all or part of the Leased Premises, alone or in conjunction with other properties, for a term longer or shorter that the term of this Lease, upon any reasonable terms and conditions.

16.3 DAMAGES RECOVERABLE UPON TERMINATION: In the event of termination on default, as provided by Section 18 of this Lease, STATE shall be entitled to recover the following amounts as damages:

16.3.1 The loss of reasonable rental value from the date of default until a new lease has been, or with the exercise of reasonable efforts could have been, secured.

16.3.2 The reasonable cost of reentry and reletting, including the reasonable and necessary costs of any clean-up, refurbishing, removal of LESSEE's property and fixtures, or any other necessary expense directly resulting from LESSEE's failure to quit the Leased Premises upon termination and to leave them in the required conditions, including reasonable attorneys fees, court costs, and advertising costs.

16.3.3 Any excess of the value of the rent and all of LESSEE's other obligations under this Lease over the reasonable expected return from the Premises for the period commencing on the earlier of the date of trial or the date the Premises are relet and continuing through the end of the term. The present value of future amounts will be computed using a discount rate equal to the prime loan rate of major Oregon bands in effect on the date of trial.

16.4 TERMINATION UPON MUTUAL CONSENT: This Lease may also be terminated by mutual written consent of LESSEE and STATE.

17. DELIVERY OF PREMISES: SURRENDER

In the event the Lease is terminated, or upon expiration, LESSEE shall have thirty (30) days within which to vacate the Leased Premises and shall surrender the Leased Premises in substantially the original condition as of the date of this Lease. STATE may require LESSEE to restore the Leased Premises to the original condition as of the date of this Lease or STATE may itself restore the Leased Premises and recover its reasonable and necessary restoration costs from LESSEE.

18. FIXTURES AND PERSONAL PROPERTY

All fixtures and personal property placed upon the Leased Premises during the term shall, upon expiration or termination of the Lease, become the property of STATE if not removed by LESSEE within thirty (30) days as provided in Subsection 16.1 and if not subject to the rights of any secured party having a security interest in such fixtures or personal property. LESSEE shall repair any physical damage resulting from such removal. If LESSEE fails to remove such fixtures, this shall constitute an abandonment of the property, and STATE may retain the property and all rights of LESSEE with respect to it shall cease. In the event of such abandonment, STATE may remove such fixtures and personal property and repair any physical damage resulting from such removal and charge the reasonable and necessary costs of removal and repair to LESSEE with interest at the maximum legal rate pursuant to ORS 82.010 from the date of expenditure by STATE.

19. HOLDOVER

If LESSEE does not vacate the Leased Premises at the time required, upon expiration or termination of this Lease, STATE shall have the option to treat LESSEE as a tenant from month to month, subject to all of the provisions of this Lease, except the provisions for term. Failure of LESSEE to remove fixtures, equipment and/or other property which LESSEE is required to remove under this Lease, in the manner provided for in Sections 16 and 18, shall constitute a failure to vacate to which this paragraph shall apply if the property not removed will substantially interfere with occupancy of the Leased Premises by another lessee or with occupancy by STATE for any purpose including preparation for a new lessee.

If a month to month tenancy results from a holdover by LESSEE under the above paragraph, the tenancy shall be terminable at the end of any monthly lease payment period on written notice from STATE given not less than ten (10) days prior to the termination date which shall be specified in the notice. LESSEE waives any notice which would otherwise be provided by law with respect to a month to month tenancy.

20. STATE'S RIGHT TO CURE DEFAULTS

If LESSEE fails to perform any obligation under this Lease, STATE shall have the option to do so after thirty (30) days' written notice to LESSEE unless otherwise specified in this Lease. All of STATE's reasonable and necessary expenditures to correct the default shall be reimbursed by LESSEE on demand with interest at the maximum legal rate pursuant to ORS 82.010 from the date of expenditure by STATE until paid.

In the event any violation or breach of the provisions of this Lease is causing damage to the Leased Premises or the LESSEE is utilizing the Leased Premises in a manner not permitted by the provisions of this Lease, or in any case damages are occurring to the Leased Premises, STATE may immediately enter upon the Leased Premises and take such action as necessary to cease such damages or use. LESSEE shall be liable to STATE for all reasonable and necessary costs incurred in correcting such violations.

21. RIGHT TO SUE MORE THAN ONCE

STATE may sue periodically to recover damages for the period corresponding to the remainder of the lease term and no action for damages shall bar later action for damages subsequently accruing.

22. REMEDIES CUMULATIVE

The remedies contained in this Lease shall be in addition to and shall not exclude any other remedy available at law or in equity, and exercise by either party of any one or more of such remedies shall not preclude the exercise by it at the same or different times of any other such remedies for the same default or breach by the other party.

23. INDEMNIFICATION

LESSEE agrees to indemnify, defend and hold STATE, its officers, employees, and its agents harmless from any and all damages, claims, actions, costs and expenses arising in whole or in part out of acts or omissions related to this Lease. STATE shall have no liability to LESSEE for any loss or damage caused by third parties or by any condition of the LEASED PREMISES.

24. INSURANCE COVERAGES

24.1 WORKERS' COMPENSATION: The LESSEE, its SUBLESSEES, if any, and all employers providing work, labor or materials under this Lease are subject employers under the Oregon Workers' Compensation Law and shall comply with ORS 656.017, which requires them to provide Oregon workers' compensation coverage that satisfies Oregon law for all their subject workers.

24.2 COMMERCIAL GENERAL LIABILITY: LESSEE shall obtain, at LESSEE's expense, and keep in effect during the term of this Lease, comprehensive or commercial general liability insurance covering bodily injury and property damage. This insurance shall include personal injury coverage, contractual liability coverage for the indemnity provided under this Lease and products/completed operations liability. Combined single limit per occurrence shall not be less than $1,000,000, or the equivalent. Each annual aggregate limit shall not be less than $2,000,000, when applicable.

24.3 ADDITIONAL INSURED: The liability insurance coverages, except Professional Liability if included, required for performance of the Lease shall include the State of Oregon, the Division of State Lands and their sections, officers and employees as additional insureds but only with respect to the LESSEE's activities to be performed under this Lease.

24.4 NOTICE OF CANCELLATION OR CHANGE: There shall be no cancellation, material change, potential exhaustion or aggregate limits or intent not to renew insurance coverage(s) without 30 days' written notice from the LESSEE or its insurer(s) to the Division of State Lands. Any failure to comply with the reporting provisions of this insurance, except for the potential exhaustion of aggregate limits, shall not affect the coverage(s) provided to the State of Oregon, its Division of State Lands and their sections, officers and employees.

24.5 CERTIFICATE(S) OF INSURANCE: As evidence of the insurance coverages required by this Lease, the LESSEE shall furnish certificate(s) of insurance to the Division of State Lands prior to its issuance of a Lease. The certificate(s) will specify all of the parties who are additional insured (or loss payees). Insurance coverages required under this Lease shall be obtained from acceptable insurance companies or entities. The LESSEE shall be financially responsible for all deductibles, self-insured retentions and/or self-insurance included hereunder.

25. ATTORNEY FEES

If suit or action is instituted in connection with any controversy arising out of or in connection with this Lease, the prevailing party shall be entitled to recover all costs and disbursements incurred, including such sum as the court may adjudge reasonable as attorney fees at trial and on any appeal of the suit or action.

26. MODIFICATION

This agreement may be changed, altered or amended only by mutual written consent of the parties.

27. MERGER

This Lease constitutes the entire agreement between the parties, and no oral statement, representation or agreement not herein expressed shall be binding upon any party.

28. NON WAIVER

Waiver by either party of strict performance of any term of this Lease on any occasion shall not be construed as a waiver nor prejudice either party's right to require strict performance of the same provision in the future or of any other provision.

29. PARTNERSHIP

STATE is not a partner nor a joint venturer with LESSEE in connection with the business carried on under this Lease and shall have no obligation with respect to LESSEE's debts or other liabilities.

30. ADDITIONAL CONDITIONS AND STIPULATIONS

INSERT ADDITIONAL CONDITIONS AND STIPULATONS

31. NOTICES

Any notices required or permitted under this Lease shall be in writing and deemed given three (3) days after deposited, postage prepaid, in the United States mail as regular mail and directed to the address provided below or to such other address as may be specified from time to time by either of the parties in writing.

For STATE:

DIVISION OF STATE LANDS
775 Summer Street NE
Salem, OR 97310-1337

For LESSEE:

_____
Name (Print)

_____
Current Mailing Address

_____
City State Zip

DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT

32. ENTIRE AGREEMENT: THIS LEASE, TOGETHER WITH THE ATTACHED EXHIBITS AND ATTACHMENTS, CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES. NO WAIVER, CONSENT, MODIFICATION OR CHANGE OF TERMS OF THIS LEASE SHALL BIND EITHER PARTY UNLESS IN WRITING. SUCH WAIVER, CONSENT, MODIFICATION OR CHANGE, IF MADE, SHALL BE EFFECTIVE ONLY IN THE SPECIFIC INSTANCE AND FOR THE SPECIFIC PURPOSE GIVEN, AND SHALL BE VALID AND BINDING ONLY IF IT IS SIGNED BY EACH PARTY. THERE ARE NO UNDERSTANDINGS, AGREEMENTS OR REPRESENTATIONS, ORAL OR WRITTEN, NOT SPECIFIED HEREIN REGARDING THIS LEASE. LESSEE, BY THE SIGNATURE BELOW OF ITS AUTHORIZED REPRESENTATIVE, HEREBY ACKNOWLEDGES THAT LESSEE READ THIS LEASE, UNDERSTANDS IT AND AGREES TO BE BOUND BY ITS TERMS AND CONDITIONS. THIS LEASE SUPERSEDES ALL PRIOR OR EXISTING LEASE OR RENTAL AGREEMENTS BETWEEN THE PARTIES.

33. EXHIBITS

All exhibits hereto are expressly incorporated herein by reference and made a part hereof. IN WITNESS WHEREOF the parties have executed this Lease.

LESSEE

_____ _____

Date Signature

STATE OF)
) ss
County of)

The foregoing instrument was acknowledged before me this _____ day of _____, 19_____by _____ (officer or agent of corporation), the _____ (title of officer or agent) of _____ Corporation, a _____ (state or place of incorporation) corporation, on behalf of the corporation.

_____

Signature
My Commission Expires _____,19____

STATE OF OREGON, DIVISION OF STATE LANDS

_____ _____

Date Authorized Signature

Port of Portland

Box 3529, Portland, Oregon 97208, U.S.A.
503/231-5000

March 25, 1998

Mr. Wayne Cozad
Cascade General, Inc.
P.O. Box 4367
Portland, OR 97208

Re: Division of State Lands - Submerged and Submersible Land Lease
ML-10124

Dear Wayne:

Enclosed for your information are the 1997 audit results received by the Port concerning the above-referenced lease between the Port of Portland and the Division of State Lands ("DSL").

As you can see, there is additional rent due in the amount of $92,082.36. The Port will be paying this amount to DSL and invoicing Cascade General for reimbursement. DSL also indicates that they will be changing the amount initially billed for 1999 to reflect the higher rent we have been paying.

Thank you for providing the berth occupancy information to me so quickly; the DSL auditor was very grateful.

If you have any questions, please feel free to call me at 731-7509.

Thank you very much for your assistance and cooperation.

Sincerely,

Suzanne L. Brooks
Contracts Administrator
Property & Development Services

Enclosure

c: Cory Streisinger
Mic Dorrance
Marie Mullins

Printed on recycled paper

Oregon
John A. Kitzhaber, M.D., Governor

Division of State Lands
775 Summer Street NE
Salem, OR 97310-1337
(503) 378-3805
FAX (503) 378-4844
TTY (503) 378-4615

State Land Board
John A. Kitzhaber
Governor
Phil Keisling
Secretary of State
Jim Hill
State Treasurer

March 24, 1998

Suzanne L. Brooks, Contract Administrator
Property and Development Services
Port of Portland
Box 3529
Portland, OR 97208

Subject: Lease Rental Review; ML-10124

Dear Suzanne:

Thank you for the courtesy and continued cooperation extended to our auditor during this year's annual lease rental review process. I would like to thank you especially for your very quick response to his request for the 1997 actual berth occupancy rate information from Cascade General, Inc. It is very much appreciated.

Your copy of the auditors' memo report to me dated March 23, 1998 is enclosed for your review. Please also review again the last year's report (dated 2-13-97) which shows that the 1997 rental amount of $112,459.00 was an estimate based on the 1996 actual berth occupancy rates. Now that the actual rates for 1997 are known, the actual rent for 1997 is established in the amount of $135,732.18. Since $112,459.00 has already been paid, the enclosed report shows that an additional payment adjustment is due in the amount of $23,273.18 for 1997. (112,459.00 + 23,273.18 = 135,732.18)

The enclosed report shows that the 1998 rental amount of $135,732.18 now due is an estimate based on those 1997 actual berth occupancy rates. This amount is subject to adjustment when the 1998 actual rates become known in early 1999. Since $66,923.00 has already been paid, the enclosed report shows that an additional payment adjustment is due in the amount of $68,809.18 for 1998 (66,923.00 + 68,809.18 = 135,732.18). The total amount now due and payable to the Division of State Lands is $92,082.36 (23,273.18 + 68,809.18 = 92,082.36). We will appreciate the immediate receipt of this payment. Thank you.

I regret the magnitude of this adjustment amount. Therefore, please be advised that our accounting department has now been asked to revise its billing procedure to comply with the auditors' recommendation. The billing statement for 1999 will be prepared during late this year to show that the $135,732.18 rental amount due for 1999 is an estimate based on the 1997 actual occupancy rates and that this amount will be subject to adjustment when the actual 1998 rates are known.

Thanks again for all your help. Please feel free to call me at (503) 378-3805 extension #279 if you have any questions or simply wish to review or discuss this matter further.

Sincerely,

Stephen J. Purchase
Assistant Director
Field Operatons

Port of Portland
Audit Report

Division of State Lands
State of Oregon

Prepared by: L.W. Schwinkendorf, Auditor

Division of State Lands
Internal Memo

March 23, 1998

To: Steve Purchase

From: L.W. Schwinkendorf, Auditor

Subject: Port of Portland; Annual Lease Rental Review

This state lease (known as ML-10124) is effective for the twenty-one (21) year term beginning January 1, 1996 and ending December 31, 2016 between the STATE OF OREGON,) acting by and through the Division of State Lands, (LESSOR) and the Port of Portland, (LESSEE).

The lessee entered into a sublease agreement with Cascade General, Inc. for their operational use (commonly known as PSY or Portland Ship Yard) of the lease premises. The lease premises (parcels), their corresponding PSY berth number, size and original lease use intensity level may be summarized as follows:

Lease parcel	*Berth (PSY)*	*Sq. Ft.*	*Original use intensity (1)*
1	301 thru 305	347,217	1/3
2	306 thru 308	262,405	1/4
3	311	195,018	1/2

(1) Occupancy by berth from 7-1-89 to 2-1-96

Paragraph #5 of the state lease provides in part: "The lease payment to be paid by LESSEE to STATE shall be $66,923.00 per year or the amount set by redetermination at any time after the first anniversary date of the lease. " It further provides: "STATE may perform an annual audit of actual occupancy of the leased premises" and "lease payments shall be payable annually and shall be due on the first day of January in advance." The annual rental amount may be calculated according to the formula: annual rental = Sq. Ft x $4.00 x .06 x percent occupied.

The actual berth occupancy rates experienced during any given year are included as a function of the final rental amount payable for that same lease year. Since those rates are unknown until each years end, the Divisions' annual billing for any given year must be considered an estimate based on the last known actual rates. The lease paragraph #5 also states: "Any overpayment of rent due to STATE will be credited to LESSEE for the year following the year rent is due. Any shortage of rent due to STATE will be billed to lessee and payable in 30 days from notice."

The actual berth occupancy information as provided by Cascade General, Inc. shows that the use intensity of the leased premised increased during 1996 from their 7-1-89 through 2-1-96 levels and that it increased again during 1997 over 1996. The following summary is presented to show those increases and their effect on the annual rental payment requirement of the lease.

7-1-89 to 2-1-96		*1996*		*1997*		*1998*	
Use	*Rental*	*Use*	*Actual rental*	Use	*Actual rental*	Use	*Est. rental*
1/3	27,777.00	41	34,166.00	56.33	46,940.96	56.33	46,940.96
1/4	15,744.00	50	31,489.00	66.67	41,986.90	66.67	41,986.90
1/2	23,402.00	100	46,804.00	100.00	46,804.32	100.00	46,804.32
Total	66,923.00		12,459.00		135,732.18		135,732.18

The prior audit report (dated 2-13-97) presented the actual rental payment requirement for 1996 and the estimated requirement for 1997; which was based on those 1996 actual berth occupancy rates. The Division received the additional $91,072.00 payment due on March 10, 1997.

Since the actual rates for 1997 are now known, they were used in this report to establish the actual 1997 and the estimated 1998 rental requirements. The following summary is presented to show the total amount now paid by the lessee and the amount now considered due and payable to finalize the 1997 rental and to satisfy the 1998 estimated rental requirement.

Year	*Paid*	*Audit Adj.*	*Total*
1996	112,459.00		112459.00
1997	112,459.00	23,273.18	135,732.18
1998	66,923.00	68,809.18	135,732.18 (2)
Total	$291,841.00	$92,082.36 (1)	$383,923.36

(1) Amount now considered due and payable to the Division of State Lands.
(2) This total is an estimate and is based on the actual 1997 berth occupancy rates. This amount may be adjusted when the actual 1998 rates become known in early 1999.

Recommendation:
The Division of State Lands should modify its annual billing procedure to indicate that the amount due for the coming year is an estimate based on the last known actual berth occupancy rates. For example: the 1998 billing statement should have indicated that the amount due is estimated in the amount of $112,459.00; (1997 actual rates were not yet known) and that an adjustment may need to be processed when the actual 1998 rates become known.

The last audit report indicated that berth occupancy rate information was obtainable only from Cascade General, Inc. and that the Port experienced some difficulty obtaining that information in the timely manner requested for the Divisions' audit purposes.

Therefore, that report included a recommendation that the Port advise Cascade of its responsibility under this lease to provide all records necessary to perform the audit and to cooperate with the state.

I would like to thank Suzanne L. Brooks, Contract Administrator with the Port of Portland for her very timely response to this year's request for the 1997 berth occupancy rate information. This request was recorded on her telephone "voice mail" on March 4, 1998. She forwarded that request to Cascade General as soon as she learned of it and the information was received by the Division of State Lands on March 12, 1998, only eight days later. Thank you very much!

CASCADE GENERAL
PORTLAND SHIPYARD

March 6, 1998

Ms. Suzanne L. Brooks
Contracts Administrator
Property & Development Services
Port of Portland
Box 3529
Portland, OR 97208

Re: Division of State Lands - Submerged and Submersible Land Lease
ML-10124

Dear Suzanne,

Per your letter of request dated March 4, 1998, please find attached a table showing the 1997 berth usage at the Portland Ship Yard for your review and submission to the Division of State Lands.

As always, should you have any questions or concerns please don't hesitate to contact me directly at 247-1833.

Sincerely,

Wayne E. Cozad, II
Senior Vice President

WEC/tcl

Enc.

5555 North Channel Avenue • Portland, Oregon USA 97217 • (503) 285-1111 • fax: (503) 289-7179

CASCADE GENERAL, INC.
Berthage Occupancy

PSY BERTH OCCUPANCY		
Occupancy by Berth from 1/1/97 through 12/31/97		
Berth #	**Days**	**% Occupied**
301	174	47.67%
302	233	63.84%
303	256	70.14%
304	365	100%
305	0	0%
306	365	100%
307	365	100%
308	0	0.00%
311	365	100.0%

Port of Portland

Box 3529, Portland, Oregon 97208, U.S.A.
503/231-5000

March 4, 1998

Mr. Wayne Cozad
Cascade General, Inc.
P.O. Box 4367
Portland, OR 97208

Re: Division of State Lands - Submerged and Submersible Land Lease
ML-10124

Dear Wayne:

This letter concerns the above-referenced lease between the Port of Portland and the Division of State Lands ("DSL"). I recently received a request from Mickey Schwinkendorf of DSL for information concerning berth usage in 1997. Please recall that the lease provides that the State may perform an annual audit of actual occupancy. They have requested that we provide them with berth usage information for 1997.

The charts we gave them during lease negotiations and for usage in 1996 listed the applicable berths, the number of days and percentage of occupancy. I have attached a sample copy for your information.

Please provide to me at your earliest convenience the actual berth occupancy data for 1997, and I will forward it to DSL.

If you have any questions, please feel free to call me at 731-7509.

Thank you very much for your prompt attention to this matter.

Sincerely,

Suzanne L. Brooks
Contracts Administrator
Property & Development Services

Enclosure

c: Cory Streisinger
Mic Dorrance
Marie Mullins

Printed on recycled paper

PSY BERTH OCCUPANCY					
Occupancy by Berth from 1/1/96 through 12/31/96					
Berth #		Days		% Occupied	
301		148.5		40.68	
302		97.5		26.71	
303		107		29.31	
304		193		52.88	
305		207		56.71	
306		182		49.86	
307		365		100	
308		0		0	
311		365		100	

Month	Berth #301	Berth #302	Berth #303	Berth #304	Berth #305	Berth #306	Berth #307	Berth #308	Berth #311
January	12	31	31	31	0	31	31	0	31
February	19	24	24	28	0	28	28	0	28
March	4	31	1	31	0	31	31	0	31
April	29	30	1	30	0	30	30	0	30
May	8	31	0	31	0	31	31	0	31
June	24	30	24	30	0	30	30	0	30
July	31	20	23	31	0	31	31	0	31
August	16	4	30	31	0	31	31	0	31
September	0	0	30	30	0	30	30	0	30
October	0	0	31	31	0	31	31	0	31
November	30	1	30	30	0	30	30	0	30
December	1	31	31	31	0	31	31	0	31

7/1/06 TO 6/30/07 REAL PROPERTY TAX STATEMENT

MULTNOMAH COUNTY, OREGON * P.O. BOX 2716 * PORTLAND, OREGON 97208-2716
Phone: (503) 988-3326 WWW.MULTCOTAX.ORG

PROPERTY DESCRIPTION

ACCOUNT NO: R506872

SITUS: 5555 W1/ N CHANNEL AVE **CODE AREA:** 731
SECTION 18 1N 1E; TL 200 54.06 ACRES,
SPLIT MAP R94120-1320 (R506868)

Cascade General

PORTLAND SHIPYARD LLC
ATTN CHIEF FINANCIAL OFFICER
5555 N CHANEL AVE
PORTLAND, OR 97217

VALUES:	LAST YEAR	THIS YEAR
MARKET VALUES:		
LAND	120	130
STRUCTURE	0	0
TOTAL RMV VALUE	120	130
TAXABLE VALUES:		
ASSESSED VALUE	100	100
PROPERTY TAXES:	$1.80	$1.94

Please read the Tax Information insert.
To pay online go to www.multcotax.org

TAX PAYMENT OPTIONS

(See back of statement for payment instructions)

	Pay By	Discount	Net Amount Due
In Full	11/15/06	0.06	$1.88
2/3			
1/3			

PLEASE MAKE PAYMENT TO: Multnomah County

2006-07 CURRENT TAX BY DISTRICT:

MULTNOMAH CO ESD	0.04
PORTLAND COMM COLLEGE	0.03
PORTLAND SCHOOL DIST #1	0.48
EDUCATION TAXES:	$0.55
PORT OF PORTLAND	0.01
CITY OF PORTLAND	0.42
METRO	0.01
MULTNOMAH COUNTY	0.40
EAST MULT SOIL/WTR CONSERVATN	0.00
CITY OF PORTLAND CHILD LOC OP	0.02
CITY OF PORTLAND PARKS LOC OP	0.02
MULT CO LIBRARY LOCAL OPT TAX	0.05
PORTLAND FIRE/POLICE PENSION	0.21
URBAN RENEWAL - PORTLAND	0.16
GENERAL GOVERNMENT TAXES:	$1.30
CITY OF PORTLAND BONDS	0.02
METRO BONDS	0.02
MULTNOMAH COUNTY BONDS	0.02
TRI-MET TRANSPORTATION BONDS	0.01
PORTLAND COMM COLLEGE BONDS	0.02
BONDS AND MISC TAXES:	$0.09
2006-07 TAX (Before Discount)	$1.94

5-00-00 2108

DELINQUENT TAXES: $0.00

TOTAL (After Discount): $1.88

Pay 11/10

PLEASE DETACH STUB AND RETURN WITH PAYMENT. RETAIN TOP PORTION FOR YOUR RECORDS.

7/1/06 TO 6/30/07 REAL PROPERTY TAX STATEMENT

MULTNOMAH COUNTY, OREGON * P.O. BOX 2716 * PORTLAND, OREGON 97208-2716
Phone: (503) 988-3326 WWW.MULTCOTAX.ORG

PROPERTY DESCRIPTION

SITUS: 5555 N CHANNEL AVE **CODE AREA:** 731
PARTITION PLAT 2004-8, LOT 1, LAND & IMPS
SEE SUB ACCT R543779 (R64984-0291)

ACCOUNT NO: R543777

Cascade General.

PORTLAND SHIPYARD LLC
ATTN CHIEF FINANCIAL OFFICER
5555 N CHANNEL AVE
PORTLAND, OR 97208-3529

VALUES:	LAST YEAR	THIS YEAR
MARKET VALUES:		
LAND	15,428,000	16,028,560
STRUCTURE	2,283,500	2,290,930
TOTAL RMV VALUE	17,711,500	18,319,490
TAXABLE VALUES:		
ASSESSED VALUE	17,711,500	18,319,490
PROPERTY TAXES:	$281,288.72	$289,838.15

2006-07 CURRENT TAX BY DISTRICT:

MULTNOMAH CO ESD	7,023.90
PORTLAND COMM COLLEGE	4,307.49
PORTLAND SCHOOL DIST #1	80,266.06
EDUCATION TAXES:	$91,597.45
PORT OF PORTLAND	974.65
CITY OF PORTLAND	63,210.80
METRO	1,341.83
MULTNOMAH COUNTY	59,965.93
EAST MULT SOIL/WTR CONSERVATN	465.69
CITY OF PORTLAND CHILD LOC OP	0.00
CITY OF PORTLAND PARKS LOC OP	0.00
MULT CO LIBRARY LOCAL OPT TAX	0.00
PORTLAND FIRE/POLICE PENSION	30,908.36
URBAN RENEWAL - PORTLAND	26,327.64
GENERAL GOVERNMENT TAXES:	$183,194.90
CITY OF PORTLAND BONDS	3,486.20
METRO BONDS	3,090.50
MULTNOMAH COUNTY BONDS	3,337.81
TRI-MET TRANSPORTATION BONDS	1,657.91
PORTLAND COMM COLLEGE BONDS	3,473.38
BONDS AND MISC TAXES:	$15,045.80
2006-07 TAX (Before Discount)	$289,838.15

Please read the Tax Information insert.
To pay online go to www.multcotax.org

TAX PAYMENT OPTIONS

(See back of statement for payment instructions)

	Pay By	Discount	Net Amount Due
In Full	11/15/06	8,695.14	$281,143.01
2/3	11/15/06	3,864.51	$189,360.93
1/3	11/15/06	NONE	$96,612.72

PLEASE MAKE PAYMENT TO: Multnomah County

5-00-00 2108

DELINQUENT TAXES: $0.00

TOTAL (After Discount): $281,143.01

Pay 11/10

PLEASE DETACH STUB AND RETURN WITH PAYMENT. RETAIN TOP PORTION FOR YOUR RECORDS.

7/1/06 TO 6/30/07 REAL PROPERTY TAX STATEMENT

MULTNOMAH COUNTY, OREGON * P.O. BOX 2716 * PORTLAND, OREGON 97208-2716
Phone: (503) 988-3326 WWW.MULTCOTAX.ORG

PROPERTY DESCRIPTION

ACCOUNT NO: R506868

SITUS: 5555 W1/ N CHANNEL AVE **CODE AREA:** 731
SECTION 20 1N 1E; TL 1900 6.74 ACRES ,
SPLIT MAP R94118-0390 (R506872).

Cascade

PORTLAND SHIPYARD LLC
ATTN CHIEF FINANCIAL OFFICER
5555 N CHANEL AVE
PORTLAND, OR 97217

VALUES:	LAST YEAR	THIS YEAR
MARKET VALUES:		
LAND	120	130
STRUCTURE	0	0
TOTAL RMV VALUE	120	130
TAXABLE VALUES:		
ASSESSED VALUE	100	100
PROPERTY TAXES:	$1.80	$1.94

2006-07 CURRENT TAX BY DISTRICT:

MULTNOMAH CO ESD	0.04
PORTLAND COMM COLLEGE	0.03
PORTLAND SCHOOL DIST #1	0.48
EDUCATION TAXES:	$0.55
PORT OF PORTLAND	0.01
CITY OF PORTLAND	0.42
METRO	0.01
MULTNOMAH COUNTY	0.40
EAST MULT SOIL/WTR CONSERVATN	0.00
CITY OF PORTLAND CHILD LOC OP	0.02
CITY OF PORTLAND PARKS LOC OP	0.02
MULT CO LIBRARY LOCAL OPT TAX	0.05
PORTLAND FIRE/POLICE PENSION	0.21
URBAN RENEWAL - PORTLAND	0.16
GENERAL GOVERNMENT TAXES:	$1.30
CITY OF PORTLAND BONDS	0.02
METRO BONDS	0.02
MULTNOMAH COUNTY BONDS	0.02
TRI-MET TRANSPORTATION BONDS	0.01
PORTLAND COMM COLLEGE BONDS	0.02
BONDS AND MISC TAXES:	$0.09
2006-07 TAX (Before Discount)	$1.94

Please read the Tax Information insert.
To pay online go to www.multcotax.org

TAX PAYMENT OPTIONS

(See back of statement for payment instructions)

	Pay By	Discount	Net Amount Due
In Full	11/15/06	0.06	$1.88
2/3			
1/3			

PLEASE MAKE PAYMENT TO: Multnomah County

5-00-00 2108

DELINQUENT TAXES: $0.00

TOTAL (After Discount): $1.88

Pay 11/10

PLEASE DETACH STUB AND RETURN WITH PAYMENT. RETAIN TOP PORTION FOR YOUR RECORDS.

7/1/06 TO 6/30/07 REAL PROPERTY TAX STATEMENT

MULTNOMAH COUNTY, OREGON * P.O. BOX 2716 * PORTLAND, OREGON 97208-2716
Phone: (503) 988-3326 WWW.MULTCOTAX.ORG

PROPERTY DESCRIPTION

ACCOUNT NO: R543779

SITUS: 5555 W1/ N CHANNEL AVE **CODE AREA:** 731
PARTITION PLAT 2004-8; LOT 1, MACH &
EQUIP, SEE MAIN ACCT R543777 (R64984-0290)

CASCADE GENERAL INC
ATTN RAE ANN SHEETS
5555 N CHANNEL
PORTLAND, OR 97217

VALUES:	LAST YEAR	THIS YEAR
MARKET VALUES:		
LAND	0	0
STRUCTURE	727,510	650,280
TOTAL RMV VALUE	727,510	650,280
TAXABLE VALUES:		
ASSESSED VALUE	727,510	650,280
PROPERTY TAXES:	$11,554.10	$10,288.27

Please read the Tax Information insert.
To pay online go to www.multcotax.org

2006-07 CURRENT TAX BY DISTRICT:

MULTNOMAH CO ESD	249.33
PORTLAND COMM COLLEGE	152.90
PORTLAND SCHOOL DIST #1	2,849.17
EDUCATION TAXES:	$3,251.40
PORT OF PORTLAND	34.59
CITY OF PORTLAND	2,243.76
METRO	47.63
MULTNOMAH COUNTY	2,128.58
EAST MULT SOIL/WTR CONSERVATN	16.53
CITY OF PORTLAND CHILD LOC OP	0.00
CITY OF PORTLAND PARKS LOC OP	0.00
MULT CO LIBRARY LOCAL OPT TAX	0.00
PORTLAND FIRE/POLICE PENSION	1,097.14
URBAN RENEWAL - PORTLAND	934.57
GENERAL GOVERNMENT TAXES:	$6,502.80
CITY OF PORTLAND BONDS	123.75
METRO BONDS	109.70
MULTNOMAH COUNTY BONDS	118.48
TRI-MET TRANSPORTATION BONDS	58.85
PORTLAND COMM COLLEGE BONDS	123.29
BONDS AND MISC TAXES:	$534.07
2006-07 TAX (Before Discount)	$10,288.27

TAX PAYMENT OPTIONS

(See back of statement for payment instructions)

	Pay By	Discount	Net Amount Due
In Full	11/15/06	308.65	$9,979.62
2/3	11/15/06	137.18	$6,721.67
1/3	11/15/06	NONE	$3,429.43

PLEASE MAKE PAYMENT TO: Multnomah County

5-00-00 2108

DELINQUENT TAXES: $0.00

TOTAL (After Discount): $9,979.62

Pay 11/10

PLEASE DETACH STUB AND RETURN WITH PAYMENT. RETAIN TOP PORTION FOR YOUR RECORDS.

Original Copy

Port of Portland

INVOICE 77298

Customer # 2000008

Cascade General Inc.
Attn: Accounts Payable Dept
5555 N Channel Ave Bldg No 71
Portland OR 97217

Remit Payment To:

Unit 27
P.O. Box 4900
Portland, OR 97208-4900

Refer Questions To:

Lorali Sinnen
(503) 944-7538 or
1-800-547-8411 X7538
FAX: (503) 944-7466

Payment Terms

DELINQUENCY CHARGE: at the rate of 1.5% per month or 18% per year will be charged if invoice is not paid by

07/28/01

Invoice Date

06/28/01

Description		Qty	Price	Amount
REIMBURSEMENT FOR PORTION OF THE RENT PAID TO THE DIVISION OF STATE LANDS UNDER DSL LEASE #22755-ML FOR AUGUST 1, 2001 THRU JULY 31, 2002, COPY OF INVOICE ATTACHED:				
MONTHLY RENT	RENT	1.000	9,463.2200	9,463.22
			Total	9,463.22

ok pay on 7/25/01 by Cascade

DSL Lease - Portland Ship Yard
DSL Lease ML-10124

Current Estimated Rent for 1999 - $135,732.00

State Land Board Lease Rate Proposals

Prior Proposal .14/sf x LA **OR** AV x LA x 5%, whichever is less

Current Proposal .30/sf x LA **OR** AV x LA x 5%, whichever is less

LA means Lease Area
AV means Assessed Value

Parcel No. 1	347,217 sf
Parcel No. 2	262,405 sf
Parcel No. 3	195,018 sf

	Prior Proposal		Current Proposal	
	.14/sf	AV x LA x 5%*	.30/sf	AV x LA x 5%*
Parcel 1	$48,610	$69,443	$104,165	$69,443
Parcel 2	$36,737	$52,481	$78,722	$52,481
Parcel 3	$27,303	$39,004	$58,505	$39,004
Totals	$112,650	$160,928	$241,392	$160,928

*Assumes a value of $4.00/sf

Post-it® Fax Note 7671 | Date 6/1/99 | # of pages ▶
To Wayne Corlett | From S. Brooks
Co./Dept. | Co.
Phone # | Phone #
Fax # 947-1431 | Fax #

Port of Portland, Box 3529, Portland, OR 97208

Facsimile Cover Sheet

To: Wayne Cozad
Company: Cascade General
Phone: 503 247-1833
Fax: 503 247-1431

From: Suzanne Brooks
Title Contracts Administrator
Phone: (503) 731-7509
Fax: (503) 731-7466

Date: May 20, 1999
Pages including this cover page: 3

Re: DSL Audit

Following is a letter received from DSL regarding an audit of ML-10124, which they would like to conduct June 10, 1999. Ms. Crook is willing to go to Cascade's offices to check the records, if that is what you and the Port decide is best, though she wants that in writing from Cascade. I am certainly willing to meet with her here to go over berth occupancy information, but you will have to get the original documents here, and, presumably, meet with us.

She wants to look at any original records which will document the days and % occupancy figures that were given to them on the chart. So she will need more than the Excel spreadsheets you sent to me.

Please give me a call so we can discuss how best to handle this visit.

Thanks!

Oregon
John A. Kitzhaber, M.D., Governor

Division of State Lands
775 Summer Street NE
Salem, OR 97310-1337
(503) 378-3805
FAX (503) 378-4844
TTY (503) 378-4615

May 14, 1999

State Land Board
John A. Kitzhaber
Governor
Phil Keisling
Secretary of State
Jim Hill
State Treasurer

Suzanne L. Brooks, Contract Administrator
Property and Development Services
Port of Portland
Box 3529
Portland, OR 97208

Subject: Lease Rental Review: ML 10124

Dear Ms. Brooks:

Pursuant to the Lease Rental Agreement ML-10124, between the Port of Portland and the Division of State Lands we will be conducting our annual audit of actual occupancy on June 10,1999. Please have available the following records for my review:

1. Documentation that supports the attached spreadsheet, which is for calendar year 1998. *Records reviewed must include berth occupancy information by time and date, such as a* berthing log, or invoices that provide dates and times when a specific ships was in a berth. Since this property is sub-leased, Port of Portland will have to obtain this information from Cascade General.
2. Port of Portland's cash receipt records for cash received from Cascade General and the corresponding general ledger detail, for calendar year 1998.

I may add or eliminate areas of investigation as the examination progresses. Also, at the time of this audit I will review the Port's compliance with ORS 98.412, Oregon Uniform Disposition of Unclaimed Property Act.

I will be contacting you about a week prior to my arrival to set up a specific meeting time. In the meantime if you have any questions, please contact me at 503-378-3805, extension 257.

Sincerely,

Deborah J. Crook
Auditor

cc: Cynthia Vermilyea, Audit Supervisor
Steve Purchase, Assistant Director

CASCADE GENERAL, INC.
Berthage Occupancy

PSY BERTH OCCUPANCY		
Occupancy by Berth from 1/1/98 through 12/31/98		
Berth #	Days	% Occupied
301	275	75.34%
302	234	64.11%
303	212	58.08%
304	96	26.30%
305	216	59.18%
306	365	100.00%
307	0	0.00%
308	38	10.41%
311	59	16.16%

Port of Portland, Box 3529, Portland, OR 97208

Facsimile Cover Sheet

To: Jerry Hedrick
Company: DSL
Phone:
Fax: (503) 378-4844

From: Suzanne Brooks
Title Contracts Administrator
Phone: (503) 731-7509
Fax: (503) 731-7466

Date: February 17, 1999
Pages including this cover page: 2

Re: Cascade General - 1998 Berth Occupancy
DSL Lease ML - 10124

Following please find a chart showing the Berth Occupancy for the areas leased under the above-referenced DSL Lease at the Portland Ship Yard. This chart shows the number of days of occupancy at each berth addressed in the Lease, and the percentage those days represent of one year (365 days).

Please call if you have any questions.

c: Wayne Cozad, Cascade General

CASCADE GENERAL, INC.
Berthage Occupancy

PSY BERTH OCCUPANCY					
Occupancy by Berth from 1/1/98 through 12/31/98					
Berth #		Days		% Occupied	
301		275		75.34%	
302		234		64.11%	
303		212		58.08%	
304		96		26.30%	
305		216		59.18%	
306		365		100.00%	
307		0		0.00%	
308		38		10.41%	
311		59		16.16%	

Cascade General, Inc.
1998 DSL Berthage Report

Berth Number	Vessel Name	Length Overall	BL Date Arrived 1	BL Date Departed 1	BL Total Days 1	BL Date Arrived 2	BL Date Departed 2	BL Total Days 2	BW Date Arrived 1	BW Date Departed 1	BW Total Days 1	BW Date Arrived 2	BW Date Departed 2	BW Total Days 2
301	BARGE 450-10	400							12/12/98	12/15/98	3			
301	BARGE 450-10	400							12/21/98	12/31/98	11			
301	BARGE 450-11	400										4/6/98	4/8/98	3
301	BARGE 450-11	400							3/21/98	3/29/98	8			
301	BARGE 450-11	400							3/30/98	4/5/98	7			
301	BARGE BMC-18	197							2/25/98	3/8/98	11			
301	BLUEBACK	219							11/7/98	11/8/98	2			
301	BLUEBACK	219							11/9/98	11/17/98	8			
301	BMC-18	197							3/9/98	3/15/98	7			
301	BMC-18	197							3/16/98	3/17/98	1			
301	Chevron Washington	650							6/29/98	6/29/98	6			
301	HALEIWA	242							5/11/98	5/16/98	5			
301	Le Conte	236										4/6/98	4/12/98	7
301	Le Conte	236							2/11/98	2/15/98	4			
301	Le Conte	236							2/16/98	2/22/98	7			
301	Le Conte	236							2/23/98	3/1/98	7			
301	Le Conte	236							3/2/98	3/8/98	7			
301	Le Conte	236							3/9/98	3/15/98	7			
301	Le Conte	236							3/16/98	3/17/98	1			
301	Le Conte	236							3/30/98	4/5/98	7			

Cascade General, Inc.
1998 DSL Berthage Report

Berth Number	Vessel Name	Length Overall	BL Date Arrived 1	BL Date Departed 1	BL Total Days 1	BL Date Arrived 2	BL Date Departed 2	BL Total Days 2	BW Date Arrived 1	BW Date Departed 1	BW Total Days 1	BW Date Arrived 2	BW Date Departed 2	BW Total Days 2
301	Le Conte	236							4/13/98	4/19/98	7			
301	Le Conte	236							4/20/98	4/26/98	7			
301	Le Conte	236							4/27/98	5/3/98	7			
301	Le Conte	236							5/4/98	5/10/98	7			
301	Le Conte	236							5/11/98	5/17/98	7			
301	Le Conte	236							5/18/98	5/18/98	1			
301	NORTHERN VICTOR	397							5/25/98	5/26/98	1			
301	POTOMAC TRADER	658	5/31/98	6/7/98	7									
301	POTOMAC TRADER	658							6/8/98	6/8/98	1	6/13/98	6/14/98	2
301	POTOMAC TRADER	658							6/15/98	6/21/98	7			
301	POTOMAC TRADER	658							6/22/98	6/23/98	1			
301	S/R San Francisco	810	8/10/98	8/31/98	22									
301	S/R San Francisco	810	9/1/98	9/30/98	30									
301	S/R San Francisco	810	10/1/98	10/4/98	4									
301	S/R San Francisco	810							7/31/98	8/2/98	2			
301	S/R San Francisco	810							8/3/98	8/9/98	7			
301	SAUSE BROS. BARGE	286							3/10/98	3/11/98	1			
301	SEA ROBIN TUG	120							10/26/98	10/27/98	1			
301	SITKA BARGE	272							11/26/98	11/29/98	4			
301	SITKA BARGE	272							11/30/98	12/2/98	3			

Cascade General, Inc.
1998 DSL Berthage Report

Berth Number	Vessel Name	Length Overall	BL Date Arrived 1	BL Date Departed 1	BL Total Days 1	BL Date Arrived 2	BL Date Departed 2	BL Total Days 2	BW Date Arrived 1	BW Date Departed 1	BW Total Days 1	BW Date Arrived 2	BW Date Departed 2	BW Total Days 2
301	TANZLINA	272							5/16/98	5/17/98	1			
301	TANZLINA	272							5/18/98	5/24/98	6			
301	TUG WARRIOR	132							12/12/98	12/31/98	19			
301	USCG COWSLIP	180							7/30/98	7/31/98	1			
302	BARGE APL-5	263										4/6/98	4/12/98	7
302	BARGE APL-5	263							2/2/98	2/8/98	7			
302	BARGE APL-5	263							2/9/98	2/15/98	7			
302	BARGE APL-5	263							2/16/98	2/22/98	7			
302	BARGE APL-5	263							2/23/98	3/2/98	7			
302	BARGE APL-5	263							3/2/98	3/8/98	7			
302	BARGE APL-5	263							3/9/98	3/15/98	7			
302	BARGE APL-5	263							3/16/98	3/22/98	7			
302	BARGE APL-5	263							3/23/98	3/29/98	7			
302	BARGE APL-5	263							3/30/98	4/5/98	7			
302	BARGE APL-5	263							4/13/98	4/19/98	7			
302	BARGE APL-5	263							4/20/98	4/26/98	7			
302	BARGE APL-5	263							4/27/98	5/3/98	7			
302	BARGE APL-5	263							5/4/98	5/10/98	7			
302	BARGE APL-5	263							5/11/98	5/15/98	5			
302	BARGE BRANDON	272							6/20/98	6/21/98	1			

Cascade General, Inc.
1998 DSL Berthage Report

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302	ESSAYONS	333							8/20/98	8/22/98	2			
302	ESSAYONS	350							10/19/98	10/25/98	7			
302	ESSAYONS	350							10/26/98	10/30/98	4			
302	GLOBAL SENTINEL	475	9/1/98	9/30/98	30									
302	GLOBAL SENTINEL	475	8/1/98	8/31/98	31									
302	GLOBAL SENTINEL	475							8/1/98	8/31/98	31			
302	GLOBAL SENTINEL	475							9/28/98	10/4/98	7			
302	GLOBAL SENTINEL	475							10/5/98	10/11/98	6			
302	NENA F.	600							7/28/98	7/30/98	2			
302	P.J. BRIX	86										1/26/98	2/2/98	7
302	SOUTH PACIFIC	95							7/26/98	7/27/98	1			
302	STEADFAST	210							11/8/98	11/9/98	1	11/11/98	11/12/98	1
303	BARGE APL-5	263							1/1/98	1/4/98	4			
303	BARGE APL-5	263							1/5/98	1/11/98	7			
303	BARGE APL-5	263							1/12/98	1/18/98	7			
303	BARGE APL-5	263							1/19/98	1/25/98	7			
303	BARGE APL-5	263							1/26/98	2/1/98	7			
303	HALEIWA	242							5/22/98	5/23/98	1			
303	M/V KENNICOTT	382							10/5/98	10/11/98	7			
303	NAPHALAI	438										4/6/98	4/12/98	7

Cascade General, Inc.
1998 DSL Berthage Report

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303	NAPHALAI	438							12/29/97	1/4/98	7			
303	NAPHALAI	438							1/5/98	1/11/98	7			
303	NAPHALAI	438							1/12/98	1/18/98	7			
303	NAPHALAI	438							1/19/98	1/25/98	7			
303	NAPHALAI	438							1/26/98	2/1/98	7			
303	NAPHALAI	438							2/2/98	2/8/98	7			
303	NAPHALAI	438							2/9/98	2/15/98	7			
303	NAPHALAI	438							2/16/98	2/22/98	7			
303	NAPHALAI	438							2/23/98	3/1/98	7			
303	NAPHALAI	438							3/2/98	3/8/98	7			
303	NAPHALAI	438							3/9/98	3/15/98	7			
303	NAPHALAI	438							3/16/98	3/22/98	7			
303	NAPHALAI	438							3/23/98	3/29/98	7			
303	NAPHALAI	438							3/30/98	4/5/98	7			
303	NAPHALAI	438							4/13/98	4/19/98	7			
303	NAPHALAI	438							4/20/98	4/26/98	7			
303	NAPHALAI	438							4/27/98	5/3/98	7			
303	NAPHALAI	438							5/4/98	5/10/98	7			
303	NAPHALAI	438							5/11/98	5/17/98	7			
303	NAPHALAI	438							5/18/98	5/24/98	7			

Cascade General, Inc.
1998 DSL Berthage Report

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303	NAPHALAI	438							5/25/98	5/31/98	7			
303	NAPHALAI	438							6/1/98	6/7/98	7			
303	NAPHALAI	438							6/8/98	6/14/98	7			
303	NAPHALAI	438							6/15/98	6/16/98	1	6/18/98	6/21/98	3
304	CSO CONSTRUCTOR	364							9/14/98	9/15/98	1	9/15/98	9/19/98	5
304	M/V KENNICOTT	382							9/21/98	9/27/98	7			
304	M/V KENNICOTT	382							9/28/98	10/4/98	7			
304	M/V KENNICOTT	382							10/12/98	10/14/98	2			
304	M/V KENNICOTT	382							10/23/98	10/25/98	2			
304	M/V KENNICOTT	382							10/26/98	10/29/98	4			
304	MATANUSKA	408							11/6/98	11/8/98	2			
304	MATANUSKA	408							11/9/98	11/15/98	7			
304	MATANUSKA	408							11/16/98	11/24/98	7			
304	MATANUSKA	408							11/23/98	11/29/98	7			
304	MATANUSKA	408							11/30/98	12/6/98	7			
304	MATANUSKA	408							12/7/98	12/13/98	7			
304	MATANUSKA	408							12/14/98	12/20/98	7			
304	MATANUSKA	408							12/21/98	12/31/98	11			
304	USNS VICTORIUS	235							5/4/98	5/10/98	7			
304	VICTORIOUS	235							6/8/98	6/14/98	6			

Cascade General, Inc.
1998 DSL Berthage Report

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305	BMC 18 FOSS	207							11/22/98	12/3/98	11			
305	BROOKS RANGE	906	1/1/98	1/31/98	31									
305	BROOKS RANGE	906	2/1/98	2/28/98	28									
305	GLOBAL SENTINEL	475	2/1/98	2/28/98	28									
305	GLOBAL SENTINEL	475	3/1/98	3/31/98	31									
305	GLOBAL SENTINEL	475	4/1/98	4/30/98	30									
305	GLOBAL SENTINEL	475	5/1/98	5/31/98	31									
305	GLOBAL SENTINEL	475							4/20/98	4/26/98	7			
305	GLOBAL SENTINEL	475							6/8/98	6/14/98	7			
305	GLOBAL SENTINEL	475							6/22/98	6/28/98	6			
305	GLOBAL SENTINEL	475							7/6/98	7/12/98	6			
306	THOMPSON PASS	906	1/1/98	1/31/98	31									
306	THOMPSON PASS	906	2/1/98	2/28/98	28									
306	THOMPSON PASS	906	3/1/98	3/31/98	31									
306	THOMPSON PASS	906	4/1/98	4/30/98	30									
306	THOMPSON PASS	906	5/1/98	5/31/98	31									
306	THOMPSON PASS	906	6/1/98	6/30/98	30									
306	THOMPSON PASS	906	7/1/98	7/31/98	31									
306	THOMPSON PASS	906	8/1/98	8/31/98	31									
306	THOMPSON PASS	906	9/1/98	9/30/98	30									

Cascade General, Inc.
1998 DSL Berthage Report

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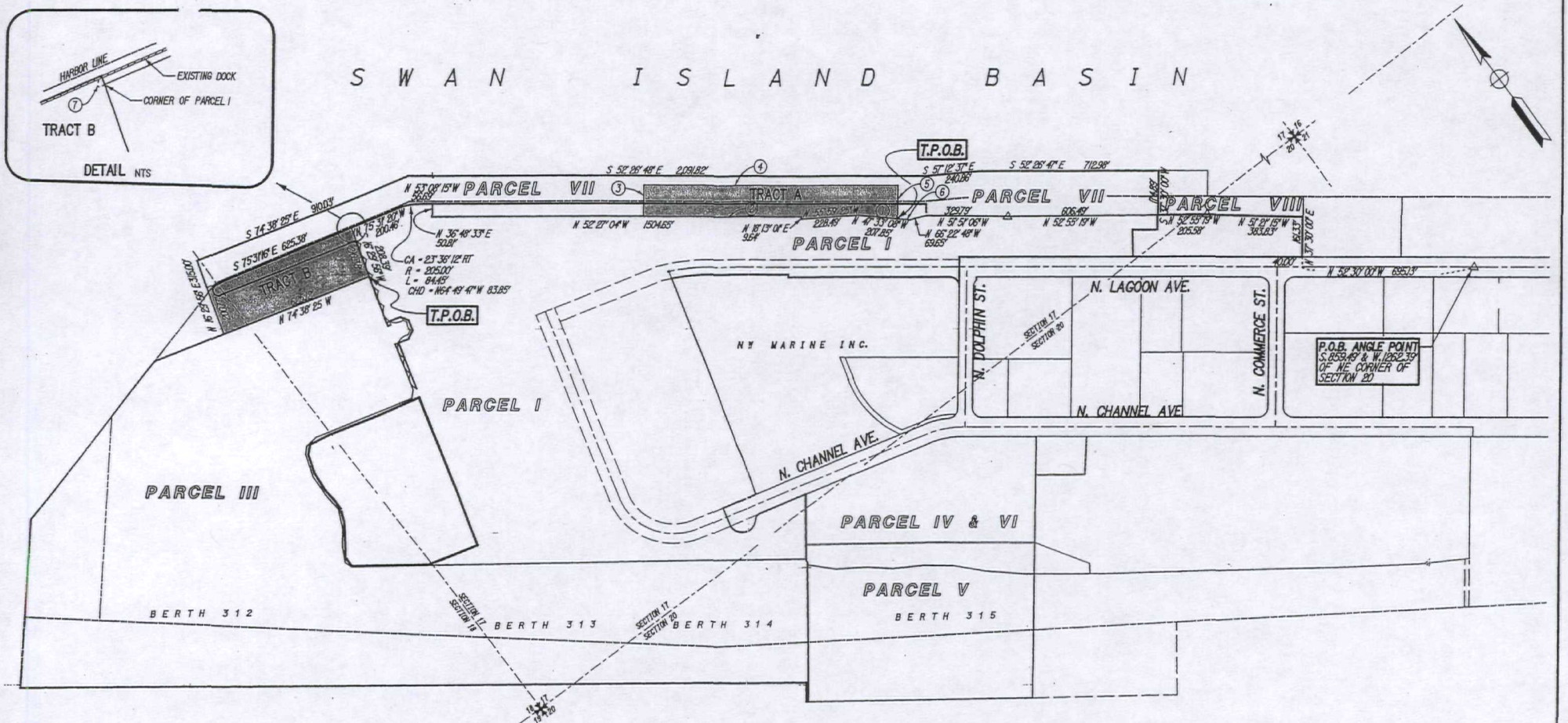
306	THOMPSON PASS	906	10/1/98	10/31/98	31									
306	THOMPSON PASS	906	11/1/98	11/30/98	30									
306	THOMPSON PASS	906	12/1/98	12/31/98	31									
308	Barge 450-11	400							4/14/98	4/19/98	5			
308	Barge 450-11	400							4/14/98	4/19/98	5			
308	Barge BMC-7	204										4/6/98	4/8/98	7
308	Barge BMC-7	204							3/31/98	4/5/98	6			
308	Barge BMC-7	204							4/13/98	4/14/98	1			
308	Barge BMC-7	204							3/31/98	4/14/98	14			
311	S/R Philadelphia	810	1/1/98	1/31/98	31									
311	S/R Philadelphia	810	2/1/98	2/28/98	28									



DATA TABLE

NO.	BEARING	DISTANCE
1	N 41°33'08"W	158.14'
2	N 52°27'04"W	646.15'
3	N 37°34'27"E	123.72'
4	S 52°25'33"E	1037.00'
5	S 37°34'27"W	131.77'
6	N 41°33'08"W	49.72'
7	N 16°29'58"E	1.99'

REGISTERED PROFESSIONAL LAND SURVEYOR

OREGON
JULY 18, 1980
DAVID W. MILLS
01915

EXPIRES 12-31-04

NO.	REVISIONS	DATE	BY

CALCULATED DWM
DRAWN DWM
CHECKED
APPROVED

SCALE 1" = 400'
DATE JULY 2, 2002

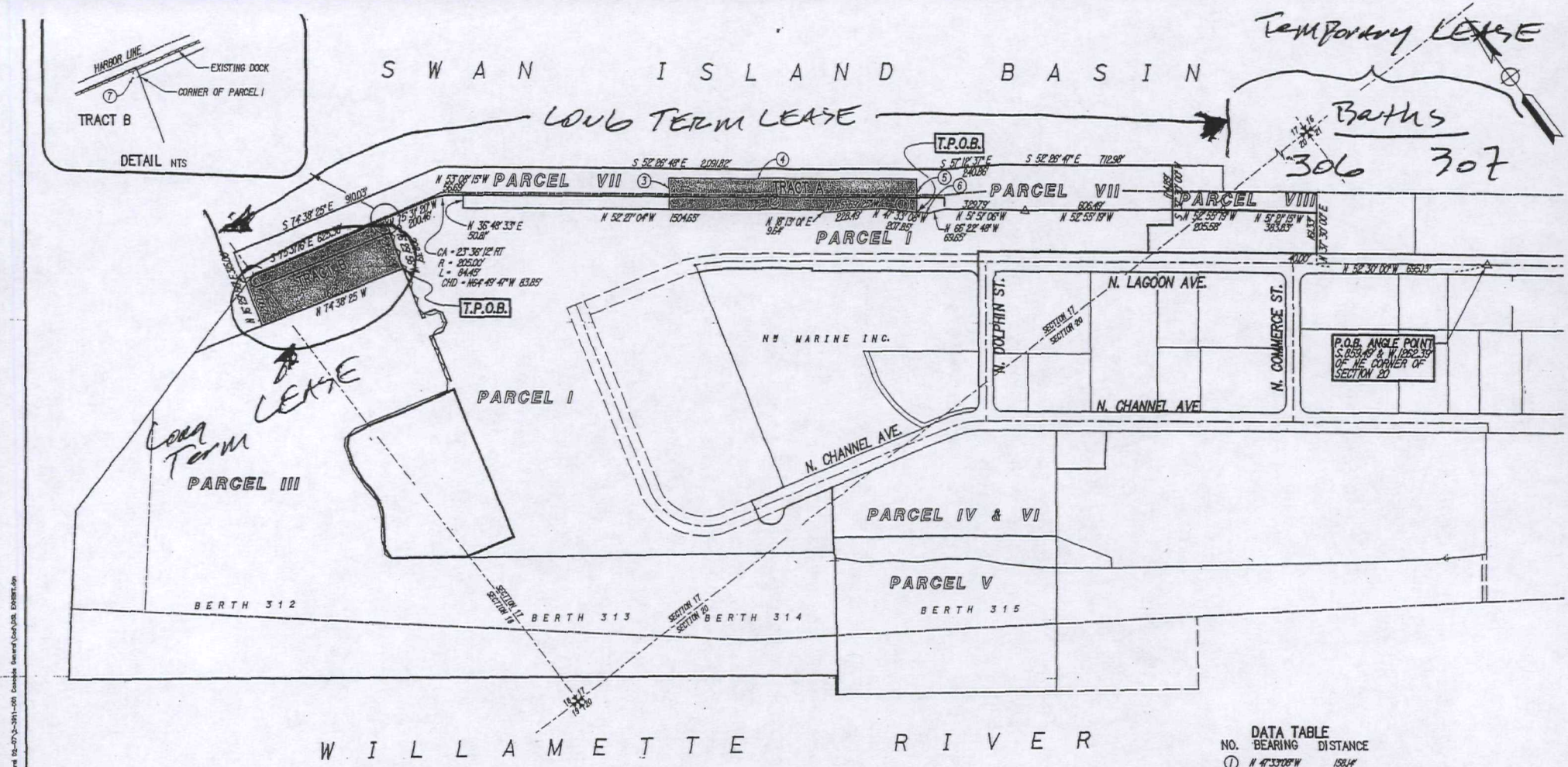
Dave Mills Consulting "Surveying and Consulting Services"
14315 SW Cougar Ridge Dr.
Beaverton, OR 97008
Phn: (503) 590-7158
Fax:

CLIENT: CASCADE GENERAL
PORTLAND SHIPYARD
5555 NORTH CHANNEL AVE.
PORTLAND, OREGON 97217

JOB NO. 02-07
FILE NAME: DSL EXHIBIT.DGN

"EXHIBIT"
FOR
RETAINED PORTIONS OF DSL LEASE

SHEET NO. 1 OF 1



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6	N 47°33'08"W	49.72'
7	N 16°29'56"E	1.99'

REGISTERED PROFESSIONAL LAND SURVEYOR

David W. Mills 7-2-02

OREGON
JULY 18, 1980
DAVID W. MILLS
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SHEET NO. 1 OF 1

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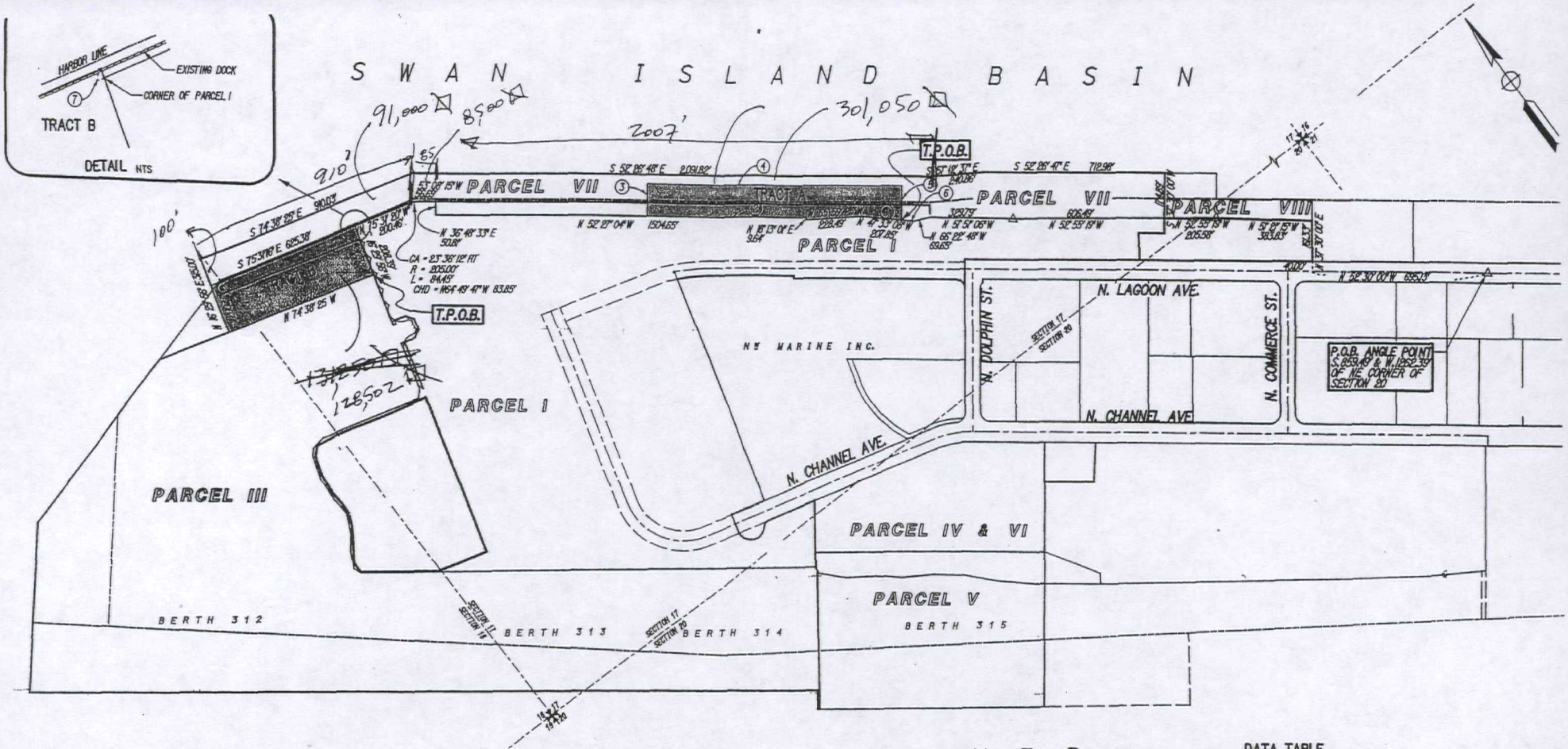

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6	N 47°33'08"W	49.72'
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TOTAL ~~531,800~~ 529,052

REGISTERED PROFESSIONAL LAND SURVEYOR

David W. Mills 7-2-02

OREGON
JULY 18, 1980
DAVID W. MILLS
01915

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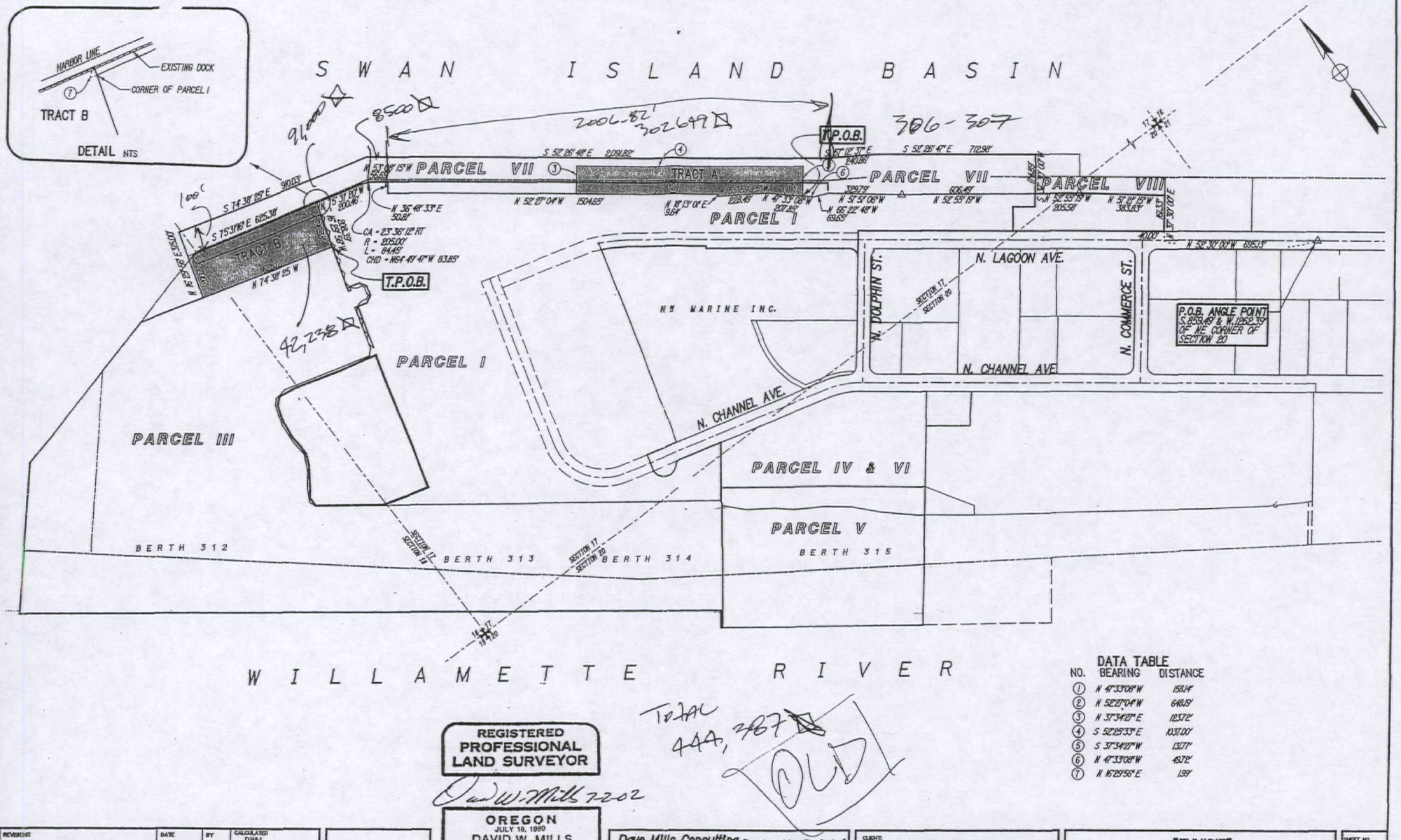

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OREGON
JULY 16, 1980
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01915
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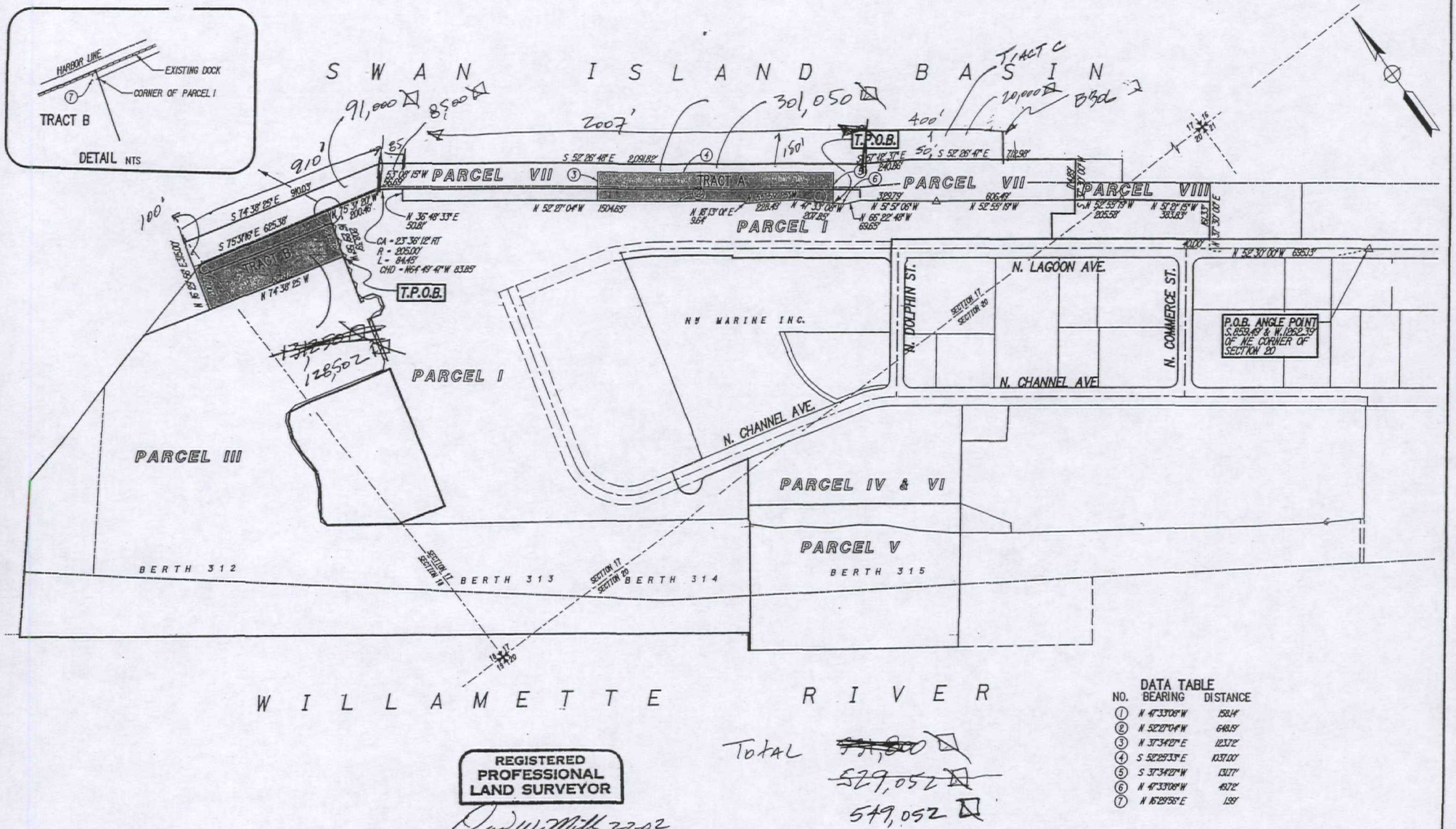

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3	N 37°34'07"E	123.72'
4	S 52°25'53"E	1037.00'
5	S 37°34'07"W	131.77'
6	N 41°33'08"W	49.72'
7	N 15°29'55"E	1.99'

REGISTERED PROFESSIONAL LAND SURVEYOR

David W. Mills 7202

OREGON
JULY 18, 1980
DAVID W. MILLS
01915

EXPIRES 12-31-04

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JOB NO. 02-07
FILE NAME: DSL EXHIBIT.DGN

"EXHIBIT"
FOR
RETAINED PORTIONS OF DSL LEASE

SHEET NO. 1 OF 1

SALE AGREEMENT
PORTLAND SHIP YARD

AMONG

THE PORT OF PORTLAND

(the "Port")

PORTLAND SHIPYARD LLC

("Buyer")

AND

CASCADE GENERAL, INC.

("CGI")

Dated as of:
August 29, 2000

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SALE AGREEMENT
PORTLAND SHIP YARD

Among
The Port of Portland,
Portland Shipyard LLC
and
Cascade General, Inc.

This **SALE AGREEMENT** ("Sale Agreement"), dated as of this 29 day of August, 2000, is by and among **THE PORT OF PORTLAND**, a port district of the State of Oregon ("Port"); **PORTLAND SHIPYARD LLC**, an Oregon limited liability company ("Buyer"); and **CASCADE GENERAL, INC.**, an Oregon corporation ("CGI") (collectively, the "Parties").

RECITALS

A. Pursuant to a lease dated August 10, 1995, as amended (Port Agreement No. 95-157, the "Lease"), CGI currently leases from the Port a parcel of land and improvements thereon known as the Portland Ship Yard, located at 5555 North Channel Avenue, Portland, Oregon.

B. The Port desires to sell to Buyer, and Buyer desires to purchase from the Port, a portion of the land and improvements subject to the Lease and certain personal property associated therewith (the "Property") on the terms and conditions set forth in this Sale Agreement.

C. At or after Closing, Buyer intends to enter into agreements with CGI pursuant to which CGI will lease and operate the Property.

AGREEMENT

1. SALE AND PURCHASE

1.1 Description of Property

Buyer agrees to purchase from the Port and the Port agrees to sell to Buyer, on the terms and conditions set forth in this Sale Agreement, the Property consisting of:

1.1.1 Land and Improvements

Approximately 56.61 acres of land, as shown more particularly on, and with the legal description contained in, Exhibit A (the "Land"), improved with paving, fencing, buildings, docks, piers, wharves, roadways, tracks, tanks, pipelines, utilities, parking areas, landscaping, and other structures, fixtures, appurtenances, and enhancements to the Land (the

"Improvements"), but excluding the water intakes and pumps as described more particularly in the Water Supply Agreement referenced in Section 6.3.1;

1.1.2 Submerged Lands

Approximately 60.8 acres of submerged and submersible lands, as shown more particularly on, and with the legal description contained in, Exhibit B (the "Submerged Lands");

1.1.3 Dry Docks

Two floating dry docks, known as Dry Dock #3 and Dry Dock #4, described more particularly in Exhibit C (the "Dry Docks"); and

1.1.4 Equipment and Inventory

Seventeen whirley cranes and other machinery and equipment, as described more particularly on Exhibits D-1 through D-6 (the "Equipment"), plus any and all items, described as "Inventory" in Section 1.9 of the Lease, which are present on the Property as of Closing.

1.1.5 Trade Names

All of the Port's right, title and interest in the trade names "Portland Ship Yard," "Portland Shipyard," "Portland Ship Repair Yard," "PSY," and "PSRY," and all derivatives thereof.

1.2 Purchase Price

The purchase price ("Purchase Price") for the Property is THIRTY MILLION EIGHT HUNDRED THOUSAND DOLLARS ($30,800,000.00) which shall be paid by Buyer as set forth in Section 2.

1.3 Buyer's Use of the Property

1.3.1 General Restriction to Shipyard Use

Pursuant to the Lease, the Property is currently used by CGI as a shipyard with related industrial uses. Buyer agrees that the Property shall remain in primary use as a shipyard, with related industrial uses, until termination of this restriction in accordance with Section 1.3.4. "Primary use as a shipyard with related industrial uses" shall mean that (a) the Land at all times shall be maintained and equipped with such dry docks, cranes, berths and other equipment as are standard in the industry for a full-service ship repair yard and shall be held open, available, and actively marketed for Ship Repair Activities (as defined below) consistent with the levels of services for Ship Repair Activities offered during the calendar years 1996 through 1999 and subject to prevailing market conditions; (b) Dry Dock #4 shall not be sold or transferred; and (c) the Land shall be used for purposes related to Ship Repair Activities or otherwise for uses allowed outright as permitted uses, without conditional use permits, under zoning regulations of the City of Portland for the (IH) Heavy Industrial zone or successive zoning classification applicable to the Property. The provisions of (a) and (c) above shall not apply to Dry Docks or

Equipment which are sold and removed from the Land. Performance of and compliance with this Section 1.3 shall be guaranteed pursuant to the Guaranties (as defined in Section 2.2).

1.3.2 Ship Repair Activities Defined

"Ship Repair Activities" shall mean any of the following activities: (i) repairing and performing maintenance of ships; (ii) ship conversion, ship dismantling, new ship construction and lay berthing of ships; and (iii) in support of (i) or (ii) above, the operation of machine shops, carpentry shops, assembly and fabrication facilities, electrical and electronic repair shops, paint shops, plumbing and pipefitting shops, heating, ventilation and air conditioning shops, boiler repair shops, warehouse and storage facilities, and support services and offices.

1.3.3 Port as Third Party Beneficiary

The Port is an intended third-party beneficiary of Article 7 of Buyer's Articles of Organization, further prohibiting sale of the Dry Docks, and that Article may not be amended or rescinded without the Port's prior written consent.

1.3.4 Expiration of Restriction

The restrictions set forth in this Section 1.3 shall expire on the earlier of the following to occur:

1.3.4.1 The date Lender delivers written notice to the Port that (i) Buyer is in default under the master loan agreement implementing the Permitted Financing, or any other documents between Buyer and Lender (the "Loan Documents"); and (ii) Lender has accelerated all sums due and owing by Buyer under the Loan Documents;

1.3.4.2 The date Buyer files a voluntary petition in bankruptcy, applies for or permits the appointment by consent or acquiescence of a receiver, conservator, administrator, custodian or trustee for itself or all or a substantial part of its property, makes an assignment for the benefit of creditors or becomes the subject of a receivership;

1.3.4.3 The date Buyer becomes the subject of an involuntary petition in bankruptcy or permits the involuntary appointment of a receiver or the issuance of a warrant of attachment or similar process against all or any substantial part of its property unless such petition, appointment or process is vacated or dismissed within sixty (60) days from its effective date but no later than 10 days prior to any proposed disposition of assets; and

1.3.4.4 June 30, 2005.

1.4 Restrictions on Bond Financed Facilities

1.4.1 General Restriction on Bond Financed Facilities

The construction and improvement of certain portions of the Land and purchase of certain Equipment, as specified more particularly on Exhibit E (the "Bond Financed Facilities"), were financed with the proceeds of tax-exempt bonds pursuant to the Internal Revenue Code, 26

U.S.C. § 103 (the "Bonds"). In order not to cause the Bonds to lose their tax-exempt status, Buyer agrees (i) to maintain the Bond Financed Facilities available for the repair of common carrier and charter carrier vessels which serve the general public, (ii) not to use or permit the use of any portion of the Bond Financed Facilities for construction or conversion or dismantling of vessels, or for any other purposes whatsoever which the Port, based on an opinion of bond counsel, notifies Buyer would cause the Bonds to lose their tax-exempt status, and (iii) not to relocate or move any of the Bond Financed Facilities away from the Land or Submerged Lands.

1.4.2 Indemnity; Guaranties

Buyer agrees to defend (using legal counsel acceptable to the Port), indemnify, and hold harmless the Port from and against any and all actual or alleged claims, damages, expenses, costs, fees (including, but not limited to, attorney, accountant, paralegal, expert, and escrow fees), fines, and/or penalties which may be imposed upon or claimed against the Port and which, in whole or in part, directly or indirectly, arise from or are in any way connected with any noncompliance with or violation of this Section 1.4. Performance of and compliance with this Section 1.4 shall be guaranteed pursuant to the Guaranties.

1.4.3 Time Limits

Unless waived by the Port, the restrictions set forth in this Section 1.4 shall apply to the Bond Financed Facilities until the earlier of (1) April 1, 2007, or (2) such time as the Port receives an unqualified opinion of bond counsel acceptable to the Port stating that such restrictions are no longer required in order to preserve the tax-exempt status of the Bonds.

1.4.4 Port Cooperation

The Port agrees to reasonably cooperate with Buyer, at Buyer's sole expense, in requesting a ruling from the Internal Revenue Service with respect to the applicability of restrictions on use or sale of the Bond Financed Facilities.

1.5 Lagoon Parcel

The Property forms part of a legal lot which also includes a parcel of approximately 2.5 acres, as shown more particularly on, and with the legal description contained in, Exhibit F (the "Lagoon Parcel"). Pending approval of a partition which will cause the Lagoon Parcel to be segregated from the Property, as part of this transaction the Port shall convey the Lagoon Parcel to Buyer, to be leased to the Port and subject to the Port's right to reconveyance as set forth in Section 9.4 and the Lagoon Parcel Ground Lease, Assignment of Lease and Land Sale Contract (the "Lagoon Parcel Lease") attached as Exhibit G.

2. PAYMENT OF PURCHASE PRICE

The Purchase Price for the Property shall be payable as follows:

2.1 Cash at Closing

Buyer shall pay by wire transfer at Closing the sum of EIGHTEEN MILLION DOLLARS ($18,000,000.00) toward the Purchase Price (the "Cash Amount"), plus Buyer's share of closing costs pursuant to Section 3.

2.2 Long-Term Note

Buyer shall deliver to the Port a promissory note in the form attached as Exhibit H, in the amount of FIVE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND SIX HUNDRED SEVENTY FOUR DOLLARS ($5,765,674.00) with interest thereon at 10 percent per annum commencing on the day following the Closing Date (the "Long-Term Note"), to be guaranteed by CGI and by the corporate parent of Buyer and CGI, Shipyard America LLC, pursuant to guaranties in the forms attached as Exhibits I-1 and I-2 (the "Guaranties").

2.3 Credits

Buyer shall be credited at Closing with the remainder of the Purchase Price, consisting of the sum of FIVE MILLION EIGHT HUNDRED THIRTY-THREE THOUSAND DOLLARS ($5,833,000.00) representing Basic Rent previously paid to the Port pursuant to the Lease for calendar year 1998, plus the sum of ONE MILLION TWO HUNDRED ONE THOUSAND THREE HUNDRED TWENTY-SIX DOLLARS ($1,201,326.00), representing Percentage Rent previously paid to the Port pursuant to the Lease for calendar year 1997.

3. CLOSING AND ESCROW

3.1 Closing

For purposes of this Sale Agreement, "Close," "Closing," "Closing Date," or "Closed," shall mean the date on which all of the necessary documents have been deposited with Chicago Title Insurance Company of Oregon (the "Escrow Agent") and the Escrow Agent has done all of the following:

3.1.1 Disbursed the Cash Amount of the Purchase Price to the Defeasance Escrow as specified in Section 9.3;

3.1.2 Delivered to the Port the Long-Term Note and the Guaranties;

3.1.3 Recorded on behalf of Buyer the Bargain and Sale Deed for the Land and the Submerged Lands, and the Lagoon Parcel;

3.1.4 Recorded the Swan Island Industrial Park Standards for Development, as revised in April 1994;

3.1.5 Delivered to Buyer the Bills of Sale, Trade Names Assignment, and documents of title described in Section 6.1.4;

3.1.6 Issued or authorized the issuance of the title insurance policies referred to in Section 12 of this Sale Agreement;

3.1.7 Delivered to Buyer the letter of credit referenced in Section 6.1.5;

3.1.8 Recorded the Assignment of Adjoining Structures Agreement referenced in Section 9.11;

3.1.9 Recorded the Water Supply Agreement;

3.1.10 Disbursed to the Port the Accrued Rent as specified in Section 8.1 and any other amounts due to the Port less any amounts due to Buyer or CGI pursuant to this Sale Agreement;

3.1.11 Delivered to Buyer and Seller the Parking Lot Lease, Option Agreement, and Berth Management Agreement referenced in Section 6.3.5;

3.1.12 Recorded the Lagoon Parcel Lease referenced in Section 1.5, and delivered to the Port the Reconveyance Deed and title warranties referenced in Section 6.2.5; and

3.1.13 Complied with all other escrow instructions of Buyer or the Port imposed as a condition of Closing.

3.2 Closing Date and Location

Unless extended by mutual written agreement of the Parties, the Closing shall occur no later than September 6, 2000. This Sale Agreement shall be Closed at the offices of the Escrow Agent.

3.3 Closing Costs

Buyer and the Port will each pay one-half (1/2) of the escrow fee. Buyer shall pay all recording fees and other closing costs normally and customarily attributable to a buyer, including all recording fees associated with the Permitted Financing as defined in Section 5.2.4. Buyer shall pay the premium for owner's title insurance, if any. The Port shall pay the premium for seller's title insurance, if any.

3.4 Escrow Instructions

Buyer and the Port shall deliver a fully-executed copy of this Sale Agreement to the Escrow Agent. Buyer and the Port hereby authorize their respective attorneys to execute and deliver to the Escrow Agent any additional or supplemental escrow instructions as may be necessary or convenient to implement the terms of this Sale Agreement and to Close this transaction. In the event of any conflict between such additional or supplemental escrow instructions and the express terms of this Sale Agreement, the terms of this Sale Agreement shall control.

4. PRELIMINARY TITLE REPORT

The Preliminary Title Report, dated August 4, 2000, Order No. 193177c, issued by the Escrow Agent, showing the condition of the title to the Property, is attached hereto as Exhibit K ("Preliminary Title Report"). By signature hereto, Buyer acknowledges that it is accepting title to the Property subject to (a) the "General Exceptions" listed as 1 through 5 and the "Special

Exceptions" listed as 6 through 35 in the Preliminary Title Report; (b) any exceptions created or suffered by or through Buyer, CGI, or the tenants, invitees or licensees of either of them; (c) any real or personal property taxes affecting the Property; and (d) any other exceptions as may be acceptable to Buyer (collectively, the "Permitted Exceptions").

5. CONTINGENCIES OF SALE AND CONDITIONS TO CLOSING

5.1 Conditions Precedent to Buyer's Obligations

The Closing of this transaction, and Buyer's obligations with respect to this transaction, are subject to satisfaction of the following conditions not later than the Closing Date:

5.1.1 Financing

Buyer shall obtain financing for the purchase of the Property, on terms and conditions satisfactory to Buyer in its sole discretion.

5.1.2 Title

The Port shall convey title to the Property as set forth in Sections 6.1.1, 6.1.2, 6.1.3, and 6.1.4.

5.1.3 Title Policy Commitment

The Escrow Agent shall commit to issue the title insurance policy in favor of Buyer described in Section 12.

5.1.4 Survey

A final boundary survey shall have been completed, along with correct legal descriptions of the Property prepared from such survey, satisfactory to Buyer.

5.1.5 Lender Consents

Written consent by Textron Financial Corporation to the transactions contemplated by this Sale Agreement and Buyer's financing for the purchase of the Property, shall have been received on terms satisfactory to Buyer.

5.1.6 Quit Claim from DSL

Prior to Closing, the State of Oregon by and through its Division of State Lands shall have released and quit-claimed to the Port, in a form satisfactory to Buyer, all of the State of Oregon's right, title and interest in the Submerged Lands.

5.1.7 Sublease or Assignment of DSL Lease and Consent

Written consent executed by the Oregon Division of State Lands to sublease or assignment by the Port to Buyer or CGI of the DSL Lease, or a replacement lease in favor of Buyer, shall have been received on terms satisfactory to Buyer.

5.1.8 Environmental Conditions

Prior to Closing, there must not have been any release of hazardous substances on the Property or other change in environmental condition which Buyer determines, in its sole discretion, would materially affect the environmental responsibilities assumed by Buyer pursuant to Section 10.

5.1.9 Letter of Credit Deposit

US Bank shall have delivered to the Escrow Agent the collateral pledged by CGI, in the approximate amount of $250,000, to secure CGI's obligations with respect to the letter of credit referenced in Section 6.1.5, along with instructions from US Bank releasing such collateral to CGI immediately upon consummation of the Closing.

5.1.10 Port's Closing Obligations

The Port shall have duly executed and delivered all documents and items to be delivered by the Port pursuant to this Sale Agreement.

5.1.11 Dry Dock Titles

The United States Coast Guard shall have issued certificates of documentation with registry endorsements for the Dry Docks.

5.2 Conditions Precedent to Port's Obligations

The Closing of this transaction, and the Port's obligations with respect to this transaction, are subject to satisfaction of the following conditions not later than the Closing Date:

5.2.1 Environmental Condition

Prior to Closing, there must not have been any release of hazardous substances on the Property or other change in environmental condition which the Port determines, in its sole discretion, would materially affect the environmental responsibilities assumed by the Port pursuant to Section 10.

5.2.2 No Default

Prior to Closing, there must not be any uncured Event of Default (or uncured occurrence which, with the passage of time, would become an Event of Default) under the terms of the Lease.

5.2.3 Quit-Claim from DSL

Prior to Closing, the State of Oregon by and through its Division of State Lands must have released and quit-claimed to the Port, in a form satisfactory to the Port, all of the State of Oregon's right, title and interest in the Submerged Lands.

5.2.4 Permitted Financing

Buyer's financing for the purchase of the Property, the entity or entities providing such financing and their successors and assigns (collectively, the "Lender"), and any and all

terms and conditions of such financing affecting rights, obligations, or interests of the Port, must be satisfactory to the Port in its sole discretion. Such financing, upon approval by the Port, shall be the "Permitted Financing."

5.2.5 Operating Agreement

Buyer's lease and operating agreement with CGI, and any and all terms and conditions of such agreements affecting rights, obligations, or interests of the Port, must be satisfactory to the Port in its sole discretion.

5.2.6 Lot Line Adjustment

The Port shall have obtained a lot line adjustment creating a legal lot consisting of the Property plus the Lagoon Parcel.

5.2.7 Buyer's Closing Obligations

Buyer shall have duly executed and delivered all documents and items to be delivered by Buyer pursuant to this Sale Agreement.

5.3 Waiver/Satisfaction of Conditions

The contingencies set forth in Section 5.1 may be waived in writing by Buyer. The conditions set forth in Section 5.2 may be waived in writing by the Port. Unless the contingencies set forth in Sections 5.1 and 5.2 are satisfied or waived in writing by the Closing Date, this Sale Agreement shall terminate; no Party shall have any further liability under this Sale Agreement, except any liabilities which are specifically stated to survive termination; the transactions and agreements contemplated by this Sale Agreement shall not become effective; title to the Property shall not pass to Buyer; Buyer, CGI and the Port shall each execute and deliver any documents as may reasonably be requested by any of them to cancel, unwind or terminate any of the transactions or agreements contemplated by this Sale Agreement; CGI shall continue to lease the Property pursuant to the Lease and subject to its terms; and the Lease shall remain in full force and effect unless terminated in accordance with its terms.

6. CLOSING DELIVERIES

6.1 Port Deliveries

On or before Closing, the Port shall deliver or cause to be delivered the following:

6.1.1 Bargain and Sale Deed

A duly executed bargain and sale deed and appendix ("Bargain and Sale Deed") in substantially the form set forth in Exhibit L, conveying fee simple title to the Land, the Improvements, the Submerged Lands, and the Lagoon Parcel to Buyer. **The Bargain and Sale Deed contains certain restrictive covenants, which should be carefully reviewed before signing this Sale Agreement.**

6.1.2 Bills of Sale

Duly executed bills of sale ("Bills of Sale") in substantially the forms set forth in Exhibit M-1 to M-4, conveying title to the Equipment, the Inventory, and each of the Dry Docks to Buyer.

6.1.3 Trade Names Assignment

A duly executed Trade Names Assignment in substantially the form set forth in Exhibit N.

6.1.4 Documents of Title

Certificates of title, with duly executed assignments of title to Buyer or Buyer's designee, to the following titled property: One 1994 Alumaweld vessel, hull no. AWB1121OF394, title no. 0400290; one 1991 Lanca or Landa trailer, plate no. E176799, title no. 9206649818; and one 1994 EZ Loader boat trailer, plate no. E186905, title no. 9330192916.

6.1.5 Letter of Credit

CGI's irrevocable standby letter of credit as specified in Section 8.1 of the Lease, securing CGI's obligations under the Lease.

6.1.6 Termination of Port UCCs

Termination statements releasing any security interest filed in favor of the Port with respect to any of the Property.

6.1.7 Port Commission Resolutions

Certified copies of the resolutions adopted by the Port Commissioners approving the transactions contemplated by this Sale Agreement.

6.1.8 Subordination and Standstill Agreement

A duly executed Subordination and Standstill Agreement reflecting the terms of the Permitted Financing referenced in Section 5.2.4., on terms satisfactory to the Port and the Lender in the sole discretion of each of them.

6.1.9 Escrow Deposit Agreement

The Escrow Deposit Agreement in substantially the form attached as Exhibit O, duly executed by the Port and U.S. Bank Trust National Association.

6.2 Buyer's Deliveries

On or before Closing, Buyer shall deliver or cause to be delivered the following:

6.2.1 Cash

The Cash Amount of the Purchase Price, the Accrued Rent, and all other sums due from Buyer or CGI, less any amounts due to Buyer or CGI, pursuant to this Sale Agreement, in

immediately available funds deposited with the Escrow Agent before noon on the Closing Date, Pacific Daylight Time.

6.2.2 Promissory Note and Guaranties

The Long-Term Note, duly executed by Buyer, and the Guaranties, duly executed by CGI and Shipyard America LLC.

6.2.3 Buyer Resolutions

Certified copies of the Operating Agreement of Buyer and the resolutions adopted by CGI's Board of Directors approving the transactions contemplated by this Sale Agreement.

6.2.4 Buyer Articles of Organization; Member Agreements

Certified copies of the Articles of Organization of Buyer, containing provisions relating to restrictions on Buyer's operations in a form satisfactory to the Port in its sole discretion, and agreements by Buyer, CGI, Shipyard America LLC, and the members and owners of each of them, in a form satisfactory to the Port in its sole discretion, precluding any change in such provisions of Buyer's Articles of Organization.

6.2.5 Deed to Lagoon Parcel

A duly executed bargain and sale deed ("Reconveyance Deed") with title warranties, in substantially the form set forth in Exhibit P, re-conveying fee simple title to the Lagoon Parcel to the Port.

6.2.6 Foss Lease Amendment

A fully-executed amendment to that certain lease between the Port and Foss Environmental Services Company as successor in interest to Crosby & Overton Inc. (Port Agreement No. 79-073), in which the lessor's interest has previously been assigned to CGI pursuant to the Lease, which amendment shall adjust the boundaries of the parcel subject to such lease to be wholly within the boundaries of the Lagoon Parcel.

6.3 Port's and Buyer's Deliveries

At Closing, the Port and Buyer (and CGI, as applicable) shall execute and deliver the following:

6.3.1 Water Supply Agreement

A Water Supply Agreement in the form attached as Exhibit Q.

6.3.2 Rail Agreement

A Non-Exclusive Railway Track License in the form attached as Exhibit R.

6.3.3 Amendment to Dry Dock #1 Management Agreement

An amendment to the "Management Agreement – Navy Dry Dock YFD 69 (Port of Portland Dry Dock #1)" between CGI and the Port effective August 10, 1995, as amended, in the form attached as Exhibit S, to be executed by CGI and the Port.

6.3.4 Lagoon Parcel Lease

The Lagoon Parcel Lease in the form set forth in Exhibit G.

6.3.5 Other Agreements

A Parking Lot Lease, Option Agreement, and Berth 315 Management Agreement in the forms attached as Exhibits T, U and V.

7. TAXES

There shall be no proration of taxes. As between Buyer and CGI on the one hand, and the Port on the other hand, Buyer and CGI shall have full responsibility for payment of all applicable real and personal property taxes, if any, which accrue before or after Closing. Buyer is responsible for investigating all tax matters at its own expense, determining all necessary filing and qualification requirements, meeting all necessary filing due dates, and meeting all other regulatory requirements. The Port agrees to cooperate with and assist Buyer and CGI, at no expense to the Port, with respect to Buyer's and CGI's defense of any claim made regarding real property taxes claimed to be owed with respect to the Property for any period before Closing.

8. RENT RECONCILIATION; TERMINATION OF LEASE; POSSESSION

8.1 Rent Reconciliation

8.1.1 Basic Rent

CGI currently occupies the Property pursuant to the Lease. For calendar year 2000, the Lease provides that minimum annual guaranteed rent accrues at the rate of $8,196.72 per day. The Port acknowledges prior receipt from CGI of $1,500,000.00 toward the minimum annual guaranteed rent for calendar year 2000. CGI shall pay, at or before Closing, all rent accrued up to and including the Closing Date at the rate of $8,196.72 per day, less the amount of $1,500,000.00 previously paid. The amount of accrued rent to be paid by CGI pursuant to this Section 8.1.1, plus the Estimated Percentage Rent to be paid by CGI at Closing pursuant to Section 8.1.2, are together referred to in this Sale Agreement as the "Accrued Rent."

8.1.2 Percentage Rent

The Lease also obligates CGI to pay Percentage Rent as defined in the Lease. The Port acknowledges prior receipt from CGI of $597,159.00 toward Percentage Rent for calendar year 2000. The Parties acknowledge that additional Percentage Rent is due to the Port pursuant to the Lease, and have agreed, notwithstanding any other provisions of the Lease, that the following terms shall apply with respect to Percentage Rent attributable to that portion of calendar year 2000 prior to Closing. At Closing, CGI shall pay the Port an additional

$102,841.00 in Percentage Rent for a total of $700,000.00 (the "Estimated Percentage Rent"), which shall be non-refundable. Not later than April 1, 2001, Buyer and CGI shall provide the Port with a report of Gross Revenues (as defined in the Long-Term Note) for calendar year 2000, including the periods before and after Closing, together with audited financial statements of CGI for the entire calendar year 2000, and for Buyer, Guarantors, and affiliates as specified in the Long-Term Note, for the period from Closing through December 31, 2000, to support the calculation of Gross Revenues. The Port shall have the right to inspect and audit the books and records of Buyer, Guarantors, and affiliates for the calendar year 2000 on the terms stated in the Long-Term Note. The report shall include (i) the total amount of Percentage Rent which would have been due, based on Gross Revenues, had the Lease continued for the entire calendar year 2000, multiplied by (ii) the percentage of calendar year 2000 up to and including Closing. If this amount is greater than the Estimated Percentage Rent, the difference (the "Additional Percentage Rent") shall be paid by Buyer and CGI to the Port not later than April 1, 2001. If this amount is equal to or less than the Estimated Percentage Rent, neither Buyer nor CGI shall owe any Additional Percentage Rent and neither Buyer nor CGI shall be entitled to any reimbursement or refund of Estimated Percentage Rent. Payment of Additional Percentage Rent shall be a joint and several obligation of Buyer and CGI.

8.2 Termination of Lease; Possession

Upon Closing, the Lease shall terminate and the Parties shall have no further liabilities or obligations thereunder, except as specified in this Sale Agreement and in the "Management Agreement – Navy Dry Dock YFD 69" referenced in Section 6.3.3, as amended. Buyer shall possess the Property following Closing, and the provisions of Section 11 of the Lease shall not apply.

9. PRE- AND POST-CLOSING OBLIGATIONS

9.1 Submerged Lands Lease

9.1.1 Existing DSL Lease Obligations

The Parties acknowledge that the Port is a party to a lease with the Oregon Division of State Lands for certain submerged lands to the east of the Land (DSL Lease No. ML-10124, Port Agreement No. 96-094) (the "DSL Lease"), and that, pursuant to Section 1.6.1 of the Lease, CGI has assumed all responsibilities of the Port under the DSL Lease, including the obligation to pay all rent required under the DSL Lease. The Parties further acknowledge that (i) all amounts due for rent under the DSL Lease for all calendar years up to and including 1999 have been paid by CGI to the Port, and have been paid by the Port to the Division of State Lands, and (ii) the Division of State Lands has credited the Port with the amount of $100,531.08 for rent due under the DSL Lease for calendar year 2000. The Parties further acknowledge that the actual amount of rent due under the DSL Lease for calendar year 2000 may not be determined by the Division of State Lands until after Closing.

9.1.2 Reconciliation of DSL Lease Payments

Promptly upon receipt of notification from the Division of State Lands stating the actual amount of rent due under the DSL Lease for calendar year 2000, the Port shall notify Buyer of the difference between the existing credit for calendar year 2000, as set forth in Section 9.1.1, and the actual amount of rent due. If the actual amount of rent due exceeds the credit, Buyer shall pay the Port the difference within 30 days following notification from the Port. If the actual amount of rent due is less than the rent paid, the Port will notify the Division of State Lands that any remaining credit shall be applied to Buyer's account.

9.1.3 Replacement Lease

Buyer shall be responsible, at its own expense, for obtaining a new lease from the Division of State Lands for that portion of the submerged lands covered by the DSL Lease which are adjacent to the Land. If not in place at Closing, then within 120 days following notification from the Port that the Reconveyance Deed has been recorded, Buyer shall apply for and thereafter shall diligently pursue with the Division of State Lands a new lease to replace the DSL Lease. The Port agrees to cooperate with and assist Buyer in connection with the same, at no expense to the Port. Pursuant to Section 1.6.1 of the Lease, Buyer shall remain responsible for all obligations incurred under the DSL Lease up to and including the date on which the DSL Lease terminates, regardless of the date of Closing; provided, however, that the Port shall be entitled at its option to use for its own purposes the submerged lands adjacent to the area known as Berth 308, and that if the Port chooses to do so, the Port shall be responsible for and shall pay a proportionate share of the rent due under the DSL Lease.

9.1.4 Sublease

After Closing, Buyer desires to continue to use a portion of the submerged lands adjacent to the Lagoon Parcel, as shown on Exhibit W (the "Lagoon Segment"), to enable Buyer to make full use of the area known as Berth 307. Upon termination of the DSL Lease, the Port agrees to use reasonable efforts to apply for and obtain a lease of the Lagoon Segment from the Division of State Lands. Buyer and CGI agree to cooperate with and assist the Port in connection with the same, and further agree that if the Port obtains a lease of the Lagoon Segment from the Division of State Lands, Buyer will sublease the Lagoon Segment on substantially the terms set forth in the attached Exhibit X.

9.2 Existing Insurance; Insurance Premiums

9.2.1 Existing Insurance Obligations; Termination

The Parties acknowledge that, pursuant to Section 9.5 of the Lease, the Port has provided certain insurance coverage associated with the Property. Such insurance coverage shall terminate as of 11:59 p.m. on the Closing Date. The Port shall thereafter have no obligation to provide insurance coverage for any portion of the Property, and all insurance coverage shall thereafter be the responsibility of Buyer.

9.2.2 Reconciliation of Property Insurance Premiums

The Parties acknowledge that, pursuant to Section 9.5.1 of the Lease, CGI is responsible for payment of that portion of property insurance premiums allocated to the Property. CGI shall remain responsible for payment of such insurance premiums for all periods up to the termination of insurance coverage pursuant to Section 9.2.1 of this Sale Agreement. The Parties acknowledge that CGI has previously paid the Port in full with respect to and on account for property insurance premiums for the period from January 1, 2000, through June 30, 2000. At Closing, CGI shall reimburse the Port in the sum of $352.00 per day with respect to and on account of property insurance premiums for each day beginning July 1, 2000, and continuing to and including the day of Closing.

9.2.3 Reconciliation of Dry Dock #1 Insurance Premiums

The Parties acknowledge that, pursuant to the "Management Agreement – Navy Dry Dock YFD 69" referenced in Section 6.3.3, as amended, CGI is responsible for payment of certain hull and machinery and protection and indemnity insurance premiums and brokerage fees, and remains responsible for payment of such amounts for all periods up to the termination of insurance coverage pursuant to Section 9.2.1 of this Sale Agreement. The parties further acknowledge that CGI has paid the Port the sum of $21,176.00 with respect to and on account for such hull and machinery and protection and indemnity insurance premiums and brokerage fees for the period from February 1, 2000, to January 31, 2001. The Parties hereby agree that the amount of insurance premiums to be paid by CGI pursuant to the "Management Agreement – Navy Dry Dock YFD 69" for periods prior to termination of coverage shall be equal to $59.00 per day, beginning February 1, 2000, and continuing to and including the Closing Date. At Closing, CGI shall be credited with the difference between this amount and the $21,176.00 previously paid by CGI.

9.2.4 Pending Insurance Claim

The Parties acknowledge that the Port has received insurance proceeds relating to a claim of flood damage occurring on the Property on or about February 1996; that a portion of those insurance proceeds have been paid to CGI; and that an additional $405,131.33 in insurance proceeds has been retained by the Port pending restoration of the flood damage. The Parties agree that this $405,131.33 shall be credited to CGI at Closing. Each Party hereby waives any claim it may have against any other Party, past, present or future, known or unknown, in any way relating to the flood damage occurring on the Property on or about February 1996 or the collection or disbursement of insurance proceeds related thereto.

9.3 Bond Defeasance

9.3.1 Defeasance Escrow

On or before Closing, the Port shall cause to be established at U.S. Bank Trust National Association, as escrow agent, an irrevocable escrow account for the defeasance of all outstanding Port of Portland General Obligation Refunding Bonds Series 1993A (the "Defeasance Escrow"). At Closing, the Port shall provide Buyer with such documentation as

Buyer shall reasonably request, confirming that all funds deposited into the Defeasance Escrow shall be used for the exclusive purpose of defeasing said bonds (the "Defeasance"), subject only to the Port's right to receive any amounts in excess of the Defeasance Amount (as defined below). At Closing, the Escrow Agent shall disburse the entire Cash Amount of the Purchase Price to the Defeasance Escrow.

9.3.2 Defeasance Amount

As soon as practicable after Closing, the Port shall determine the exact dollar amount necessary to accomplish the Defeasance (the "Defeasance Amount"). If the Defeasance Amount is greater than the Cash Amount, the Port shall promptly deposit into the Defeasance Escrow sufficient additional funds so that the Defeasance Escrow shall contain the entire Defeasance Amount. If the Defeasance Amount is less than the Cash Amount, the Port shall be entitled to receive the excess from the Defeasance Escrow once the Defeasance has taken place.

9.3.3 Completion of Defeasance

As soon as practicable, but not later than thirty (30) days, after Closing, the Port shall cause the Defeasance to take place. Not later than thirty (30) days after Closing, the Port shall provide Buyer with an opinion of bond counsel, in substantially the form attached as Exhibit Y, confirming that the Defeasance has taken place.

9.4 Partition

The parties desire to obtain partition approvals to separate the Property from the Lagoon Parcel and create the Lagoon Parcel as a separate legal lot, so as to allow the reconveyance of the Lagoon Parcel from Buyer to the Port. In the event an application for partition has not been filed by the Port prior to Closing, Buyer agrees to file, at the Port's expense, an application for partition as soon as possible after Closing, and each Party agrees to diligently pursue partition and to cooperate in taking all steps necessary to achieve partition and reconveyance of the Lagoon Parcel after Closing as more particularly set forth in the Lagoon Parcel Lease.

9.5 Document Access

9.5.1 Shipyard Information Center Permit & Documents

The Port and CGI are parties to a "Permit and Right of Entry – Shipyard Information Center" effective as of January 1, 1996 (Port Agreement No. 96-006) (the "SIC Permit"), pursuant to which a Shipyard Information Center (the "SIC") has been established for document storage on the Property. The SIC Permit shall remain in effect for 180 days after Closing, and shall then terminate unless further extended by the Parties. Prior to termination of the SIC Permit, the Port may remove from the SIC and the Docking Office any Port Documents which the Port wishes to retain, and may remove any file cabinets, furniture, computers or other items in the SIC which are the property of the Port and which are not part of the Equipment or Inventory. Buyer, at its option, may supervise such removal or be present during such removal. Prior to termination of the SIC Permit, Buyer may copy any Port Documents in the SIC or the Docking Office, at Buyer's expense. Prior to termination of the SIC Permit, the Port may copy

any Cascade Documents in the SIC or the Docking Office, at the Port's expense. All Port Documents, file cabinets, furniture, computers or other items remaining in the SIC or the Docking Office after termination of the SIC Permit shall become the property of Buyer unless otherwise agreed by the Parties. All capitalized terms used in this Section and not otherwise defined shall have the meanings set forth in the SIC Permit.

9.5.2 Other Documents

The Port, Buyer and CGI may each possess other documents relating to the Property, or to prior or current operations on the Property, or to obligations of any Party pursuant to this Sale Agreement. The Port, Buyer and CGI each agree to make such documents available to any other Party upon reasonable notice, and to provide the other Party with reasonable opportunity to copy such documents at the expense of the Party requesting such copies; provided, however, that nothing in this Section is intended to or shall constitute a waiver of any privilege or right of confidentiality which any Party may have, and nothing in this Section shall obligate any Party to make available to any other Party any documents which are subject to any privilege; and provided further, that access to documents described in Section 10.1.2 shall be provided as set forth in Section 10.1.2.

9.6 Access to the Property

Buyer and CGI agree to grant the Port reasonable access to the Property, upon reasonable notice to Buyer, to perform any actions which the Port is obligated or entitled to perform under the terms of this Sale Agreement; provided, however, that access to the Property in the circumstances described by Section 10.14 shall be governed by Section 10.14.

9.7 Street Light Service

The Parties acknowledge that the Improvements include certain light poles located on the Property. The lamps on these poles are owned by Portland General Electric Co. ("PGE"). PGE presently provides services to these poles for the Port under Rate Schedule 91. The Port agrees to use commercially reasonable efforts to continue receiving electrical service for these light poles from PGE under Rate Schedule 91, or its successor Rate Schedule, for a period not to exceed 180 days after termination of the Parking Lot Lease referenced in Section 6.3.5. In the event the Port is able to obtain such electrical service, the Port shall invoice CGI monthly for the estimated costs associated with PGE providing electric service to these poles, as determined by the Port in its reasonable judgment with assistance from PGE. CGI shall reimburse the Port for such costs within ten days after receipt of the Port's invoice. CGI may make other arrangements for providing electric service to these poles at any time on reasonable notice to the Port. The Port's obligations under this Section shall terminate 180 days after termination of the Parking Lot Lease, or at such earlier time as the Port is unable to continue to obtain electrical service under Rate Schedule 91 or its successor Rate Schedule, unless otherwise agreed by the Parties.

9.8 River Bank Mitigation Plan

The Port represents that it has completed the obligations of the Port as set forth in City of Portland Land Use Review, No. 96-01086 IM AD, August 29, 1997, Recording No. 97132101.

9.9 Permits and Licenses

The Parties acknowledge that specific permits, certificates and licenses applicable to Buyer's use of the Property have been transferred to CGI pursuant to the Lease. In the event that Buyer, after Closing, becomes aware of additional permits, certificates or licenses applicable to Buyer's or CGI's use of the Property which Buyer believes should be transferred from the Port to Buyer or CGI, Buyer shall so notify the Port. The Port shall reasonably cooperate with Buyer to facilitate the transfer of such permits, certificates or licenses to Buyer or CGI, or the obtaining by Buyer or CGI of replacement permits, certificates or licenses; provided, however, that any such transfer or replacement shall be at Buyer's sole expense; and provided further, that nothing in this Section shall require the Port to transfer or facilitate replacement of any permits, certificates or licenses if such transfer or replacement would restrict, inhibit, or adversely affect the Port's other businesses, interests, or activities.

9.10 Further Assurances

After Closing, each Party agrees to cooperate in good faith with each other Party as reasonably necessary to carry out and confirm the transactions contemplated by this Sale Agreement.

9.11 Southwest Marine Adjoining Structure Agreement

Buyer acknowledges that the Port and Southwest Marine, Inc. are parties to an Adjoining Structure Agreement relating to certain steel structures connecting Building 2 with a portion of the Property commonly known as Building 4. The Port shall assign to Buyer, and Buyer shall assume, all rights and obligations of the Port pursuant to the Adjoining Structures Agreement as set forth in the Assignment of Adjoining Structures Agreement attached as Exhibit Z.

9.12 Water System Reimbursement

The Parties acknowledge that Section 1.7.2 of the Lease sets out certain payment obligations of CGI related to the river water system on the Property. Buyer shall pay the Port, at or before Closing, the sum of $422,750.00 in full satisfaction of CGI's remaining payment obligations related to the river water system.

9.13 Confidentiality

The Parties acknowledge that, pursuant to the provisions of the Long-Term Note, Buyer, CGI and their affiliates will submit to the Port certain financial information which may constitute trade secrets of Buyer, CGI, and their affiliates. The Parties further acknowledge that, pursuant to Sections 10.12 and 10.13 of this Sale Agreement, Buyer and CGI may submit to the Port certain financial and environmental information which may constitute trade secrets of Buyer and CGI. Buyer and CGI shall identify to the Port in writing any such information which they believe constitutes trade secrets and which they wish the Port to keep confidential. The Port agrees to keep such information confidential to the extent permitted by law. In the event the Port receives a request for disclosure of such information, the Port agrees to notify Buyer (or CGI if

applicable) of the request, to provide Buyer or CGI the opportunity to seek any protection that may be available to it pursuant to law.

9.14 Berth 311

The parties acknowledge that, pursuant to the Lease, CGI is responsible for completing the repair and replacement of pilings in the area known as Berth 311, which was subject to the Lease but is not a part of the Property. Buyer and CGI agree to complete the repair and replacement of such pilings not later than October 31, 2000. The Port agrees to issue Buyer and CGI a permit to provide Buyer and CGI with the access to Port property necessary to complete the repair and replacement.

9.15 Ballast Water Treatment Plant

Buyer agrees to keep that portion of the Property known as the Ballast Water Treatment Plant open and available, on reasonable notice, to accept reasonable amounts of marine generated oily waste (ballast water and bilge cleaning) from vessels in the Columbia/Snake River system in compliance with United States Coast Guard regulations and procedures, through and including June 30, 2005. From July 1, 2005, through June 30, 2012, Buyer agrees to give the Port not less than 180 days' notice in writing prior to any change in operations that would result in the Ballast Water Treatment Plant not being open and available to accept marine generated oily waste from vessels in the Columbia/Snake River system.

9.16 Autoclave

Buyer agrees to keep that portion of the Property known as the Autoclave open and available, on reasonable notice, for the sterilization of marine generated garbage in compliance with MARPOL Annex V at commercially reasonable rates, through and including June 30, 2005. From July 1, 2005, through June 30, 2012, Buyer agrees to give the Port not less than 180 days' notice in writing prior to any change in operations that would result in the Autoclave not being open and available, on reasonable notice, for the sterilization of marine generated garbage in compliance with MARPOL Annex V.

9.17 Non-Remonstrance

Buyer hereby waives any right it may have to remonstrate against any proposed local improvements districts or similar shared funding mechanisms to fund future roadway improvements pertaining to Swan Island, including but not limited to road overpass improvements on Going Street and improvements to the intersection of North Port Center Way and Going Street.

9.18 Facility Fee Claim

A dispute exists between the Port and CGI concerning a claim in the amount of approximately $24,884 for payments in lieu of facility fees relating to work performed on the CHEVRON OREGON and CHEVRON MISSISSIPPI prior to the commencement of the Lease. In consideration of the covenants and promises of CGI and Buyer as set forth in this Sale Agreement, the Port hereby waives and releases Buyer and CGI from any claim for additional

facility fees, payments in lieu of facility fees, or any other amounts relating to such work on the CHEVRON OREGON and CHEVRON MISSISSIPPI.

10. ENVIRONMENTAL CONDITIONS

10.1 Definitions

For purposes of this Section 10, the following terms or phrases shall have the following meanings:

10.1.1 Baseline Audit

"Baseline Audit" shall mean (i) the four-volume bound set entitled "Portland Shipyard Environmental Audit Report" and labeled "Bound set for Sale Agreement of Portland Ship Yard" prepared by CH2M Hill dated November 1998.

10.1.2 Environmental Records

"Environmental Records" shall mean all documents and records concerning environmental matters associated with the Property, including, but not limited to, insurance policies and records, permits, communications with and documents generated by regulatory agencies, sampling and analysis results, correspondence, orders, opinions and consultant reports and data, but excluding any documents or records which are legally privileged.

10.1.3 Pre-existing Contamination

"Pre-existing Contamination" shall mean the following:

10.1.3.1 Any contamination on or in the Land, the Submerged Lands, and the Retained Parcels (as defined in Section 10.3.2) which is disclosed in the Baseline Audit; and

10.1.3.2 Any contamination which has been or is being cleaned up by the Port prior to Closing; and

10.1.3.3 Any contamination of sediments associated with the Submerged Lands (whether on or off the Submerged Lands) and arising from operations at the Property prior to the date of the Baseline Audit, which in the course of any Port Cleanup of contaminated sediments Required by Law also becomes subject to such Cleanup; and

10.1.3.4 Any contamination on or in the Land, the Submerged Lands or the Retained Parcels which is not disclosed in the Baseline Audit or not defined in Sections 10.1.3.2 or 10.1.3.3 of this Sale Agreement but which is shown by Buyer, through rebuttal of the Presumption in accordance with Section 10.2, to have existed prior to the date of the Baseline Audit.

10.1.4 Subsequent Contamination

"Subsequent Contamination" shall mean all contamination on or in the Land, the Submerged Lands and the Retained Parcels which is not Pre-existing Contamination.

10.1.5 Required by Law

"Required by Law" shall mean any actions or obligations associated with the Land or Submerged Lands or prior operations at the Property which are (i) required by any regulatory agency under any and all applicable federal, state or local statutes, regulations or ordinances, now or hereinafter in effect, relating to pollution or environmental protection; or (ii) required by any final and non-appealable court order in an action brought by a third party for enforcement of such laws, if both Buyer and the Port, or CGI and the Port, are parties to such third-party action; or (iii) required pursuant to a Cleanup plan agreed to by the Port to carry out Cleanup obligations imposed under such laws.

10.1.6 Cleanup

"Cleanup" shall mean any planning, investigation, remediation, removal, response actions, or disposal, as those terms are defined in ORS 465.200 to 465.210 and the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. § 9601, *et. seq.* ("CERCLA"), associated with contamination of the surface, subsurface soils and waters of the Land or Submerged Lands, or areas associated with operations at the Property.

10.1.7 Port's Environmental Representative

"Port's Environmental Representative" shall mean an individual designated as the Port's representative for all purposes identified within this Section 10 by the Port within thirty (30) days of Closing, and from time to time thereafter, by written notice to Buyer.

10.1.8 Buyer's Environmental Representative

"Buyer's Environmental Representative" shall mean an individual designated as the Buyer's representative for all purposes identified within this Section 10 by the Buyer within thirty (30) days of Closing, and from time to time thereafter, by written notice to the Port.

10.2 Presumption; Rebuttal of Presumption

The Baseline Audit is the agreed baseline audit for the Retained Parcels, the Land and Submerged Lands and it establishes the baseline conditions of the Retained Parcels, the Land and Submerged Lands at the time of Closing for purposes of determining environmental Cleanup liabilities addressed in this Section 10. All contamination of the Retained Parcels, the Land and Submerged Lands not disclosed in the Baseline Audit, and not being cleaned up or having been cleaned up by the Port prior to Closing, shall be rebuttably presumed to be Subsequent Contamination (the "Presumption"). In order to rebut the Presumption, Buyer must submit to the Port credible evidence prior to July 1, 2010, through laboratory data, operational records, historical documents such as aerial photographs or other material proof, that such contamination existed prior to the date of the Baseline Audit. If Buyer rebuts the Presumption, then the contamination will be Pre-existing Contamination.

10.3 General Cleanup Responsibilities

10.3.1 General Allocation of Responsibilities

Except as otherwise specifically set forth in this Section 10, as between the Port on the one hand, and Buyer and CGI on the other hand, the Port shall be responsible for any Cleanup Required by Law of Pre-existing Contamination and Buyer shall be responsible for any Cleanup Required by Law of Subsequent Contamination. Nothing in this Section 10 is intended to govern relationships or allocation of responsibilities exclusively between Buyer and CGI, not involving the Port.

10.3.2 Retained Parcels

The Parties acknowledge that prior to Closing, and pursuant to the Lease, CGI was in possession of certain areas not within the Property (the "Retained Parcels"). The Retained Parcels include the Lagoon Parcel; the areas subject to the Parking Lot Lease and the Berth Management Agreement; and other areas previously subject to the Lease to which Buyer shall have no rights following Closing. With respect to the Retained Parcels:

10.3.2.1 Except as otherwise specifically set forth in this Section 10, as between the Port on the one hand, and Buyer and CGI on the other hand, the Port shall be responsible for any Cleanup Required by Law of Pre-existing Contamination on the Retained Parcels; and

10.3.2.2 Except as otherwise specifically set forth in this Section 10, as between the Port on the one hand, and Buyer and CGI on the other hand, Buyer shall be responsible for any Cleanup Required by Law of Subsequent Contamination which existed prior to Closing on the Retained Parcels; and

10.3.2.3 Buyer's further responsibility for Subsequent Contamination in the areas subject to the Parking Lot Lease and the Berth Management Agreement shall be as stated in the Parking Lot Lease and the Berth Management Agreement, respectively; and

10.3.2.4 Buyer shall have no responsibility pursuant to this Sale Agreement for Subsequent Contamination which did not exist prior to Closing on the Lagoon Parcel and the other areas to which Buyer shall have no rights following Closing.

10.3.3 Limits on Obligations

Nothing herein shall obligate any party to perform or pay for any Cleanup except to the extent Required by Law.

10.3.4 No Liability to Third Parties

The provisions of this Section 10 are for the purpose of allocating environmental costs among the Port, Buyer (including Buyer's successors in interest), and CGI, and are not intended to create any liability to any governmental agency or third party for environmental conditions, nor are the provisions of this Section 10 to be construed as admissions of liability by the Parties.

10.4 Obligations to Perform and Pay for Cleanup

Each Party shall perform any Cleanup which is an obligation of that Party pursuant to this Sale Agreement in a prompt, efficient and timely manner, in accordance with applicable law and good engineering practice, and shall pay all costs thereof. Except as specifically set out in this Section 10, no Party shall be obligated to advance funds for the benefit of any other Party. If any Party is required by judicial or agency order to perform or pay for Cleanup which is the responsibility of any other Party pursuant to this Section 10, and the responsible Party refuses to perform its obligations notwithstanding an order to do so pursuant to Section 10.17, the non-responsible Party may perform such Cleanup and shall be entitled to reimbursement by the responsible Party upon demand.

10.5 Payments; Dredge Credits

10.5.1 Payment by Buyer

In consideration of the Port's obligations under this Section 10, and for other good and valuable consideration, Buyer agrees to pay the Port the sum of two million five hundred thousand dollars ($2,500,000.00), with interest thereon at twelve percent (12%) per annum, compounded annually, accruing from and after the day following Closing (the "Environmental Payment"). Prepayments may be made by Buyer as provided in Sections 10.5.2 and 10.5.3. The outstanding principal balance and all accrued, unpaid interest shall be due and payable in full on April 15, 2009, and any amounts not paid when due shall thereafter bear interest at the rate of eighteen percent (18%) per annum. Buyer's payment of the Environmental Payment shall be guaranteed pursuant to the Guaranties.

10.5.2 Voluntary Prepayments

The outstanding principal balance of the Environmental Payment, plus all accrued interest thereon, may be prepaid by Buyer in whole at any time. The balance may be prepaid by Buyer in part only on any January 15, April 15, July 15, or October 15 in any amount of not less than $100,000.00 in each instance, which partial prepayment shall be applied first to accrued interest and last to the outstanding principal balance.

10.5.3 Dredge Credits

The Parties contemplate that the Cleanup Required by Law of contaminated sediments will require that certain sediments be dredged, removed and disposed of, and that, in order to continue ship repair activities, Buyer may desire to conduct the Cleanup of some portions of such sediments located on or in the Submerged Lands in conjunction with its regular maintenance dredging, prior to the time such Cleanup would be conducted by the Port ("Early Dredging"). Buyer will consult with the Port prior to commencing Early Dredging, and the cost, scope and timing of such Early Dredging shall be subject to prior written approval of the Port, which approval shall not be unreasonably withheld. Approved Early Dredging undertaken by Buyer or any Affiliate of Buyer (as defined in Section 18.1.3) shall be Buyer's obligation, and amounts expended by Buyer or any Affiliate of Buyer (as defined in Section 18.1.3) for approved Early Dredging shall be credited to the unpaid balance of the Environmental Payment, and then

to the unpaid balance of the Long-Term Note, to the extent set forth in this Section 10.5.3. Credit shall be given as of the first day of the month following expenditure by Buyer, and shall be credited first to accrued interest and last to the outstanding principal balance. Amounts shall be deemed expended for purposes of this Section when actually paid by Buyer.

10.5.3.1 For purposes of this Sale Agreement, the Port and Buyer agree, as between the Port and Buyer, that dredging in the areas specified in Exhibit AA, to the maximum depths specified in Exhibit AA, constitutes Cleanup Required by Law.

10.5.3.2 Buyer shall receive credit for fifty percent (50%) of the Dredging Costs and one hundred percent (100%) of the Incremental Disposal Costs of Early Dredging in the areas specified in Exhibit AA, to the maximum depths specified in Exhibit AA (the "Credits"). "Dredging Costs" shall mean Buyer's actual costs of conducting the dredging, including Buyer's direct labor and supervisory costs but not overhead, and including any costs for any protective measures required to prevent dispersion of sediments during dredging, but shall not include the costs of planning for or obtaining permits. "Incremental Disposal Costs" shall mean the amount by which Buyer's actual costs of transportation and disposal of material removed through Early Dredging exceed the transportation and disposal costs which would have been incurred had the material removed through the Early Dredging been clean and uncontaminated (but in no event more than Buyer's actual costs of transportation and disposal). The Port and Buyer shall attempt in good faith to agree on the actual costs of transportation and disposal, and the transportation and disposal costs which would have been incurred had the material been clean and uncontaminated, prior to the Port's approval of the Early Dredging. If the parties are unable to agree, Section 10.17 shall apply.

10.5.3.3 Notwithstanding any other provisions of this Section 10.5.3, the maximum total Credits received by Buyer prior to July 1, 2005, shall not exceed ONE MILLION DOLLARS ($1,000,000). In the event of an unexpected event (such as a major flood) which results in substantial changes to sediment levels and causes Buyer's need for Early Dredging prior to July 1, 2005, to be significantly greater than anticipated, the parties agree to meet and discuss whether Buyer should receive Credits for Early Dredging in excess of the amount specified in this Section, provided, however, that the Port shall have no obligation to agree to any such additional Credits.

10.5.3.4 Unless the Port has specifically approved partial dredging in advance, once Buyer has received Credits for Early Dredging in a specific area designated in Exhibit AA, Buyer shall not be entitled to receive any additional Credits for Early Dredging again in that specific area. If approved partial dredging takes place pursuant to the preceding sentence, and additional sediment is then deposited in the dredged area, Buyer shall not receive any Credits for subsequent dredging of such newly deposited material. Buyer shall not be entitled to receive any credit for Early Dredging in areas other than those specified in Exhibit AA, or to depths greater than those specified in Exhibit AA; provided, however, that if the Port determines in its sole discretion that additional areas and depths should have been included in

Exhibit AA but were inadvertently omitted, Buyer shall receive Credits for approved Early Dredging in such additional areas.

10.5.3.5 If the Credits to which Buyer is entitled exceed he unpaid balance of the Environmental Payment (principal plus accrued interest), Buyer's additional Credits shall be applied against the then-current balance on the Long-Term Note (principal plus accrued interest). If the Credits to which Buyer is entitled exceed the unpaid balance of the Environmental Payment and the unpaid balance on the Long-Term Note, the Port shall reimburse Buyer to the extent of its remaining Credits as defined in Section 10.5.3.2.

10.6 Triggering Condition

The Parties recognize the possibility that certain activities of Buyer may trigger a Cleanup of Pre-existing Contamination on the Land prior to the time, if any, that the Port might otherwise be Required by Law to conduct such Cleanup, and the Parties have agreed to the provisions of this Section 10.6 in order to equitably deal with such circumstances. For the purposes of this Section 10.6, a "Triggering Condition" shall be any of the following: (1) abandonment or demolition of the Ballast Water Treatment Plant, as shown on Exhibit BB; (2) demolition of Building 4, as shown on Exhibit BB, in which more than ten percent (10%) of the existing floor is removed; or (3) excavation above old shipways from the Kaiser era, as shown on Exhibit BB, to a depth greater than ten (10) feet, for purposes other than utilities and/or footings. If any Triggering Condition causes or results in a Cleanup Required by Law of Pre-existing Contamination, Buyer shall be responsible for the management and funding of such Cleanup in accordance with a plan agreed to by the Port, which agreement will not be unreasonably withheld. Buyer's obligations to fund such Cleanup under this Section 10 shall not exceed the outstanding principal balance plus accrued interest on the Long-Term Note and amounts actually and reasonably expended by Buyer in accordance with the plan agreed to by the Port for a Cleanup Required by Law of Pre-existing Contamination shall be credited to the amount due under the Long-Term Note as stated therein. In performing work as part of a Triggering Condition, Buyer shall exercise reasonable efforts, to the extent within its ability and control, to avoid taking action that may result in a Cleanup Required by Law.

10.7 Change in Use

If Buyer makes an improvement on a portion of the Land for the purpose of changing the use of that portion of the Land to a use which is not a current or comparable industrial use, and such improvement results in a Cleanup Required by Law to a standard higher than required for current or comparable industrial use of the Land, then (i) if such improvement triggers a Cleanup Required by Law of Pre-existing Contamination which would otherwise not be a Cleanup Required by Law but for the improvement, the Buyer shall be responsible for Cleanup and the Port shall have no obligation therefor; and (ii) if a Cleanup of Pre-existing Contamination Required by Law would be required on the applicable portion of the Land for reasons other than such improvement, the Port shall be responsible for the Cleanup but shall have no obligation for the incremental cost, if any, needed to conduct the Cleanup to a standard higher than required for the current or comparable industrial use of the Land.

10.8 Exacerbated Conditions

In the event actions or omissions by Buyer result in worsening of Pre-existing Contamination, or result in further contamination beyond that disclosed in the Baseline Audit, (any such worsening or further contamination is referred to herein as an "Exacerbation"), then for the purposes of determining responsibility and liability for any Cleanup Required by Law under this Section 10, notwithstanding Section 10.2, the Baseline Audit shall (except with respect to the area identified as "B-1" in the Baseline Audit) be conclusively presumed to determine the full extent of the Pre-existing Contamination, and Buyer and the Port shall allocate and pay the costs of any Cleanup Required by Law as follows:

10.8.1 Submerged Lands

If an Exacerbation relating to the Submerged Lands takes place prior to the receipt by the Port of a "No Further Action" determination or the equivalent with respect to the Submerged Lands, the Port shall be responsible for the management of any Cleanup Required by Law of the Submerged Lands, and Buyer shall reimburse the Port for the Incremental Cleanup Cost attributable to the Exacerbation. If an Exacerbation relating to the Submerged Lands takes place following the receipt by the Port of a "No Further Action" determination or the equivalent with respect to the Submerged Lands, Buyer shall be responsible for the management of any Cleanup Required by Law of the Submerged Lands, and the Port shall have no obligation to reimburse Buyer for any portion of the costs of such Cleanup.

10.8.2 Uplands; Cleanup Not Otherwise Required

If an Exacerbation relating to other than the Submerged Lands takes place at a time when Cleanup Required by Law would not otherwise be conducted by the Port under this Sale Agreement, then Buyer shall be responsible for the management of any Cleanup which is Required by Law due to the Exacerbation in accordance with a plan agreed to by the Port, which agreement will not be unreasonably withheld, and the following shall apply:

10.8.2.1 If the amounts actually and reasonably expended by Buyer and in accordance with the plan agreed to by the Port for the costs of any Cleanup which is Required By Law due to the Exacerbation total $150,000 or more, and if the Incremental Cleanup Cost attributable to the Pre-existing Contamination is sixty percent (60%) or more of such total, the Port shall reimburse Buyer for the Incremental Cleanup Cost attributable to the Pre-existing Contamination.

10.8.2.2 If the amounts actually and reasonably expended by Buyer and in accordance with the plan agreed to by the Port for the costs of any Cleanup which is Required By Law due to the Exacerbation is less than $150,000, or if the Incremental Cleanup Cost attributable to the Pre-existing Contamination is less than sixty percent (60%) of such total, (i) the Incremental Cleanup Cost attributable to the Pre-existing Contamination shall be credited to the remaining amount due under the Long-Term Note as stated therein, and (ii) in the event the Incremental Cleanup Cost attributable to the Pre-existing Contamination exceeds the remaining

amount due under the Long-Term Note, the Port shall reimburse Buyer for the remaining Incremental Cleanup Cost attributable to the Pre-existing Contamination.

10.8.3 Uplands; Cleanup Otherwise Required

If an Exacerbation relating to other than the Submerged Lands increases the cost of a Cleanup Required by Law of Pre-existing Contamination that is required to be managed and funded by the Port under this Section 10, then Buyer shall reimburse the Port for any Incremental Cleanup Costs attributable to the Exacerbation.

10.8.4 "Incremental Cleanup Costs" Defined

For purposes of this Section 10.8, "Incremental Cleanup Cost" shall mean (i) with respect to Incremental Cleanup Cost attributable to Pre-existing Contamination, the amount by which the actual costs incurred for Cleanup Required by Law exceed the costs which would have been incurred had there been no Pre-existing Contamination, and (ii) with respect to Incremental Cleanup Cost attributable to Exacerbation, the amount by which the actual costs incurred for Cleanup Required by Law exceed the costs which would have been incurred had there been no Exacerbation.

10.9 Post-Closing Contamination

The Port shall be responsible and liable under this Sale Agreement only for the Cleanup Required by Law of Pre-existing Contamination and shall bear no liability or responsibility for Cleanup Required by Law of Subsequent Contamination on the Property unless the contamination is caused by the actions of the Port subsequent to the date of the Baseline Audit.

10.10 Notification and Consultation Regarding Pre-existing Contamination

Buyer shall notify the Port if in the course of business or otherwise it discovers any contamination which is not disclosed in the Baseline Audit but which Buyer believes it can show, by rebutting the Presumption, is Pre-existing Contamination. Buyer shall consult with the Port to develop a course of action which avoids or minimizes the costs of any Cleanup Required by Law related to such contamination, provided that the Port's obligations with respect to such contamination or to Pre-existing Contamination shall not be reduced by any failure or delay of notification except to the extent the Port is prejudiced by a resulting increase in costs.

10.11 Insurance Recovery

Each Party shall have the right, but not the obligation, to pursue recovery of any investigation or Cleanup costs from insurance carriers or other third parties (excluding the Parties or their successors), at such Party's sole expense and risk, as follows: The Port shall have the right to pursue recovery of any costs or damages incurred by the Port under this Section 10. The Port shall additionally have the right to pursue recovery of any costs or damages incurred by Buyer under this Section 10 for which Buyer has received credit under Section 10.5.3, Section 10.6, or Section 10.8, and Buyer agrees to assign or otherwise transfer to the Port any claims or rights arising from such costs or damages and execute any necessary documents to accomplish such assignment or transfer. Buyer shall have the right to pursue recovery of all

other costs and damages incurred by Buyer under this Section 10. Each Party agrees to reasonably cooperate with each other Party in pursuing such efforts at its own expense. Any amounts recovered from insurance carriers or third parties consistent with this Section shall be retained by the Party pursuing the claim. Nothing herein shall give any Party any right to recovery under any other Party's insurance policies. No Party shall oppose any other Party's transfer to its insurance carriers of any rights against third parties (other than the Parties or their successors) which any other Party may have hereunder.

10.12 Environmental Records

The Parties shall maintain all Environmental Records for a period of not less than twenty (20) years from the date of their inception. Each Party shall make available at reasonable times and locations, upon request, their Environmental Records to each other Party without resort to formal legal discovery or public records request unless and until the Parties become opponents or adversaries in any administrative proceeding or litigation.

10.13 Financial Records

In the event of a Cleanup for which Buyer is entitled to credit under Section 10.5.3, Section 10.6, or Section 10.8, Buyer shall provide the Port with such documentation of costs as the Port may reasonably request, and the Port shall have the right to inspect Buyer's books, ledgers, accounts and other financial records related to such Cleanup upon reasonable notice to confirm the amount of the credit to which Buyer is entitled.

10.14 Access to Property

The Port's access to and from, and authorization to enter the Property for any Cleanup Required by Law under Section 10 of this Sale Agreement shall be on the terms set out in Exhibit CC.

10.15 Environmental Permits, Authorizations and Orders

Buyer shall be responsible for all environmental permits, authorization, schedules, agreements and orders associated with the Property after Closing, unless otherwise specifically agreed herein. The Port shall be responsible for all permits, authorizations and orders related to any Cleanup Required by Law for which it is responsible under this Section 10.

10.16 Management of Cleanup, Access, Cooperation

10.16.1 Port Cleanup

Management of any Cleanup for which the Port is responsible, and development of any Cleanup plan relating to the same shall be within the Port's exclusive control and subject to the Port's sole discretion. The Port shall consult with Buyer with respect to any Cleanup for which the Port is responsible, shall make reasonable efforts to incorporate Buyer's reasonable recommendations into any Cleanup plan, and shall make reasonable efforts to minimize, to the extent practical, disruptions to Buyer's operations on the Property as requested by the Port to facilitate any Cleanup for which the Port is responsible. The Port's right to manage and control

the Cleanup of Pre-existing Contamination includes the Port's right to determine the approach to be taken in communicating with regulatory agencies about such Cleanup. Buyer shall not communicate, except if compelled by law, with regulatory agencies with respect to such Cleanup except in the presence of the Port's Environmental Representative, unless such presence is waived by the Port, it being understood that each Party will have ongoing communication in the regular course of business with regulatory agencies about environmental matters affecting the Property but unrelated to any Cleanup. Buyer shall cooperate fully with the Port and its consultants, attorneys and other representatives in developing and implementing any Cleanup for which the Port is responsible. Without limiting the generality of the foregoing, Buyer shall not oppose entry of any order, consent decree or other agreement between the Port and any regulatory agency relating to Cleanup of Pre-existing Contamination so long as such order, consent decree or other agreement does not substantially threaten to eliminate Buyer's ability to continue as a going concern. Buyer acknowledges that proceedings of regulatory agencies in connection with contaminated sediments in the Portland Harbor may substantially affect standards for Cleanup of contaminated sediments associated with the Property, and Buyer therefore agrees that prior to completion of the Cleanup by the Port of contaminated sediments pursuant to this Section 10, Buyer shall not advocate positions on major and significant regulatory, technical or substantive matters potentially affecting such Cleanup contrary to the positions, if any, advocated by the Port. Subject to the authority of the Port to manage and control the investigation and Cleanup of Pre-existing Contamination in its sole discretion, the Parties agree to cooperate in good faith with each other in any formal or informal environmental, natural resources or land use regulatory agency action, including, without limitation, proceedings, investigations, and requests for information, unless and until the Parties become opponents or adversaries in any administrative proceeding or litigation.

10.16.2 Buyer Cleanup

Management of any Cleanup for which the Buyer is responsible, and development of any Cleanup plan relating to the same shall be within the Buyer's exclusive control and subject to the Buyer's sole discretion except that Buyer shall consult with the Port with respect to, and the parties shall agree to a plan for, any Cleanup pursuant to Sections 10.6 and 10.8 for which Buyer is responsible, and consultation and approval for Early Dredging shall be as specified in Section 10.5.3. The Buyer's right to manage and control the Cleanup of contamination includes the Buyer's right to determine the approach to be taken in communicating with regulatory agencies about such Cleanup. The Port shall not communicate, except if compelled by law, with regulatory agencies, with respect to such Cleanup, except in the presence of the Buyer's Environmental Representative unless such presence is waived by Buyer, it being understood that each Party will have ongoing communication in the regular course of business with regulatory agencies about environmental matters affecting the Property but unrelated to any Cleanup. The Port shall cooperate fully with the Buyer and its consultants, attorneys and other representatives in developing and implementing any Cleanup for which the Buyer is responsible. Without limiting the generality of the foregoing, the Port shall not oppose entry of any order, consent decree or other agreement between the Buyer and any regulatory

agency relating to Cleanup for which the Buyer is responsible, so long as such order, consent decree or other agreement does not substantially threaten to eliminate the Port's ability to continue as a going concern. Subject to the authority of the Buyer to manage and control the investigation and Cleanup for which the Buyer is responsible in its sole discretion, the Parties agree to cooperate in good faith with each other in any formal or informal environmental, natural resources or land use regulatory agency action, including, without limitation, proceedings, investigations, and requests for information, unless and until the Parties become opponents or adversaries in any administrative proceeding or litigation.

10.17 Expedited Dispute Resolution

If there is any dispute, controversy or claim arising between Buyer and CGI, on the one hand, and the Port on the other hand, arising out of or in relation to this Section 10 (a "Dispute"), the Parties agree to the following expedited dispute resolution procedure.

10.17.1 Dispute Resolution Process

The Parties shall meet and attempt in good faith to resolve and settle such Dispute as soon as possible. If the Parties are unable to resolve such Dispute by negotiation within thirty (30) days after one Party notifies the other Party in writing of the existence of the Dispute, or such longer period as the Parties shall agree upon, the Dispute shall be resolved by binding arbitration in accordance with this Section 10.17.

10.17.2 Appointment of Arbitrator

Within five (5) business days after expiration of the negotiation period referenced in Section 10.17.1, the Parties shall submit the Dispute to the Arbitration Service of Portland, Inc. (ASP) with the request that the matter be handled as an expedited arbitration and in accordance with the rules of ASP, except as modified by this Section 10.17. The Parties shall agree on an arbitrator within five (5) business days, or shall request that ASP provide within five (5) business days a list of at least five (5) impartial qualified persons to act as an arbitrator of the Dispute, together with biographical information as to their experience and qualifications. Within five (5) business days thereafter, each Party shall return such list to ASP indicating any names that the Party wishes to strike from the list. ASP shall appoint a single arbitrator from the list of names that have not been stricken by either of the Parties. In the event all names are stricken, ASP shall provide a new list of names and the same procedure shall apply, but if ASP has not appointed an arbitrator within fifteen (15) days of the original request therefor, either party may apply to the Presiding Judge of the Multnomah County, Oregon Circuit Court for the appointment of an arbitrator, which appointment shall be made by the Presiding Judge within five (5) business days of application therefor.

10.17.3 Discovery

Within thirty (30) days after appointment of the arbitrator, the Parties shall submit to such arbitrator detailed position papers and statements of contentions including references to relevant facts and documents that support such contentions. The Parties shall be entitled to discovery in the arbitration proceeding to the same extent as would be available in a civil action

pursuant to the Federal Rules of Civil Procedure, provided that all discovery shall be completed within ninety (90) days of the appointment of the arbitrator, the arbitrator may impose reasonable limits on the scope and timing of discovery, and the arbitrator shall have the authority to decide any disputes with respect to discovery.

10.17.4 Hearing

No later than one hundred twenty (120) days after appointment of the arbitrator, the arbitrator shall convene a hearing to consider evidence and arguments, and the hearing shall continue on a daily basis until the record is closed, unless the arbitrator orders otherwise.

10.17.5 Decision

The arbitrator shall issue his or her decision on the matter no later than one hundred fifty (150) days after the appointment of the arbitrator. The decision of the arbitrator may order any relief which the arbitrator deems appropriate under the terms of this Section 10, including without limitation an order that any Party undertake or pay for Cleanup activities, provide security for that Party's obligation, or reimburse any other Party for costs and expenses incurred in connection with Cleanup activities prior to or after the date of arbitration.

10.17.6 Effect of Decision; Attorney Fees

The decision of the arbitrator in the matter shall be final and binding on the Parties, and any judgment upon the award rendered pursuant to such arbitration may be entered in the Circuit Court of Multnomah County, Oregon. The arbitrator shall have the authority, but shall not be required, to award to the prevailing party in the arbitration proceedings reasonable attorneys' fees, expert and non-expert witness costs and expenses, and all other reasonable costs and expenses incurred directly or indirectly in connection with the proceedings.

10.17.7 Change in Time Limits

The time limits established in this Section 10.17 may be shortened or extended by mutual agreement of the Parties, or by the arbitrator for good cause upon motion of any Party, it being understood that it is the intent of the Parties at the time of execution of this Sale Agreement that Disputes be resolved expeditiously and at reasonable cost, taking into account the complexity of the issues in a particular Dispute.

11. COMMON AREA ASSESSMENT; RESTRICTIVE COVENANTS

The Property is subject to an annual charge for Common Area Maintenance as set forth in the Bargain and Sale Deed attached as Exhibit L, and is subject to additional covenants, conditions, and restrictions as set forth in the Swan Island Industrial Park Standards for Development dated September 24, 1976, as revised in April 1994 (the "Development Standards"). The Port acknowledges that it is familiar with the current facilities located on the Property; that the current facilities constitute an operating shipyard which is for the most part physically and visually separated from other development within the Swan Island Industrial Park; and that shipyard operations may raise unique considerations in applying the Development Standards. The Port

therefore waives compliance with the Development Standards as to the current facilities in their current condition, to the extent they fail to comply with the Development Standards; provided, however, that this shall not constitute a waiver with respect to further development or modification of facilities within the Property.

12. TITLE INSURANCE

At Closing, Buyer may obtain, at its option and at its expense, a standard owner's title insurance policy in an amount satisfactory to Buyer, insuring title vested in Buyer, subject only to the Permitted Exceptions. In the event Buyer elects to obtain such title insurance, the Port may obtain, at its option and expense, simultaneous issue sellers title insurance in the same amount.

13. PROPERTY CONDITION; WARRANTIES

Buyer acknowledges that CGI has been occupying the property pursuant to the Lease prior to Closing, and that Buyer has had full opportunity to inspect and become familiar with the Property. Buyer agrees to accept the Property in its "AS IS" condition as of the date of Closing. Except as set forth in Section 15, Buyer has not relied upon any implied or express representations or warranties of the Port or the Port's employees or agents in connection with the Property or the purchase thereof. Except as set forth in Section 16, the Port hereby specifically disclaims any warranty, guarantee, or representation, oral or written, either past, present, or future, of, as to, or concerning the nature and/or condition of the Property, including, without limitation, environmental condition; soil and geology of the Property; inspections or testing of the Property; zoning, permitting, or governmental approvals relating to the Property or any portion thereof; boundaries and acreage of the Property; availability of utilities and services; the Property's compliance with laws, regulations, ordinances, permits, or codes; suitability of the Property for any structure which Buyer may construct thereon; and/or the condition, suitability, or fitness for a particular purpose (whether or not known to the Port) of any improvement located on the Property, or the Property itself, for Buyer's intended use. It is agreed that the Port will not be responsible for any loss, damage, or costs which may be incurred by Buyer by reason of any condition of the Property.

14. TRANSFER RESTRICTIONS

14.1 Sale of Dry Docks

14.1.1 Profit Sharing

If at any time before July 1, 2005, Buyer sells or otherwise transfers one or more of the Dry Docks in other than (a) a Foreclosure Sale as defined in Section 14.1.4 or (b) a Voluntary Liquidation Sale as defined in Section 14.2.1, and if in such event the Realized Sales Price exceeds 110% of Adjusted Appraised Value, then Buyer shall pay to the Port the following portions of the Realized Sales Price:

14.1.1.1 If the transaction closes between and including July 1, 2000, and June 30, 2002, 50% of the excess of Realized Sales Price over Adjusted Appraised Value;

14.1.1.2 If the transaction closes between and including July 1, 2002, and June 30, 2003, 40% of the excess of Realized Sales Price over Adjusted Appraised Value;

14.1.1.3 If the transaction closes between and including July 1, 2003 and June 30, 2004, 30% of the excess of Realized Sales Price over Adjusted Appraised Value; or

14.1.1.4 If the transaction closes between and including July 1, 2004, and June 30, 2005, 20% of the excess of Realized Sales Price over Adjusted Appraised Value.

14.1.2 "Adjusted Appraised Value"

For purposes of this Section 14.1, the term "Adjusted Appraised Value" shall mean (i) the value set forth in the following table, as to the Dry Docks as existed on January 6, 1997 prior to additional capital improvements, plus (ii) the appraised value at the time of sale or transfer to such third party of any subsequent capital improvements to such Dry Dock occurring subsequent to July 5, 2000.

	Dry Dock No. 3	Dry Dock No. 4
Appraised Value as of January 1997	$4,650,000	$12,950,000
Adjust each value above by the percentage change in the CPI-U between January 1997 and the date of sale or transfer. "CPI-U" shall mean Consumer Price Index Seasonally Adjusted U.S., U.S. City Average For All items and For All Urban Consumers (1982-1984 = 100), published by the Bureau of Labor Statistics for the United States Department of Labor.		

14.1.3 "Realized Sales Price"

"Realized Sales Price" shall mean all consideration to be paid or received, including without limitation assumption of debt or the existence of debt to which the Property is subjected, after deduction for costs of sale and closing costs, such as title insurance premiums, escrow fees, brokerage fees, recording fees, and costs of transportation and delivery if borne by the seller.

14.1.4 Effect of Foreclosure Sale

In the event of a Foreclosure Sale, the provisions of this Section 14.1 shall not apply, and the creditor shall be entitled to the proceeds of any sale of the Dry Docks to the full extent of the creditor's secured claim. Excess proceeds, if any, shall be allocated between Buyer and the Port in proportions consistent with this Section. "Foreclosure Sale" shall mean the sale or transfer of all or substantially all of the Property by Buyer or its successor in order to satisfy obligations owing to a creditor holding a security interest in the Property to be sold, or the sale or transfer of all or a portion of the Property upon judicial, nonjudicial, maritime, UCC or other foreclosure sale, an assignment for the benefit of creditors, a sale by a trustee in bankruptcy, whether by confirmed order or otherwise, or sale by a receiver or in lieu of foreclosure.

14.1.5 Method of Payment

Amounts due pursuant to this Section shall be paid in immediately available funds to the Port at the time of closing of such sale or transfer.

14.2 Port Right to Purchase Upon Voluntary Liquidation Sale

14.2.1 "Voluntary Liquidation Sale"

The term "Voluntary Liquidation Sale" means the sale or transfer of all or substantially all of the Property by Buyer or its successor, other than in a Foreclosure Sale, in any case in which it is contemplated that the purchaser will no longer conduct substantial Ship Repair Activities (as defined in Section 1.3.2) upon the Land and Submerged Lands.

14.2.2 Right of Repurchase

In the event of a Voluntary Liquidation Sale prior to June 30, 2005, the Port shall have the first right (subject to the rights of any secured creditor) to purchase the Property at its 1997 Appraised Value, adjusted for the percentage change in the CPI-U between January 1, 1997, and the date of closing. The entity conducting the Voluntary Liquidation Sale shall give the Port at least thirty (30) days notice of the Voluntary Liquidation Sale, unless a shorter time is required by law or by order of a court of competent jurisdiction. If the Port waives this first right to purchase, the Port may nonetheless acquire the Property or any portion thereof at any sale, solicitation, bidding opportunity, auction or negotiation conducted in connection with any Voluntary Liquidation Sale.

14.2.3 "1997 Appraised Value"

The term "1997 Appraised Value" shall mean (i) as to Equipment, the median of Net Realizable Value attributed to the particular equipment in the appraisal of January 6, 1997 prepared by Deloitte and Touche, and (ii) as to the Land and adjacent Submerged Lands, the applicable values set forth in the Appraisal of Palmer, Groth and Pietka dated January 12, 1997.

14.3 Survival of Transfer Restrictions

In the event of a sale or other transfer of all or substantially all of the Property in other than a Foreclosure Sale or a Voluntary Liquidation Sale, the transfer restrictions set forth in this Section 14 shall continue to bind and apply to the Property as to subsequent events or transfers.

15. REPRESENTATIONS AND WARRANTIES OF BUYER

The following constitute representations and warranties of Buyer to the Port, and additionally constitute representations of CGI to the Port to the extent applicable to CGI:

15.1 Legal Authority

Buyer and CGI have the legal power, right, and authority to enter into this Sale Agreement and the instruments referred to in this Sale Agreement and to consummate the transactions contemplated in this Sale Agreement.

15.2 Corporate Action

All requisite limited liability company action has been taken by Buyer, and all requisite corporate action has been taken by CGI, in connection with entering into this Sale Agreement and the instruments referred to in this Sale Agreement and consummation of the transactions contemplated herein. No further consent of any partner, shareholder, member, creditor, investor, judicial or administrative body, governmental authority, or other party is required.

15.3 Authorized Agent

The persons executing this Sale Agreement and the instruments referred to in this Sale Agreement on behalf of Buyer have the legal power, right, and actual authority to bind Buyer to the terms and conditions of this Sale Agreement. The persons executing this Sale Agreement and the instruments referred to in this Sale Agreement on behalf of CGI have the legal power, right, and actual authority to bind CGI to the terms and conditions of this Sale Agreement.

15.4 Binding Obligations

This Sale Agreement and all documents required by it to be executed by Buyer are and shall be valid and legally binding obligations of Buyer and shall be enforceable against Buyer in accordance with their terms. This Sale Agreement and all documents required by it to be executed by CGI are and shall be valid and legally binding obligations of CGI and shall be enforceable against CGI in accordance with their terms.

15.5 No Conflict

Neither the execution and delivery of this Sale Agreement and documents referred to herein, nor the incurring of the obligations set forth in this Sale Agreement, nor the consummation of the transactions contemplated, nor compliance with the terms of this Sale Agreement and the documents referred to herein conflict with or result in the material breach of any terms, conditions, or provisions of, or constitute a default under, any bond, note, or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease, or other agreements or instruments to which Buyer or CGI is a party.

15.6 No Liens

No liens or encumbrances relating to the Property have been created or suffered by or through CGI prior to Closing.

16. REPRESENTATIONS AND WARRANTIES OF THE PORT

The following constitute representations and warranties of the Port to Buyer:

16.1 Authorization

The Port warrants to Buyer that the transactions contemplated by this Sale Agreement have been approved by the Port of Portland Commission, and that the persons executing this Sale Agreement and the other documents referenced herein have been duly authorized to do so on behalf of the Port of Portland.

16.2 Dry Docks

The Port warrants to Buyer that the Port has good and marketable title to the Dry Docks, and by delivery of the applicable Bills of Sale, the Dry Docks shall be transferred to Buyer free of all liens, security interests, claims or encumbrances of any kind.

16.3 Equipment

The Port warrants to Buyer that the Port has good and marketable title to those items of Equipment specified in Exhibits D-1 and D-2, and by delivery of the applicable Bill of Sale, the Equipment listed on Exhibits D-1 and D-2, in the quantities specified therein, shall be transferred to Buyer free of all liens, security interests, claims or encumbrances of any kind.

17. DEFAULT/FAILURE TO CLOSE

17.1 Default Before Closing

If Closing does not occur as contemplated by this Sale Agreement due to a default by either the Port or Buyer, the non-defaulting Party shall be entitled to sue for specific performance but shall not be entitled to monetary damages. The defaulting Party shall also pay all escrow fees.

17.2 Default After Closing

The above Section 17.1 applies only to a default which causes the sale contemplated by this Sale Agreement not to Close. Should a default of this Sale Agreement occur after Closing, then except as otherwise provided in this Sale Agreement, any non-defaulting Party shall have available to it, and shall be entitled to pursue against the defaulting Party, all remedies available either at law or in equity.

17.3 Injunctive Relief

Buyer acknowledges that the restrictions set forth in Sections 1.3 and 1.4 of this Sale Agreement, and the restrictions set forth in Article 7 of Buyer's Articles of Organization, are special, unique and extraordinary in nature and that the loss to the Port from violation of any of these provisions cannot reasonably and adequately be compensated by money damages alone. Buyer therefore agrees that the Port will be entitled, in addition to any other remedy it may have, to injunctive or other extraordinary relief to enforce the restrictions set forth in Sections 1.3 and 1.4 of this Sale Agreement and the restrictions set forth in Article 7 of Buyer's Articles of Organization, and to restrain the violation or threatened violation of any provision thereof.

18. GENERAL PROVISIONS

18.1 No Third-Party Benefit; No Assignment

18.1.1 In General

Nothing in this Sale Agreement gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise, to any third parties. Neither this Sale Agreement nor any

rights or interest hereunder may be assigned, pledged, or transferred by Buyer without the express written consent of the Port, which consent may be given or withheld in the Port's sole and absolute discretion. Any assignment or attempted assignment without the Port's prior written consent shall be void. This provision shall apply to all transfers, including any that may occur by operation of law. Any change in ownership of the controlling interest in Buyer, whether through sale, exchange, merger, consolidation, reorganization, or other transfer, shall be deemed an assignment requiring the Port's consent.

18.1.2 Permitted Financing

Notwithstanding Section 18.1.1, the Port hereby consents to the assignment or pledge of this Sale Agreement and any rights or interests hereunder to the Lender as security, to the extent required to accomplish the Permitted Financing, on the terms and conditions set forth in the Subordination and Standstill Agreement referenced in Section 6.1.8.

18.1.3 Transfer to Affiliate

Notwithstanding Section 18.1.1, the Port hereby consents to the assignment or other transfer of this Sale Agreement and any rights or interests hereunder to an Affiliate of Buyer after Closing, provided that (a) any such assignment or transfer is subject to any defenses and rights of the Port under this Sale Agreement, (b) Buyer shall not be relieved of any of, and shall remain liable on all of, its obligations under or referenced in this Sale Agreement, and (c) the Affiliate of Buyer shall assume and become jointly liable with Buyer for all of Buyer's obligations under or referenced in this Sale Agreement. "Affiliate of Buyer" shall mean any other corporation, company, general partnership, limited partnership, limited liability company, limited liability partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind which, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, Buyer, and shall include CGI. As used above, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interest, by contract or otherwise).

18.1.4 Other Assignments

Notwithstanding Section 18.1.1, the Port's consent to an assignment or transfer by Buyer of its rights under this Sale Agreement shall not be unreasonably withheld if Buyer has previously paid in full all amounts owed to the Port pursuant to the Long-Term Note and the Environmental Payment, provided that (a) any such assignment or transfer is subject to any defenses and rights of the Port under this Sale Agreement, (b) Buyer shall not be relieved of any of, and shall remain liable on all of, its obligations under or referenced in this Sale Agreement, and (c) the assignee or transferee shall assume and become jointly liable with Buyer for all of Buyer's obligations under or referenced in this Sale Agreement. Notwithstanding Section 18.1.1, the Port's consent to an assignment or transfer by Buyer of its rights under this Sale Agreement

to a lender (other than the Lender) for security purposes shall not be unreasonably withheld, provided that (a) any such assignment or transfer is subject to any defenses and rights of the Port under this Sale Agreement, (b) Buyer shall not be relieved of any of, and shall remain liable on all of, its obligations under or referenced in this Sale Agreement, and (c) prior to and as a condition of exercising any rights of Buyer hereunder, the assignee or transferee shall agree to assume and become jointly liable with Buyer for all of Buyer's obligations under or referenced in this Sale Agreement, other than payment obligations under the Long-Term Note.

18.2 Attorney Fees

If any suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U.S. Bankruptcy Code) is instituted in connection with any controversy arising out of this Sale Agreement or to interpret or enforce any rights or obligations hereunder, the prevailing party shall be entitled to recover attorney fees and all other fees, costs, and expenses actually incurred as reasonably necessary in connection therewith, as determined by the court at trial or on any appeal or review, in addition to all other amounts provided by law. Payment of all such fees and costs shall also apply to any administrative proceeding, trial, and/or any appeal or petition for review.

18.3 Notices

All notices required under this Sale Agreement shall be deemed to be properly served if sent by certified mail, return receipt requested, or delivered by hand or sent by facsimile during normal business hours, to the last address previously furnished by the Parties hereto. Until hereafter changed by the Parties by notice in writing, notices shall be sent as follows:

If by mail or facsimile, to the Port at:

The Port of Portland
Attention: Senior Manager, Property & Development Services
P.O. Box 3529
Portland, Oregon 97208
Facsimile No.: (503) 944-7466

with a copy to:

The Port of Portland
Attention: General Counsel
P.O. Box 3529
Portland, Oregon 97208
Facsimile No.: (503) 944-7038

or if by hand delivery, to the Port at:

The Port of Portland

Attention: Senior Manager, Property & Development Services
121 N.W. Everett Street
Portland, Oregon 97209

with a copy to:

The Port of Portland
Attention: General Counsel
121 N.W. Everett Street
Portland, Oregon 97209

To Buyer and CGI at:

Portland Shipyard LLC [if to Buyer], or Cascade General, Inc. [if to CGI]
Attn: President
5555 N. Channel Avenue
Portland, Oregon 97217
Facsimile No. (503) 247-1686

With a copy to:

Ater Wynne LLP
Attn: Jonathan Ater
222 S.W. Columbia, Suite 1800
Portland, OR 97201
Facsimile No. (503) 226-0079

The date of service of such notice by mail is agreed to be five (5) days after the date such notice is deposited in a post office of the United States Post Office Department, postage prepaid, return receipt requested, certified mail, or, if delivered by hand or by facsimile during normal business hours, then the actual date of hand delivery or receipt of the facsimile transmission. The burden of proof concerning receipt of the facsimile will be on the sender who may satisfy the burden by presenting a receipt of the transmission showing the date the transmission successfully occurred, the facsimile number that the transmission was sent to, the name of the party to whom the facsimile was sent, and a description of the document sent. If notice is given by hand delivery or facsimile other than during normal business hours, such notice shall be deemed served at 9:00 a.m. Pacific time on the next normal business day.

18.4 Brokers

Buyer and the Port each represent to one another that they have not dealt with any real estate agent or broker in connection with this Sale Agreement. In the event any claim is made by an agent or broker alleging to have been retained by either Party in connection with this Sale

Agreement, the Party alleged to have retained the agent or broker agrees to indemnify and hold harmless the other from and against all damages, costs, and expenses, including attorney, accountant and paralegal fees, arising in connection with such claim.

18.5 Performance and Non-Waiver

Time is of the essence in the performance of the obligations set forth herein. Failure to enforce any provision of this Sale Agreement shall not constitute a waiver of that provision or the future prompt enforcement of that provision. This Sale Agreement may not be modified, except by the mutual written agreement of the Parties, signed by the Port, Buyer and CGI.

18.6 Governing Law

This Sale Agreement shall be governed, construed and enforced under the laws of the State of Oregon.

18.7 No Merger

The waivers, covenants, indemnities, representations, obligations, and warranties contained in this Sale Agreement shall all survive the Closing and shall not merge into the Bargain and Sale Deed and the recordation of it in the official records, or the Bills of Sale or the recording of any of the Bills of Sale.

18.8 Severability

If any provision of this Sale Agreement is held to be invalid or unenforceable, the remainder of this Sale Agreement, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Sale Agreement shall be valid and enforceable to the fullest extent permitted by law.

18.9 Headings and Table of Contents

Section headings and the table of contents contained in this Sale Agreement are for convenience in reference and are not intended to define or limit the scope of any provision of this Sale Agreement.

18.10 Exhibits Incorporated by Reference

All Exhibits attached to this Sale Agreement are incorporated by reference into this Sale Agreement for all purposes.

18.11 Interpretation of Sale Agreement

This Sale Agreement is the result of arms-length negotiations between the Port, on the one hand, and Buyer and CGI, on the other hand. Therefore, any ambiguity subject to interpretation contained herein shall not be construed against the Port by reason of its preparation of this Sale Agreement.

18.12 Defined Terms

Capitalized terms shall have the meaning given them in the text of this Sale Agreement.

18.13 No Limit on Port's Powers

Nothing in this Sale Agreement or in any of the documents or transactions referenced in this Sale Agreement shall limit, in any way, the power and right of the Port to exercise its governmental rights and powers, including its powers of eminent domain.

18.14 Entire Agreement

This Sale Agreement and the agreements and exhibits referenced herein represent the entire agreement among the Port, Buyer and CGI relating to Buyer's purchase of the Property. It is understood and agreed by Buyer that neither the Port nor the Port's agents or employees have made any representations or promises with respect to this Sale Agreement or the making or entry into this Sale Agreement, except as expressly set forth in this Sale Agreement and the exhibits hereto. No claim for liability shall be asserted based on any claimed breach of any representations or promises not expressly set forth in this Sale Agreement. All oral agreements, if any, are void and expressly waived by Buyer. This Sale Agreement has been thoroughly negotiated among the Parties; therefore, in the event of ambiguity, there shall be no presumption that such ambiguity should be construed against the drafter.

18.15 Mediation

Should any dispute arise among the Parties to this Sale Agreement concerning the transactions contemplated by this Sale Agreement, other than a dispute regarding (1) the failure or alleged failure to make any payment when due under the Long-Term Note, or (2) any obligations arising under Section 10 of this Sale Agreement, or (3) any violation or alleged violation of Sections 1.3 or 1.4 of this Sale Agreement to the extent that temporary or emergency injunctive relief is sought, such dispute will be submitted to mediation prior to any litigation. Prior to submitting the dispute to mediation, Buyer's chief executive officer and the Port's Executive Director shall meet in an attempt to resolve the dispute. The Parties shall exercise good faith efforts to select a mediator, who shall be compensated equally by both Parties. Mediation will be conducted in Portland, Oregon. If the Parties are unable to agree on a mediator within ten days after a request for mediation by any Party, a mediator shall be appointed upon the request of any Party by the Arbitration Service of Portland, Inc., and mediation shall be conducted by a single mediator under the rules of that service.

19. LAND USE

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS, WHICH, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND WHICH MAY LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT,

THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES.

IN WITNESS WHEREOF, the parties hereto have subscribed their names.

BUYER
PORTLAND SHIPYARD LLC

By: _____

Title: President

CASCADE GENERAL, INC.

By: _____

Title: President

SELLER
THE PORT OF PORTLAND

By: _____
Mike Thorne, Executive Director

APPROVED AS TO LEGAL SUFFICIENCY FOR THE PORT

By: _____
Counsel for Port of Portland

APPROVED BY COMMISSION ON:

6/14/00

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 SIXTH AVENUE
SEATTLE, WA 98101

TARGET SHEET

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This is due to the Original being:

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Document Information

Document ID #: ***1363932***

File #: **11.3.119.1 V.23**

Site Name: **PORSF - Portland Harbor**

104(e) Response Cascade General, Inc.:
Exhibit A – The Land, Drawing No. YA 2000-2 (1/14).

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 SIXTH AVENUE
SEATTLE, WA 98101

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Document ID #: ***1363932***

File #: **11.3.119.1 V.23**

Site Name: **PORSF - Portland Harbor**

104(e) Response Cascade General, Inc.:
Exhibit B – Submerged Lands, Drawing No. YA 2000-2 (2/14).

B

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 SIXTH AVENUE
SEATTLE, WA 98101

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File #:	**11.3.119.1 V.23**
Site Name:	**PORSF - Portland Harbor**

104(e) Response Cascade General, Inc.:
Boundary Survey for Cascade General Ship Yard, Sheet 2 of 4.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 SIXTH AVENUE
SEATTLE, WA 98101

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Document ID #: ***1363932***

File #: **11.3.119.1 V.23**

Site Name: **PORSF - Portland Harbor**

104(e) Response Cascade General, Inc.:
Boundary Survey for Cascade General Ship Yard, Sheet 1 of 4.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 SIXTH AVENUE
SEATTLE, WA 98101

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Document Information

Document ID #: ***1363932***

File #: **11.3.119.1 V.23**

Site Name: **PORSF - Portland Harbor**

104(e) Response Cascade General, Inc.:
Boundary Survey for Cascade General Ship Yard, Sheet 3 of 4.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 SIXTH AVENUE
SEATTLE, WA 98101

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Document Information

Document ID #: ***1363932***

File #: **11.3.119.1 V.23**

Site Name: **PORSF - Portland Harbor**

104(e) Response Cascade General, Inc.:
Boundary Survey for Cascade General Ship Yard, Sheet 4 of 4.

ASSIGNMENT AND ASSUMPTION AGREEMENT
(Portland, Oregon)

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, dated for reference purposes only August 23, 2000, is by and between PORTLAND SHIPYARD LLC, an Oregon limited liability company ("Assignor"), and CASCADE GENERAL, INC., an Oregon corporation ("Assignee").

RECITALS

A. Assignor is a party under those leases, contracts and agreements listed on Exhibit A attached hereto (the "Contracts").

B. Assignor desires to assign the Contracts to Assignee and Assignee desires to accept such assignment and to assume the obligations of Assignor under the Contracts, on the terms and conditions set forth below.

AGREEMENTS

NOW THEREFORE, for valuable consideration, the parties agree as follows:

1. ***Assignment***. Assignor hereby assigns, transfers and conveys to Assignee all of Assignor's right, title and interest under the Contracts. Assignee acknowledges that Assignor's interests in the Contracts are subject to a security interest in favor of Transamerica Equipment Financial Services Corporation ("Lender").

2. ***Assumption***. Assignee hereby accepts the assignment of Assignor's interest under the Contracts and (i) assumes all obligations of Assignor thereunder, to the extent such obligations relate to the period after the date of this Assignment; and (ii) agrees to be bound by all of the terms and conditions of the Contracts. Such assumption shall not, however, release Assignor from Assignor's primary obligations under the Contracts.

3. ***Warranties***. Assignor hereby represents and warrants to Assignee that a true copy of the Contracts, and all amendments thereto, have been delivered to Assignee.

4. ***Covenants***. In connection with Assignee's assumption of the Contracts, Assignee agrees to be bound by the restrictions and agreements contained in Sections 1.3 and 1.4 of the Sale Agreement dated August 23, 2000 between The Port of Portland (the "Port") and Assignor pertaining to the operation and use of the Property.

5. ***Termination***. In the event a default occurs and is continuing under the Master Loan and Security Agreement (the "Master Loan Agreement") by and among Assignor, Lender, Cammell Laird Pacific Inc. and Assignee dated August 23, 2000, Lender (and Lender's successors and assigns) may, at its option and upon written notice to Assignee (but subject to any notice and cure rights set forth in the Master Loan Agreement or in any related documents), terminate Assignee's rights under one or more of the Contracts. In addition, Assignee's rights under the Contracts will terminate upon the expiration or earlier termination of the Shipyard Lease between Assignor as landlord and Assignee as tenant dated the same date as this Assignment.

6. ***Indemnity***. Assignee shall indemnify and hold Assignor harmless from and against any and all claims, losses, causes of action, damages, costs and expenses (including attorney fees) relating to or arising out of any act, occurrence, omission, event or condition relating to the Contracts and occurring after the date of this Assignment.

7. ***Notices***. All notices required or permitted under this Assignment shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage pre-paid. Notices shall, until further notice, be delivered to the following addresses:

If to Assignor: Portland Shipyard LLC
5555 North Channel Avenue
Portland, OR 97217

It to Assignee: Cascade General, Inc.
5555 North Channel Avenue
Portland, OR 97217

All notices shall be effective upon delivery if personally delivered or one day after mailing, if mailed. Either party may change its notice address upon written notice to the other party.

8. ***Attorney Fees***. In the event a suit or action is instituted to enforce or interpret any provision of this Assignment, the prevailing party shall be entitled to recover such amount as the court may adjudge reasonable as attorney fees at trial or on any appeal, in addition to all other amounts provided by law.

9. ***Port as Third-Party Beneficiary***. The Port and Lender are third-party beneficiaries of Assignee's representations and obligations under this Agreement.

10. ***Binding Effect***. This Assignment shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Assignment and Assumption Agreement effective as of the date first written above.

ASSIGNOR: PORTLAND SHIPYARD LLC, an Oregon limited liability company

By _____
Its President

ASSIGNEE: CASCADE GENERAL, INC., an Oregon corporation

By _____
Its President

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EXHIBIT A

Assumed Contracts

- Berth Management Agreement dated August 29, 2000 between The Port of Portland and Portland Shipyard LLC
- Non-Exclusive Railway Track License Agreement dated August 29, 2000 between The Port of Portland and Portland Shipyard LLC
- Parking Lot Lease dated August 29, 2000 between The Port of Portland and Portland Shipyard LLC
- Sublease of DSL Lands dated August 29, 2000 between The Port of Portland and Portland Shipyard LLC (relating to lands leased from the Oregon Division of State Lands by The Port of Portland under Submerged and Submersible Land Lease 22755-ML).
- Submerged and Submersible Lands Lease 22654-ML dated August 25, 2000 between the Oregon Division of State Lands and Portland Shipyard LLC
- Water Supply Agreement dated August 29, 2000 between The Port of Portland and Portland Shipyard LLC

LEASE MODIFICATION DAMAGES AGREEMENT

This Agreement pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC (Landlord) and Cascade General, Inc (Tenant).

Whereas:

A. On or around June 27, 2001, Landlord removed from the leased premises and sold Drydock #4 and related equipment ("the Drydock"), and Landlord and Tenant have negotiated and executed an Amendment to reduce the Base Rent for future periods.

B. Landlord and Tenant have agreed that Landlord's sudden and unplanned removal of the Drydock from the leased premises has caused Tenant to incur immediate damages, and that Tenant is entitled to compensation from Landlord that is separate and distinct from the future reduction in Base Rent

C. Tenant had spent $29,677 making a sewer line leasehold improvement to the Drydock in 1997 and 1998, and was forced to abandon that improvement as a result of Landlord's removal of the Drydock from the leased premises.

D. The Shipyard Lease provides that Tenant is responsible for payment of property taxes. The property tax obligation for the tax year beginning July 1, 2001 is based upon the valuation of property in use on January 1, 2001. Tenant will, as a result of Landlord's removal of the Drydock from the leased premises, pay property taxes on the Drydock for a twelve-month period during which Tenant will have no access to the Drydock. Multnomah County's assessment of the Drydock is $25,000,000, which would result in a tax of $429,000. Tenant is attempting to negotiate with the County a lower valuation and tax, and intends to formally appeal the assessment if the negotiations do not lead to a satisfactory result.

E. Landlord's sudden and unplanned removal of the Drydock from the leased premises caused Tenant to not earn planned gross margins from performing at least two impending significant cruise ship repair projects that required the availability of the Drydock. Tenant has historically earned 35% to 50% margins on comparable projects.

(1) Tenant was forced to cancel a firm drydock booking scheduled for September 25, 2001 to October 1, 2001. The project was the Volendam for Holland American Lines, and was estimated by Tenant to amount to $2,000,000 of revenue.

(2) Due to Landlord's obligation to the Drydock buyer to make towing preparation improvements prior to the June 27, 2001 sale date, Tenant did not have access to the Drydock and was therefore unable to perform an emergency drydocking of the Infinity requested by its owner Celebrity Cruises. Celebrity had requested an approximate 10-day drydocking in mid-June 2001. Tenant estimated the project to amount to $1,000,000 of revenue.

Landlord and Tenant agree as follows:

Landlord shall compensate Tenant in the amount of $1,500,000, and such compensation shall be in the form of reductions of principal and interest otherwise owed by Tenant to Landlord under the Multiple advance Promissory Note dated August 23,2000, and such compensation shall be effective July 1, 2001.

Landlord Portland Shipyard LLC	Tenant Cascade General, Inc
By _____	By _____
Its President	Its Secretary

AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC (Landlord) and Cascade General, Inc (Tenant), and is effective July 1, 2001.

Whereas:

A. On or around June 27, 2001, Landlord removed from the leased premises and sold Drydock #4 and related equipment, and Landlord and Tenant have agreed to reduce the Base Rent accordingly.

B. Based upon data received from Multnomah County for the initial property tax assessment on the leased premises, Tenant's annual property tax obligation would be dramatically larger than what was anticipated when the lease was negotiated. Landlord and Tenant have agreed to modify the lease to make Landlord responsible for the costs associated with the process of contesting the July 1, 2001 property tax assessment.

Landlord and Tenant agree as follows:

1. Paragraph 1.7(a) is modified by replacing "$261,000" with "$130,000".

2. Paragraph 4.2(d) is modified by inserting, after the existing third sentence, "Notwithstanding the above, Landlord shall pay any costs required to contest the initial property tax assessment for the July 1, 2001 tax year".

Landlord Portland Shipyard LLC	Tenant Cascade General, Inc
By _____	By _____
Its President	Its Secretary

SECOND AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC (Landlord) and Cascade General, Inc (Tenant), as amended effective July 1, 2000. This Second Amendment is effective June 1, 2002

Whereas:

A. Tenant is severely under-utilizing the facility, has recently vacated certain portions of the facility, and has openly expressed its intention to further consolidate its operations to a smaller portion of the facility.

B. Tenant and Landlord have become more aware of the tenant occupancy costs in other special-purpose shipyard facilities.

C. Tenant's financial condition and operating results have deteriorated, and, in conjunction with other cost-cutting measures, seeks a reduction to its monthly rent to enhance its viability as a long-term tenant under the Lease.

Landlord and Tenant agree as follows:

Paragraph 1.7(a) is modified by replacing "$130,000" with "$80,000".

Landlord Portland Shipyard LLC	Tenant Cascade General, Inc
By _____	By _____
Its President	Its Secretary

THE INDEBTEDNESS EVIDENCED BY THIS LEASE IS SUBORDINATE TO THE PRIOR PAYMENT IN FULL OF THE SENIOR LOAN (AS DEFINED IN A MASTER LOAN AND SECURITY AGREEMENT DATED AUGUST 23, 2000 AMONG TRANSAMERICA EQUIPMENT FINANCIAL SERVICES CORPORATION, LANDLORD, TENANT AND OTHERS).

SHIPYARD LEASE
(Portland, Oregon)

1. Basic Terms

This Section 1 contains the Basic Terms of this lease between the Landlord and Tenant named below.

1.1 ***Date of Lease***: August 29, 2000

1.2 ***Landlord***: PORTLAND SHIPYARD LLC, an Oregon limited liability company
5555 North Channel Avenue
Portland, OR 97217

1.3 ***Tenant***: CASCADE GENERAL INC., an Oregon corporation
5555 North Channel Avenue
Portland, OR 97217

1.4 ***Premises***: The real property, consisting of approximately 56.61 acres of land and commonly known as 5555 North Channel Avenue, Portland, Oregon, and more particularly described on Exhibit A attached hereto and approximately 60.8 acres of submerged and submersible lands more particularly described on Exhibit B attached hereto. The Premises shall include (i) all improvements located upon the land, (ii) the dry docks, machinery and equipment listed on Exhibits C, D-1, D-2, D-3, D-4 and D-5 attached hereto, and (iii) all of the trade names listed on Exhibit E attached hereto. Tenant acknowledges that the Premises are subject to a security interest in favor of Transamerica Equipment Financial Services Corporation ("Lender").

1.5 ***Lease Term***: Eight years, 9 months beginning on August 29, 2000 and ending on April 30, 2009.

1.6 ***Permitted Uses:*** (Subject to ***Section 5***)The operation of a commercial ship repair, conversion and construction facility and related, incidental uses.

1.7 ***Rent and Other Charges Payable by Tenant***:

(a) ***Base Rent:*** $261,000 per month, to be adjusted as set forth in Section 3.2 below.

(b) ***Other Periodic Payments:*** (i) Real Property Taxes ***(See Section 4.2)***; (ii) Utilities ***(See Section 4.4)***; (iii) Assumed Contracts ***(See Section 4.3)***; (iv) Insurance

Premiums *(See Section 4.5)*; (iv) Common Area Assessments *(See Section 5.2)*; (v) Maintenance, Repairs and Alterations *(See Section 7)*.

2. Lease Term

2.1 ***Lease of Premises For Lease Term.*** Landlord leases the Premises to Tenant and Tenant leases the Premises from Landlord for the Lease Term. The Lease Term is for the period stated in Section 1.5 above and shall begin and end on the dates specified in Section 1.5 above, unless the beginning or end of the Lease Term is changed under any provision of this Lease. The "Commencement Date" shall be the date specified in Section 1.5 above for the beginning of the Lease Term, unless advanced or delayed under any provision of this Lease.

2.2 ***Holding Over.*** Tenant shall vacate the Premises upon the expiration or earlier termination of this Lease. Tenant shall reimburse Landlord for and indemnify Landlord against all damages which Landlord incurs from Tenant's delay in vacating the Premises. If Tenant does not vacate the Premises upon the expiration or earlier termination of the Lease and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Premises shall be a "month-to-month" tenancy, subject to all of the terms of this Lease applicable to a month-to-month tenancy.

3. Base Rent

3.1 ***Time and Manner of Payment.*** Upon execution of this Lease, Tenant shall pay Landlord the Base Rent in the amount stated in Section 1.7(a) above for the first month of the Lease Term. On the first day of the second month of the Lease Term and each month thereafter, Tenant shall pay Landlord the Base Rent, in advance, without offset, deduction or prior demand. The Base Rent shall be payable at Landlord's address or at such other place as Landlord may designate in writing.

3.2 ***Cost of Living Increase.*** The Base Rent shall be increased on January 1, 2005 (the "Rental Adjustment Date") in accordance with the increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics. Comparisons shall be made using the index entitled U.S. City Average – All Urban Consumers – All Items (1982-1984=100) (the "Index"). The Base Rent shall be increased on the Rental Adjustment Date by the percentage that the Index has increased from the month immediately preceding the Commencement Date to the month immediately preceding the Rental Adjustment Date. Landlord shall notify Tenant of the increase in Base Rent by a written statement setting forth the amount of the new Base Rent. Tenant shall pay the new Base Rent from the Rental Adjustment Date until the expiration of the term of the Lease. If the format or components of the Index materially change after the Commencement Date, Landlord shall substitute an Index which is published by the Bureau of Labor Statistics or similar agency and which is most nearly equivalent to the Index. In no event shall the Base Rent increase on the Rental Adjustment Date by more than 15 percent.

3.3 ***Termination; Advance Payments.*** Upon termination of this Lease under Section 8, Section 9 or any other termination not resulting from Tenant's default and after Tenant has vacated the Premises in the manner required by this Lease, Landlord shall refund or credit to Tenant (or Tenant's successor), any advance rent or other advance payments made by Tenant to

Landlord and any amounts paid for real property taxes and other reserves which apply to any time periods after termination of the Lease.

4. Other Charges Payable by Tenant

4.1 ***Additional Rent.*** All charges payable by Tenant other than Base Rent are called "Additional Rent." This Lease is what is commonly called a "net lease," it being understood that Landlord will receive the Base Rent described in Section 1.7 above free and clear of any and all impositions, real estate taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises, whether or not such charge or cost is specifically enumerated in this Lease. Unless this Lease provides otherwise, Tenant shall pay all Additional Rent then due with the next monthly installment of Base Rent. The term "Rent" shall mean Base Rent and Additional Rent.

4.2 ***Property Taxes.***

(a) ***Real Property Taxes.*** Tenant shall pay all real property taxes on the Premises (including any fees, taxes or assessments against, or as a result of, any tenant improvements installed on the Premises by or for the benefit of Tenant) during the Lease Term. Such payment shall be made prior to the delinquency date of the taxes and in all events prior to May 15 of each tax year. Landlord shall reimburse Tenant for any real property taxes paid by Tenant covering any period of time prior to or after the Lease Term. If Tenant fails to pay the real property taxes when due, Landlord may pay the taxes and Tenant shall reimburse Landlord for the amount of such tax payment as Additional Rent.

(b) ***Definition of "Real Property Tax."*** "Real property tax" means (i) any general or special fee, license fee, license tax, business license fee, commercial rental tax, levy, charge, assessment, penalty or tax imposed by any taxing authority against the Premises; (ii) any tax on the Landlord's right to receive, or the receipt of, rent or income from the Premises or against Landlord's business of leasing the Premises; (iii) any tax or charge for fire protection, streets, sidewalks, road maintenance, refuse or other services provided to the Premises by any governmental agency; (iv) any tax imposed upon this transaction or based upon a reassessment of the Premises due to a change of ownership, as defined by applicable law, or other transfer of all or part of Landlord's interest in the Premises; and (v) any charge or fee replacing any tax previously included within the definition of real property tax. "Real property tax" does not, however, include Landlord's federal or state income, franchise, inheritance or estate taxes.

(c) ***Personal Property Taxes.*** Tenant shall pay all taxes charged against trade fixtures, furnishings, equipment or any other personal property belonging to Tenant or leased to Tenant pursuant to this Lease. Tenant shall exert its best efforts to have personal property taxes assessed separately from the Premises.

(d) ***Tenant's Right to Contest Taxes.*** Tenant may attempt to have the assessed valuation of the Premises reduced or may initiate proceedings to contest the real property taxes. If required by law, Landlord shall join in the proceedings brought by Tenant. However, Tenant shall pay all costs of the proceedings, including any costs or fees incurred by Landlord. Upon the final determination of any proceeding or contest, Tenant shall immediately pay the real property taxes due, together with all costs, charges, interest and penalties incidental to the proceedings.

4.3 ***Assumed Contracts, Percentage Rent.*** Tenant shall pay all rent and other charges due under those leases, contracts and agreements listed on Exhibit A to the Assignment and Assumption Agreement dated August 23, 2000 between Landlord and Tenant (the "Assumed Contracts"). In addition, Tenant shall pay the Additional Percentage Rent, as that term is defined in Section 8 of the Sale Agreement dated August 23, 2000 by and among The Port of Portland (the "Port"), Landlord and Tenant (the "Sale Agreement").

4.4 ***Utilities.*** Tenant shall pay, directly to the appropriate supplier, the cost of all natural gas, heat, light, power, sewer service, telephone, water, refuse disposal and other utilities and services supplied to the Premises. However, if any services or utilities are jointly metered with other property, Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of such utilities and services and Tenant shall pay such share to Landlord within 15 days after receipt of Landlords' written statement.

4.5 ***Insurance Policies***

(a) ***Liability Insurance.*** During the Lease Term, Tenant shall maintain a policy of commercial general liability insurance (sometimes known as broad form comprehensive general liability insurance) insuring Tenant against liability for bodily injury, property damage (including loss of use of property) and personal injury arising out of the operation, use or occupancy of the Premises. Tenant shall name Landlord as an additional insured under such policy. The initial amount of such insurance shall be no less than $5,000,000 per occurrence and shall be subject to periodic increases based upon inflation, increased liability awards, recommendation of Landlord's professional insurance advisers and other relevant factors. The liability insurance obtained by Tenant under this Section 4.5(a) shall (i) be primary and noncontributing; (ii) contain cross-liability endorsements; and (iii) insure Landlord against Tenant's performance under Section 5.3, if the matters giving rise to the indemnity under Section 5.3 result from the negligence of Tenant. The amount and coverage of such insurance shall not limit Tenant's liability nor relieve Tenant of any other obligation under this Lease. Landlord may also obtain comprehensive public liability insurance in an amount and with coverage determined by Landlord insuring Landlord against liability arising out of ownership, operation, use or occupancy of the Premises. The policy obtained by Landlord shall not be contributory and shall not provide primary insurance.

(b) ***Property and Rental Income Insurance.*** During the Lease Term, Landlord shall maintain policies of insurance covering loss of or damage to the Premises in the full amount of at least its actual cash value. Such policy shall provide protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extend perils (all risk), sprinkler leakage and any other perils which Landlord deems reasonably necessary. In its discretion, Landlord shall have the right to obtain flood and earthquake insurance. Landlord shall not obtain insurance for Tenant's fixtures or equipment or building improvements installed by Tenant on the Premises. Tenant shall not do or permit anything to be done which invalidates any such insurance policies.

(c) ***Payments of Premiums.*** Tenant shall pay all premiums for the insurance policies described in Sections 4.5(a) and 4.5(b) (whether obtained by Landlord or Tenant) within 15 days after Tenant's receipt of a copy of the premium statement or other evidence of the amount due. If the Lease Term expires before the expiration of an insurance policy maintained by Landlord, Tenant shall be liable for Tenant's prorated share of the

insurance premiums. Before the Commencement Date, Tenant shall deliver to Landlord a certificate of insurance, executed by an authorized officer of the insurance company, showing that the insurance that Tenant is required to maintain under this Section 4.5 is in full force and effect.

(d) ***General Insurance Provisions.***

(i) Any insurance which Tenant is required to maintain under this Lease shall include a provision which requires the insurance carrier to give Landlord not less than 30 days' written notice prior to any cancellation or modification of such coverage.

(ii) If policy is cancelled or modified during the Lease Term without Landlord's consent, Landlord may obtain such insurance, in which case Tenant shall reimburse Landlord for the cost of such insurance within 15 days after receipt of a statement that indicates the cost of such insurance.

(iii) Tenant shall maintain all insurance required under this Lease with companies holding a "General Policy Rating" of A-12 or better, as set forth in the most current issue of "Best Key Rating Guide." Landlord and Tenant acknowledge the insurance markets are rapidly changing and that insurance in the form and amounts described in this Section 4.5 may not be available in the future. Tenant acknowledges that the insurance described in this Section 4.5 is for the primary benefit of Landlord. If at any time during the Lease Term, Tenant is unable to maintain the insurance required under the Lease, Tenant shall nevertheless maintain insurance coverage which is customary and commercially reasonable in the insurance industry for Tenant's type of business, as that coverage may change from time to time. Landlord makes no representation as to the adequacy of such insurance to protect Landlord's or Tenant's interests. Therefore, Tenant shall obtain any such additional property or liability insurance which Tenant deems necessary to protect Landlord and Tenant.

(iv) Unless prohibited under any applicable insurance policies maintained, Landlord and Tenant each hereby waive any and all rights of recovery against the other, or against the officers, employees, agents or representatives of the other, for loss of or damage to its property or the property of others under its control, if such loss or damage is covered by any insurance policy in force (whether or not described in this Lease) or required to be in force at the time of such loss or damage. Upon obtaining the required policies of insurance, Landlord and Tenant shall give notice to the insurance carriers of this mutual waiver of subrogation.

4.6 ***Late Charges.*** Tenant's failure to pay Rent promptly may cause Landlord to incur unanticipated costs. The exact amount of such costs are impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by any ground lease, mortgage or trust deed encumbering the Premises. Therefore, if Landlord does not receive any Rent payment within 15 days after it becomes due, Tenant shall pay Landlord a late charge equal to five percent of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment. The collection of such late charge shall not be in lieu of any other remedies of Landlord under this Lease and such collection shall not waive the breach covered by the late payment.

5. *Use of Premises*

5.1 ***Permitted Uses.*** Tenant may use the Premises for the Permitted Uses set forth in Section 1.6 above and for no other use without Landlord's prior written consent, which consent shall not be unreasonably withheld so long as such use is consistent with the Use Restrictions (as that term is defined in Section 5.2 below).

5.2 ***Manner of Use.*** Tenant shall not cause or permit the Premises to be used in any way which constitutes a violation of any law, ordinance or governmental regulation or order, or which constitutes a nuisance or waste. Tenant shall obtain and pay for all permits, including a Certificate of Occupancy, required for Tenant's occupancy of the Premises and shall promptly take all actions necessary to comply with all applicable statues, ordinances, rules, regulations, orders and requirements regulating the use by Tenant of the Premises, including, but not limited to, the Occupational Safety and Health Act and the Americans with Disabilities Act. Without limiting the generality of the foregoing, Tenant shall (i) use the Premises in compliance with all the terms and conditions of the use restrictions set forth in Sections 1.3 and 1.4 of the Sale Agreement, including, without limitation, the restrictions on the Bond Financed Facilities (the "Use Restrictions"), and (ii) be responsible for payment of all Common Area Assessments described in the Bargain and Sale Deed attached as Exhibit L to the Sale Agreement.

5.3 ***Indemnity.*** Tenant shall indemnify Landlord against and hold Landlord harmless from any and all costs, claims or liability arising from: (a) Tenant's use of the Premises; (b) the conduct of Tenant's business or anything else done or permitted by Tenant to be done in or about the Premises, including any contamination of the Premises or any other property resulting from the presence or use of Hazardous Materials caused by Tenant; (c) any breach or default in the performance of Tenant's obligations under this Lease; (d) any misrepresentation or breach of warranty by Tenant under this Lease; or (e) other acts or omissions of Tenant. Tenant shall defend Landlord against any such cost, claim or liability at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs incurred by Landlord in connection with any such claim. As a material part of the consideration to Landlord, Tenant assumes all risk of damage to property or injury to person in or about the Premises arising from any cause and Tenant hereby waives all claims in respect thereof against Landlord, except for any claim arising out of Landlord's gross negligence or willful misconduct. As used in this section, the term "Tenant" shall include Tenant's employees, agents, contractors and invitees, if applicable. The obligations of Tenant under this Section 5.3 shall survive the expiration or earlier termination of this Lease.

5.4 ***Landlord's Access.*** Landlord, its agents or the Port (if such access is authorized by the Sale Agreement) may enter the Premises at all reasonable times to show the Premises to potential buyers, investors or tenants or other parties; to do any other act or to inspect and conduct tests in order to monitor Tenant's compliance with all applicable environmental laws and all laws governing the presence and use of Hazardous Material; or for any other purpose Landlord deems necessary.

5.5 ***Quiet Possession.*** If Tenant pays the rent and complies with all other terms of this Lease, Tenant may occupy and enjoy the Premises for the full Lease Term, subject to the provisions of this Lease.

6. Hazardous Materials.

6.1 ***Definitions.*** As used in this Lease, the term "Hazardous Materials" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any applicable federal, state or local laws or regulations, including without limitation petroleum based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons.

6.2 ***Use, Indemnity.*** Tenant shall cause all Hazardous Materials brought upon, kept on, in or about the Premises to be used in compliance with all legal requirements. Notwithstanding the foregoing, Tenant shall only bring such Hazardous Materials on the Premises that are directly related to Tenant's use of the Premises. If Tenant breaches the obligations stated in the foregoing sentence or if, at any time during the term of the Lease or upon the expiration date hereof, the presence of Hazardous Materials on the Premises caused by Tenant results in contamination of the Premises, Tenant will indemnify, defend and hold Landlord harmless from and against any and all liabilities, claims, damages, costs and expenses of any kind and nature, including, without limitation, legal, accounting, consulting, engineering or other expenses which may be posed upon Landlord by any other party (including a governmental entity) which arise as a result of such contamination. The obligations of Tenant under this Section 6 shall survive the expiration or earlier termination of the Lease.

6.3 ***Sale Agreement.*** Except as specifically set forth herein, nothing in this Lease shall modify, alter or limit the obligations of Landlord or Tenant under Section 10 of the Sale Agreement.

7. Condition of Premises; Maintenance, Repairs and Alterations

7.1 ***Existing Conditions.*** Tenant accepts the Premises in its condition as of the execution of the Lease, "AS-IS" subject to all recorded matters, laws, ordinances and governmental regulations and orders. Except as provided herein, Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation as to the condition of the Premises or the suitability of the Premises for Tenant's intended use. Tenant represents that Tenant has made its own inspection of and inquiry regarding the condition of the Premises and is not relying on any representations of Landlord with respect thereto.

7.2 ***Exemption of Landlord from Liability.*** Landlord shall not be liable for any damage or injury to person, business (or any loss of income therefrom), goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers or any other person in or about the Premises, whether such damage or injury is caused by or results from: (a) fire, steam, electricity, water, gas or rain; (b) the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures or any other cause; (c) conditions arising in or about the Premises, or from other sources or places; or (d) any act or omission of any other tenant or subtenant of the Premises. Landlord shall not be liable for any such damage or injury even though the cause of or the means of repairing such

damage or injury are not accessible to Tenant. The provisions of this Section 7.2 shall not, however, exempt Landlord from liability for Landlord's gross negligence or willful misconduct.

7.3 ***Landlord's Obligations***. Subject to the provisions of Section 8 and Section 9, Landlord shall have absolutely no responsibility to repair, maintain or replace any portion of the Premises at any time. Tenant waives the benefit of any present or future law which might give Tenant the right to repair the Premises at Landlord's expense or to terminate the Lease due to the condition of the Premises.

7.4 ***Tenant's Obligations.***

(a) Except as provided in Section 8 and Section 9, Tenant shall keep all portions of the Premises (including structural, nonstructural, interior, exterior and landscaped areas, portions, systems and equipment) in good order, condition and repair (including interior repainting and refinishing, as needed). If any portion of the Premises or any system or equipment in the Premises which Tenant is obligated to repair cannot be fully repaired or restored, Tenant shall promptly replace such portion of the Premises or system or equipment in the Premises. If any part of the Premises is damaged by any act or omission of Tenant, Tenant shall pay Landlord the cost of repairing or replacing such damaged property, whether or not Landlord would otherwise be obligated to pay the cost of maintaining or repairing such property. It is the intention of Landlord and Tenant that at all times Tenant shall maintain the portions of the Premises which Tenant is obligated to maintain in a fully operative condition.

(b) Tenant shall fulfill all of Tenant's obligations under this Section 7.4 at Tenant's sole expense. If Tenant fails to maintain, repair or replace the Premises as required by this Section 7.4, Landlord may, upon ten days' prior notice to Tenant (except that no notice shall be required in the case of an emergency), enter the Premises and perform such maintenance or repair (including replacement, as needed) on behalf of Tenant. In such case, Tenant shall reimburse Landlord for all costs incurred in performing such maintenance or repair immediately upon demand.

7.5 ***Alterations, Additions and Improvements.***

(a) Tenant may make any alterations, additions or improvements to the Premises without Landlord's prior written consent so long as such alterations are consistent with (i) the operation of the Premises for the Permitted Uses, (ii) the Use Restrictions and (iii) the Swan Island Industrial Park Standards for Development dated September 24, 1976 as revised in April 1994 (the "Development Standards"). All alterations, additions and improvements shall be done in a good and workmanlike manner, in conformity with all applicable laws and regulations.

(b) Tenant shall pay when due all claims for labor and material furnished to the Premises. Landlord may elect to record and post notices of non-responsibility on the Premises.

7.6 ***Condition upon Termination***. Upon the termination of the Lease, Tenant shall surrender the Premises to Landlord, in the same condition as received except for ordinary wear and tear which Tenant was not otherwise obligated to remedy under any provision of this Lease. However, Tenant shall not be obligated to repair any damage which Landlord is required to repair under Section 8. All alterations, additions and improvements shall become Landlord's

property and shall be surrendered to Landlord upon the expiration or earlier termination of the Lease, except that Tenant may remove any machinery or equipment owned by Tenant which can be removed without material damage to the Premises. Tenant shall repair, at Tenant's expense, any damage to the Premises caused by the removal of any such machinery or equipment. In no event, however, shall Tenant remove any of the following materials or equipment (which shall be deemed Landlord's property) without Landlord's prior written consent (i) the equipment listed on Exhibit B attached hereto; (ii) any power wiring or power panels; (iii) lighting or lighting fixtures; (iv) wall coverages, drapes, blinds or other window coverings; (v) carpets or other floor coverings; (vi) heaters, air conditioners or any other heating or air conditioning equipment; (vii) fencing or security gates; or (viii) other similar building operating equipment and decorations.

8. Damage or Destruction

8.1 *Partial Damage to Premises.*

(a) If the Premises is only partially damaged (i.e., less than 50 percent of the Premises is untenantable as a result of such damage or less than 50 percent of Tenant's operations are materially impaired) and if the proceeds received by Landlord from the insurance policies described in Section 4.5(b) are sufficient to pay for the necessary repairs, this Lease shall remain in effect and Landlord shall repair the damage to the Premises, but not to Tenant's fixtures, equipment or improvements.

(b) If the insurance proceeds received by Landlord are not sufficient to pay the entire cost of repair, or if the cause of the damage is not covered by the insurance policies which Landlord maintains under Section 4.5(b), Landlord may elect either to (i) repair the damage as soon as reasonably possible, in which case this Lease shall remain in full force and effect, or (ii) terminate this Lease as of the date the damage occurred. Landlord shall notify Tenant within 30 days after receipt of notice of the occurrence of the damage whether Landlord elects to repair the damage or terminate the Lease. If Landlord elects to repair the damage, Tenant shall pay Landlord the "deductible amount" (if any) under Landlord's insurance policies and, if the damage was due to an act or omission of Tenant, or Tenant's employees, agents, contractors or invitees, the difference between the actual cost of repair any insurance proceeds received by Landlord. If Landlord elects to terminate the Lease, Tenant may elect to continue this Lease in full force and effect, in which case Tenant shall repair any damage to the Premises and any building in which the Premises is located. Tenant shall pay the cost of such repairs, except that upon satisfactory completion of such repairs, Landlord shall deliver to Tenant any insurance proceeds received by Landlord for the damage repaired by Tenant. Tenant shall give landlord written notice of such election within ten days after receiving Landlord's termination notice.

(c) If the damage to the Premises occurs during the last six months of the Lease Term and such damage will require more than 30 days to repair, either Landlord or Tenant may elect to terminate this Lease as of the date the damage occurred, regardless of the sufficiency of any insurance proceeds. The party electing to terminate this Lease shall give written notification to the other party of such election within 30 days after Tenant's notice to Landlord of the occurrence of the damage.

8.2 ***Substantial or Total Destruction***. If the Premises is substantially or totally destroyed by any cause whatsoever (i.e., the damage to the Premises is greater than partial damage as described in Section 8.1) and regardless of whether Landlord receives any insurance proceeds, this Lease shall terminate as of the date the destruction occurred. Notwithstanding the preceding sentence, if the Premises can be rebuilt within one year after the date of destruction, Landlord may elect to rebuild the Premises at Landlord's own expense, in which case this Lease shall remain in full force and effect. Landlord shall notify Tenant of such election within 30 days after Tenant's notice of the occurrence of total or substantial destruction. If the damage was caused by an act or omission of Tenant, Tenant shall pay Landlord the difference between the actual cost of rebuilding and any insurance proceeds received by Landlord.

8.3 ***No Abatement of Rent***. There shall be no abatement of Rent or any other obligation of Tenant hereunder by reason of any damage or destruction of the Premises. .

8.4 ***Waiver***. Tenant waives the protection of any statute, code or judicial decision which grants a tenant the right to terminate a lease in the event of the substantial or total destruction of the leased property. Tenant agrees that the provisions of this Section 8 shall govern the rights and obligations of Landlord and Tenant in the event of any substantial or total destruction of Premises.

9. Condemnation

If all or any portion of the Premises is taken under the power of eminent domain or sold under the threat of that power (all of which are called "Condemnation"), this Lease shall terminate as to the part taken or sold on the date the condemning authority takes title or possession, whichever occurs first. If so much of the Premises is taken such that, in Landlord's and Tenant's reasonable judgment, the Premises are no longer suitable for the conduct of the Permitted Uses, Landlord may terminate this Lease as of the date condemning authority takes title or possession, by delivering written notice to Tenant within ten days after receipt of written notice of such taking (or in the absence of such notice, within ten days after the condemning authority takes title or possession). If Landlord does not terminate this Lease, this Lease shall remain in effect as to the portion of the Premises not taken, except that the Base Rent and Additional Rent shall be reduced in proportion to the reduction in the area of the Premises. Any Condemnation award or payment shall be distributed in the following order: (a) first, to any ground lessor, mortgagee or beneficiary under a deed of trust encumbering the Premises, the amount of its interest in the Premises; (b) second, to Tenant, only the amount of any award specifically designated for loss of or damage to Tenant's trade fixtures or removable personal property; and (c) third, to Landlord, the remainder of such award, whether as compensation for reduction in the value of the leasehold, the taking of the fee or otherwise. If this Lease is not terminated, Landlord shall repair any damage to the Premises caused by the Condemnation, except that Landlord shall not be obligated to repair any damage for which Tenant has been reimbursed by the condemning authority. If the severance damages received by Landlord are not sufficient to pay for such repair, Landlord shall have the right to either terminate this Lease or make such repair at Landlord's expense.

10. Assignment and Subletting

10.1 ***Landlord's Consent Required***. No portion of the Premises or of Tenant's interest in this Lease may be acquired by any other person or entity, whether by sale,

assignment, mortgage, sublease, transfer, operation of law or act of Tenant, without Landlord's prior written consent. Landlord has the right to grant or withhold its consent as provided in Section 10.3 below.

10.2 ***No Release of Tenant.*** No transfer permitted by this Section 10, whether with or without Landlord's consent, shall release Tenant or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Landlord's acceptance of rent from any other person is not a waiver of any provision of this Section 10. Consent to one transfer is not a consent to any subsequent transfer. If Tenant's transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may consent to subsequent assignments or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant's liability under this Lease.

10.3 ***Landlord's Consent.*** Tenant's request for consent to any transfer described in Section 10.1 shall set forth in writing the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (e.g., the term of the rent and security deposit payment under any proposed assignment or sublease) and any other information Landlord deems relevant. Landlord shall have the right to withhold consent, if reasonable, or to grant consent, based on the following facts: (i) the business of the proposed assignee or subtenant and the proposed use of the Premises; (ii) the net worth and financial reputation of the proposed assignee or subtenant; (iii) Tenant's compliance with all of its obligations under the Lease; (iv) the reputation, character and past performance of the prospective transferee; (v) Landlord's ability to obtain the consent of the Port and Landlord's secured lender (if such consent is required); and (vi) such other factors as Landlord may reasonably deem relevant.

10.4 ***Sublease.*** Notwithstanding the provisions of this Section 10, Tenant may sublease portions of the Premises without Landlord's prior written consent so long as (i) the subleased premises as to each sublease do not exceed 150,000 square feet, (ii) the subtenant uses the Premises for a use consistent with the Permitted Uses described in Section 1.6 above, (iii) the consent of the Port and/or Landlord's secured lender is not required, and (iv) the subtenant agrees to be bound by all the terms and conditions of this Lease including, without limitation, all of those matters described in Section 5.2 above.

10.5 ***No Merger.*** No merger shall result from Tenant's sublease of the Premises under this Section 10, Tenant's surrender of this Lease or the termination of this Lease in any other manner. In any such event, Landlord may terminate any or all subtenancies or succeed to the interest as sublandlord under any or all subtenancies.

11. Defaults; Remedies

11.1 ***Covenants and Conditions.*** Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as covenant. Tenant's right to continue in possession of the Premises is conditioned upon such performance. Time is of the essence in the performance of all covenants and conditions.

11.2 ***Defaults.*** Tenant shall be in material default under this Lease:

(a) If Tenant abandons the Premises or if Tenant's vacation of the Premises results in the cancellation of any insurance described in Section 4.5;

(b) If Tenant fails to pay rent or any other charge within 15 days of when due;

(c) If Tenant fails to perform any of Tenant's nonmonetary obligations under this Lease for a period of 30 days after written notice from Landlord; provided that if more than 30 days are required to complete such performance, Tenant shall not be in default if Tenant commences such performance within the 30-day period and thereafter diligently pursues its completion. This section is intended to satisfy any and all notice requirements imposed by law on Landlord and is not in addition to any such requirement.

(d) If Tenant is in default under (i) the Promissory Note dated August 23, 2000 between Tenant as maker and Landlord, as payee or any documents securing the Promissory Note (including, without limitation, failure to comply with the Use Restrictions or the Development Standards), or (ii) any of the Assumed Contracts.

(e) (i) If Tenant makes a general assignment or general arrangement for the benefit of creditors; (ii) if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within 30 days; (iii) if a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises or if Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure which is not discharged within 30 days. If a court of competent jurisdiction determines that any of the acts described in this Section 11.2(e) is not a default under this Lease and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive as Additional Rent, the excess, if any, of the rent (or any other consideration) paid in connection with such assignment or sublease over the rent payable by Tenant under this Lease.

11.3 ***Remedies***. On the occurrence of any material default by Tenant, Landlord may, at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including (i) the worth at the time of the award of the unpaid Base Rent, Additional Rent and other charges which Landlord had earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Landlord would have earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Tenant would have paid for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform is obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or

expenses Landlord incurs in maintaining or preserving the Premises after such default, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation or alteration of the Premises, Landlord's reasonable attorney fees incurred in connection therewith and any real estate commission paid or payable. As used in subparts (i) and (ii) above, the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of 15 percent per annum, or such lesser amount as may then be the maximum lawful rate. As used in subpart (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent. If Tenant has abandoned the Premises, Landlord shall have the option of (i) retaking possession of the Premises and recovering from Tenant the amount specified in this Section 11.3(a), or (ii) proceeding under Section 11.3(b);

(b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due.

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Premises is located.

11.4 ***Cumulative Remedies.*** Landlord's exercise of any right or remedy shall not prevent it from exercising any other right or remedy.

11.5 ***Loan Agreement.*** In addition to the rights of Landlord set forth in this Section 11, in the event a default occurs and is continuing under the Master Loan Agreement by and among Landlord, Lender, Cammell Laird Pacific, Inc. and Tenant dated August 23, 2000, Lender (and Lender's successors and assigns) may, at its option and upon written notice to Landlord and Tenant (but subject to any notice and cure rights set forth in the Master Loan Agreement or related documents), terminate this Lease, and Lender is an intended third party beneficiary of this Lease.

12. Protection of Lenders

12.1 ***Subordination.*** Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust or mortgage encumbering the Premises, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded. Tenant shall cooperate with Landlord and any lender which is acquiring a security interest in the Premises or the Lease. Tenant shall execute such further documents and assurances as such lender may require, provided that Tenant's obligations under this Lease shall not be increased in any material way (the performance of ministerial acts shall not be deemed material). If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage or the date of recording thereof.

12.2 ***Signing of Documents.*** Tenant shall sign and deliver any instrument or documents necessary or appropriate to evidence any such attornment or subordination or agreement to do so. If Tenant fails to do so within ten days after written request, Tenant hereby

makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the attorney-in-fact of Tenant to execute and deliver any such instrument or document.

12.3 ***Estoppel Certificates.***

(a) Upon Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been cancelled or terminated; (iii) the last date of payment of the Base Rent and other charges and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why); and (v) such other representations or information with respect to Tenant or the Lease as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Premises may require. Tenant shall deliver such statement to Landlord within ten days after Landlord's request. Landlord may give any such statement by Tenant to any prospective purchaser or encumbrancer of the Premises. Such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

(b) If Tenant does not deliver such statement to Landlord within such ten-day period, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been cancelled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's Base Rent, Additional Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under the Lease. In such event, Tenant shall be estopped from denying the truth of such facts.

13. Legal Costs

13.1 ***Legal Proceedings.*** If any action for breach of or to enforce the provisions of this Lease is commenced, the prevailing party shall be entitled to recover from the losing party the prevailing party's reasonable attorney fees and costs incurred in such action, at trial or on any appeal. Tenant shall also indemnify Landlord against and hold Landlord harmless from all costs, expenses, demands and liability Landlord may incur if Landlord becomes or is made a party to any claim or action (a) instituted by Tenant against any third party, or by any third party against Tenant, or by or against any person holding any interest under or using the Premises by license of or agreement with Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding. Tenant shall defend Landlord against any such claim or action at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs Landlord incurs in any such claim or action.

13.2 ***Landlord's Consent.*** Tenant shall pay Landlord's reasonable attorney fees incurred in connection with Tenant's request for Landlord's consent under Section 10, or in connection with any other act which Tenant proposes to do and which requires Landlord's consent.

14. Miscellaneous Provisions

14.1 ***Nondiscrimination***. Tenant promises, and it is a condition to the continuance of this Lease, that there will be no discrimination against, or segregation of, any person or group on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing, transferring, occupancy, tenure or use of the Premises or any portion thereof.

14.2 ***Landlord's Liability; Certain Duties.***

(a) As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Premises or the leasehold estate under a ground lease of the Premises at the time in question. Each Landlord is obligated to perform the obligations of Landlord under this Lease only during the time such Landlord owns such interest or title. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of transfer. However, each Landlord shall deliver to its transferee all funds that Tenant previously paid if such funds have not yet been applied under the terms of this Lease.

(b) Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor, mortgagee or beneficiary under any deed of trust encumbering the Premises whose name and address have been furnished to Tenant in writing. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee or beneficiary) fails to cure such nonperformance within 30 days after receipt of Tenant's notice. However, if such nonperformance reasonably requires more than 30 days to cure, Landlord shall not be in default if such cure is commenced within such 30-day period and thereafter diligently pursued to completion.

(c) Notwithstanding any term or provision herein to the contrary, the liability of Landlord for the performance of its duties and obligations under this Lease is limited to Landlord's interest in the Premises and neither the Landlord nor its partners, shareholders, officers or other principals shall have any personal liability under this Lease.

14.3 ***Severability***. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

14.4 ***Interpretation***. The captions of the sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms of provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Premises with Tenant's expressed or implied permission. No rule of interpretation which construes ambiguities against a party drafting a document shall apply to the interpretation of this Lease.

14.5 ***Incorporation of Prior Agreements; Modifications***. This Lease is the only agreement between the parties pertaining to the lease of the Premises and no other

agreements are effective. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

14.6 ***Notices.*** All notices required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid. Notices to Tenant shall be delivered to the address specified in Section 1.3. Notices to Landlord shall be delivered to the address specified in Section 1.2 above. All notices shall be effective upon delivery if personally delivered or one day after mailing, if mailed. Either party may change its notice address upon written notice to the other party.

14.7 ***Waivers.*** All waivers must be in writing and signed by the waiving party. Landlord's failure to enforce any provision of this Lease or its acceptance of rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

14.8 ***No Recordation.*** Tenant shall not record this Lease without prior written consent from Landlord. However, either Landlord or Tenant may require that a "Short-Form" memorandum of this Lease executed by both parties be recorded. The party requiring such recording shall pay all transfer taxes and recording fees.

14.9 ***Binding Effect; Choice of Law.*** This Lease binds any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. The laws of the state in which the Premises is located shall govern this Lease.

14.10 ***Corporate Authority; Partnership Authority.*** If Tenant is a corporation, each person signing this Lease on behalf of Tenant represents and warrants that he has full authority to do so and that this Lease binds the corporation.

14.11 ***Consent of Port.*** In the event any action of Tenant with respect to the Premises requires the approval of the Port under the Sale Agreement or the Use Restrictions, Tenant will (i) give written notice of such action, and (ii) obtain the consent of the Port at Tenant's sole cost and expense.

14.12 ***Force Majeure.*** If Landlord or Tenant cannot perform any of their obligations due to events beyond the party's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond Landlord's or Tenant's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, government regulation or restriction and weather conditions.

14.13 ***Execution of Lease.*** This Lease may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument.

14.14 ***Survival.*** All representations and warranties of Landlord and Tenant shall survive the termination of this Lease.

15. Brokers

15.1 ***Agency Disclosure; No Brokers.*** Landlord and Tenant each warrant that they have dealt with no real estate broker(s) in connection with this transaction.

LANDLORD

PORTLAND SHIPYARD LLC, an Oregon limited liability company

Signed on August 23, 2000 at Portland, Oregon.

By _____
Its President

TENANT

CASCADE GENERAL, INC., an Oregon corporation

Signed on August 23, 2000 at Portland, Oregon.

By _____
Its President

030386\00001\340242 V008

EXHIBIT A

LAND LEGAL DESCRIPTION
PORT OF PORTLAND – CASCADE GENERAL

A TRACT OF LAND SITUATED IN THE SOUTH ONE-HALF OF SECTION 17,THE SOUTHEAST ONE-QUARTER OF SECTION 18, AND THE NORTHWEST ONE-QUARTER OF SECTION 20, TOWNSHIP 1 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN, IN THE CITY OF PORTLAND, COUNTY OF MULTNOMAH AND THE STATE OF OREGON, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT WHICH IS 1,262.39 FEET WEST AND 859.49 FEET SOUTH OF THE NORTHEAST CORNER OF SAID SECTION 20 SAID POINT BEING A CENTERLINE ANGLE POINT OF N. LAGOON AVENUE; THENCE, ALONG THE CENTERLINE OF N. LAGOON AVENUE, NORTH 52°30'00" WEST, 695.12 FEET; THENCE NORTH 37°30'00" EAST, 40.00 FEET TO A POINT ON THE NORTHEASTERLY RIGHT-OF-WAY LINE OF N. LAGOON AVENUE AT THE MOST WESTERLY CORNER OF THAT TRACT OF LAND RECORDED MARCH 20, 1967 IN DEED BOOK 552, PAGE 1034, MULTNOMAH COUNTY DEED RECORDS; THENCE, CONTINUING ALONG SAID RIGHT-OF-WAY LINE, NORTH 52°30'00" WEST, 688.03 FEET TO THE **TRUE POINT OF BEGINNING**; THENCE, CONTINUING ALONG THE NORTHEASTERLY RIGHT-OF-WAY LINE OF N. LAGOON AVE., NORTH 52°30'00" WEST, 699.69 FEET TO A POINT OF INTERSECTION WITH THE NORTHEASTERLY EXTENSION OF THE NORTHWESTERLY RIGHT-OF-WAY LINE OF N. DOLPHIN ST.; THENCE, ALONG THE EXTENSION OF SAID RIGHT-OF- WAY LINE, SOUTH 37°30'00" WEST, 118.00 FEET TO A POINT-OF-NON-TANGENCY AT THE INTERSECTION OF N. DOLPHIN STREET AND THE SOUTHERLY RIGHT-OF-WAY LINE OF THAT PORTION OF N. LAGOON AVENUE VACATED IN CITY OF PORTLAND ORDINANCE NO. 153166, RECORDED JUNE 21, 1985, DEED BOOK 1832, PAGE 670-675, MULTNOMAH COUNTY DEED RECORDS; THENCE, DEPARTING SAID N. DOLPHIN STREET AND RUNNING ALONG THE SOUTHERLY RIGHT-OF-WAY LINE OF SAID VACATED N. LAGOON AVENUE THE FOLLOWING FIVE (5) COURSES: 1) THENCE 59.69 FEET ALONG THE ARC OF A 38.00-FOOT RADIUS CURVE TO THE LEFT, CONCAVE TO THE WEST, THROUGH A CENTRAL ANGLE OF 90°00'00" (THE LONG CHORD BEARS NORTH 07°30'00" WEST, 53.74 FEET); 2) THENCE NORTH 52°30'00" WEST, 654.91 FEET; 3) THENCE NORTH 37°30'00" EAST, 10.00 FEET; 4) THENCE NORTH 52°30'00" WEST, 323.19 FEET TO A POINT-OF-CURVATURE; 5) THENCE, 158.44 FEET ALONG THE ARC OF A 788.51-FOOT RADIUS CURVE TO THE LEFT, CONCAVE TO THE SOUTH, THROUGH A CENTRAL ANGLE OF 11°30'47" (THE LONG CHORD BEARS NORTH 58°15'23" WEST, 158.18 FEET) TO A POINT-OF-NON-TANGENCY; THENCE, DEPARTING SAID VACATED RIGHT-OF-WAY LINE AND RUNNING ALONG THE WESTERLY LINE OF THAT TRACT OF LAND DESCRIBED IN DEED TO NORTHWEST MARINE IRONWORKS, INC., RECORDED DECEMBER 13, 1982, DEED BOOK 1633, PAGE 543, MULTNOMAH COUNTY DEED RECORDS, SOUTH 15°32'47" WEST, 948.46 FEET TO THE NORTHERLY RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE (40.00 FEET FROM CENTERLINE); THENCE, ALONG THE RIGHT OF WAY LINE OF SAID N. CHANNEL AVENUE THE FOLLOWING FIVE (5) COURSES: 1) THENCE NORTH 75°18'23" WEST, 147.62 FEET; 2) THENCE SOUTH 14°41'37" WEST, 80.00 FEET TO A POINT-OF-NON-TANGENCY; 3) THENCE 144.21 FEET ALONG THE ARC OF A 58.00 FOOT NON-TANGENT RADIUS CURVE TO THE

LEFT, CONCAVE TO THE NORTH, THROUGH A CENTRAL ANGLE OF 142°27'26" (THE LONG CHORD BEARS SOUTH 67°58'56" EAST, 109.83 FEET) TO A POINT OF REVERSE CURVATURE; 4) THENCE 27.88 FEET ALONG THE ARC OF A 25.00-FOOT RADIUS CURVE TO THE RIGHT, CONCAVE TO THE SOUTH, THROUGH A CENTRAL ANGLE OF 63°54'10" (THE LONG CHORD BEARS NORTH 72°44'39" EAST, 26.46 FEET) TO A POINT-OF-TANGENCY; 5) THENCE SOUTH 75°18'23" EAST, 206.81 FEET TO A POINT-OF-INTERSECTION WITH THE SOUTH RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE AND THE NORTHERLY PROJECTION OF THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314; THENCE, DEPARTING SAID N. CHANNEL AVENUE RIGHT-OF-WAY LINE AND RUNNING ALONG SAID NORTHERLY PROJECTION, SOUTH 36°31'18" WEST, 271.29 FEET MORE OR LESS TO A POINT ON THE ORDINARY HIGH WATER LINE OF THE WILLAMETTE RIVER (ESTABLISHED AT NGVD 29/47 ELEVATION 17.00 FEET ABOVE MEAN SEA LEVEL); THENCE, ALONG THE ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 4.13 FEET TO THE RIVERSIDE FACE OF AN EXISTING CONCRETE RETAINING WALL; THENCE, ALONG SAID RETAINING WALL, NORTH 53°28'42" WEST, 1843.21 FEET TO THE END OF SAID RETAINING WALL; THENCE, CONTINUING ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING ELEVEN (11) COURSES, 1) THENCE NORTH 20°38'22"WEST, 30.58 FEET; 2) THENCE NORTH 27°24'49" EAST, 65.83 FEET; 3) THENCE NORTH 37°39'44" EAST, 73.19 FEET; 4) THENCE NORTH 25°27'22" EAST, 84.57 FEET; 5) THENCE NORTH 03°40'06" WEST, 80.02 FEET; 6) THENCE NORTH 03°08'50" EAST, 88.88 FEET; 7) THENCE NORTH 18°33'02" EAST, 97.19 FEET; 8) THENCE NORTH 42°50'55" EAST, 34.66 FEET; 9) THENCE NORTH 81°50'18" EAST, 53.67 FEET; 10) THENCE SOUTH 74°56'21" EAST, 414.25 FEET; 11) THENCE NORTH 45°23'27" EAST, 34.05 FEET TO A RETAINING WALL/CELL LINE; THENCE, ALONG SAID CELL LINE THE FOLLOWING ELEVEN (11) COURSES: 1) THENCE NORTH 15°21'35" EAST, 201.00 FEET; 2) THENCE SOUTH 74°38'25" EAST, 57.98 FEET; 3) THENCE NORTH 60°21'35" EAST, 38.14 FEET; 4) THENCE NORTH 15°21'35" EAST, 43.50 FEET; 5) THENCE NORTH 29°38'25" WEST, 33.27 FEET; 6) THENCE NORTH 74°38'25" WEST, 62.28 FEET; 7) THENCE NORTH 16°29'56" EAST, 409.89 FEET; 8) THENCE SOUTH 75°31'20" EAST, 200.46 FEET TO A POINT-OF-NON-TANGENCY (THE RADIAL BEARING BEING SOUTH 13°22'07" WEST) ; 9) THENCE 84.45 FEET ALONG THE ARC OF A 205.00 NON-TANGENT RADIUS CURVE TO THE RIGHT, CONCAVE TO THE SOUTHWEST, THROUGH A CENTRAL ANGLE OF 23°36'12" (THE LONG CHORD BEARS SOUTH 64°49'47" EAST, 83.85 FEET) TO A POINT OF NON-TANGENCY (THE RADIAL BEARING BEING SOUTH 36°58'19" WEST); 10) THENCE SOUTH 53°08'15" EAST, 56.69 FEET; 11) THENCE SOUTH 36°48'33"WEST, 50.81 FEET TO A POINT ON THE LAGOON SIDE FACE OF A CONCRETE RETAINING WALL; THENCE, ALONG THE FACE OF SAID RETAINING WALL, SOUTH 52°27'04" EAST, 1504.65 FEET TO THE END OF SAID RETAINING WALL; THENCE, ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING SIX (6) COURSES: 1) SOUTH 18°13'01" WEST, 9.64 FEET; 2) THENCE SOUTH 55°59'25" EAST, 228.49 FEET; 3) THENCE SOUTH 47°33'08" EAST, 207.85 FEET; 4) THENCE SOUTH 66°22'48" EAST, 69.65 FEET; 5) THENCE SOUTH 51°51'06" EAST, 329.79 FEET; 6) THENCE SOUTH 52°55'19" EAST, 606.49 FEET; THENCE, DEPARTING SAID ORDINARY HIGH WATER LINE, SOUTH 37°30'00" WEST 59.01 FEET; THENCE NORTH 52°30'00" WEST, 101.55 FEET; THENCE SOUTH 36°00'00" WEST, 108.52 FEET TO THE TRUE POINT OF BEGINNING, CONTAINING 56.61 ACRES MORE OR LESS.

SUBJECT TO THOSE EASEMENTS RECORDED IN DEED BOOK 1633, PAGE 456 AND 458, BOOK 2007, PAGE 122, BOOK 2048, PAGE 408, BOOK 2129, PAGE 524, BOOK 91, PAGE 407,

BOOK 1055, PAGE 479, BOOK 1183, PAGE 1202, BOOK 1214, PAGE 713, BOOK 1308, PAGE 792, AND BOOK 1832, PAGE 670 MULTNOMAH COUNTY DEED RECORDS.

THE BEARINGS IN THIS DESCRIPTION ARE BASED UPON PRIVATE SURVEY NO. 56596 (W.B. WELLS & ASSOCIATES, INC. SURVEY), MULTNOMAH COUNTY SURVEY RECORDS.

EXHIBIT B

SUBMERGED LANDS DESCRIPTION
PORT OF PORTLAND – CASCADE GENERAL

A TRACT OF LAND SITUATED IN THE SOUTH ONE-HALF OF SECTION 17,THE SOUTHEAST ONE-QUARTER OF SECTION 18, AND THE NORTHWEST ONE-QUARTER OF SECTION 20, TOWNSHIP 1 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN, IN THE CITY OF PORTLAND, MULTNOMAH COUNTY, OREGON, DESCRIBED AS FOLLOWS:

COMMENCING AT A 5/8-INCH DIAMETER IRON ROD WITH YELLOW PLASTIC CAP STAMPED "PORT OF PORTLAND" ON THE SOUTHERLY RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE AT THE INTERSECTION WITH THE NORTHERLY PROJECTION OF THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314, FROM WHICH THE NORTHEAST CORNER OF SECTION 20 BEARS SOUTH 89°19'16" EAST, 3964.16 FEET; THENCE, ALONG SAID NORTHERLY PROJECTION, SOUTH 36°31'18" WEST, 271.29 FEET TO A POINT ON THE ORDINARY HIGH WATER LINE OF THE WILLAMETTE RIVER SITUATED IN THE NORTH ONE-HALF OF SECTION 20 AND THE WEST ONE-HALF OF SECTION 21, TOWNSHIP 1 NORTH, RANGE 1 EAST, WILLAMETTE MERIDIAN, CITY OF PORTLAND, COUNTY (ESTABLISHED AT NGVD 29/47 ELEVATION 17.0 FEET ABOVE MEAN SEA LEVEL) AND THE TRUE POINT-OF-BEGINNING OF THE PARCEL TO BE DESCRIBED; THENCE, ALONG SAID ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 4.13 FEET TO THE RIVERSIDE FACE OF AN EXISTING CONCRETE RETAINING WALL; THENCE, ALONG SAID RETAINING WALL, NORTH 53°28'42" WEST, 1843.21 FEET TO THE END OF SAID RETAINING WALL; THENCE, CONTINUING ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING ELEVEN (11) COURSES, 1) THENCE NORTH 20°38'22"WEST, 30.58 FEET; 2) THENCE NORTH 27°24'49" EAST, 65.83 FEET; 3) THENCE NORTH 37°39'44" EAST, 73.19 FEET; 4) THENCE NORTH 25°27'22" EAST, 84.57 FEET; 5) THENCE NORTH 03°40'06" WEST, 80.02 FEET; 6) THENCE NORTH 03°08'50" EAST, 88.88 FEET; 7) THENCE NORTH 18°33'02" EAST, 97.19 FEET; 8) THENCE NORTH 42°50'55" EAST, 34.66 FEET; 9) THENCE NORTH 81°50'18" EAST, 53.67 FEET; 10) THENCE SOUTH 74°56'21" EAST, 414.25 FEET; 11) THENCE NORTH 45°23'27" EAST, 34.05 FEET TO A RETAINING WALL/CELL LINE; THENCE, ALONG SAID CELL LINE THE FOLLOWING SEVEN (7) COURSES: 1) THENCE NORTH 15°21'35" EAST, 201.00 FEET; 2) THENCE SOUTH 74°38'25" EAST, 57.98 FEET; 3) THENCE NORTH 60°21'35" EAST, 38.14 FEET; 4) THENCE NORTH 15°21'35" EAST, 43.50 FEET; 5) THENCE NORTH 29°38'26" WEST, 33.27 FEET; 6) THENCE NORTH 74°38'25" WEST, 62.28 FEET; 7) THENCE NORTH 16°29'56" EAST, 201.50 FEET; THENCE, DEPARTING SAID RETAINING WALL / CELL LINE, NORTH 74°38'25" WEST, 922.99 FEET TO A POINT ON THE EXISTING WILLAMETTE RIVER HARBOR LINE AS ESTABLISHED BY THE U.S. ARMY CORPS OF ENGINEERS IN A DOCUMENT DATED FEBRUARY 23, 1968; THENCE ALONG SAID HARBOR LINE SOUTH 74°24'03" WEST, 808.98 FEET TO HABOR LINE MONUMENT # 59A, WHICH IS DESCRIBED IN PORT OF PORTLAND ORDINANCE #287; THENCE SOUTH 40°00'26" WEST, 689.07 FEET TO A POINT THAT IS 350.00 FEET PARALLEL WITH AND RIVERWARD OF THE SWAN ISLAND WHARF AT BERTHS 312, 313 AND 314; THENCE, ALONG A LINE THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF SAID WHARF, SOUTH 52°54'43" EAST, 3166.59 FEET; THENCE SOUTH

36°32'33" WEST, 78.68 FEET TO A POINT THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF THE EXISTING FACE OF DOLPHINS AT LAY BERTH 315; THENCE, ALONG A LINE THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF SAID FACE OF DOLPHINS, SOUTH 53°27'30" EAST, 7.76 FEET TO A POINT OF INTERSECTION WITH A LINE THAT IS 4.00 FEET SOUTHERLY OF WHEN MEASURED AT RIGHT ANGLES AND PARALLEL WITH THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314; THENCE, ALONG SAID LINE, NORTH 36°31'18" EAST, 567.30 FEET TO A POINT ON SAID ORDINARY HIGH WATER LINE; THENCE, ALONG SAID ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 12.42 FEET TO THE POINT OF BEGINNING, CONTAINING 60.80 ACRES MORE OR LESS.

THE BEARINGS IN THIS DESCRIPTION ARE BASED UPON PRIVATE SURVEY NO. 56596 (W.B. WELLS & ASSOCIATES, INC. SURVEY), MULTNOMAH COUNTY SURVEY RECORDS.

EXHIBIT C

DRY DOCKS

Floating Dry Dock No. 3 - Built by Gunderson Brothers, 661 feet in length, 140 feet in width, and 61 feet in depth.

Floating Dry Dock No. 4 - Built by Ishikawajima-Harima Heavy Industries Co., Ltd., Tokyo, Japan, having hull number F103, 982 feet in length, 228 feet in width, and 73 feet in depth.

EXHIBIT D-1

Equipment - Bond-Financed, Warranted

Crane 11 - Hitachi
Crane 12 - Hitachi
Crane 14 - Hitachi
Crane 15 - Hitachi
Crane 16 - Hitachi
Crane 17 - Hitachi
SRY #11 - '78 CATERPILLAR LIFT TRUCK
SRY #12 - '79 CATERPILLAR LIFT TRUCK
T-2 50KVA LOADCENTER
T-3 50KVA LOADCENTER
T-4 50KVA LOADCENTER
T-5 50KVA LOADCENTER
T-6 50KVA LOADCENTER
T-7 50KVA LOADCENTER
T-8 50KVA LOADCENTER
T-9 50KVA LOADCENTER
T-10 50KVA LOADCENTER
T-11 50KVA LOADCENTER
T-12 50KVA LOADCENTER
T-14 50KVA LOADCENTER
T-15 50KVA LOADCENTER
T-16 50KVA LOADCENTER
T-17 50KVA LOADCENTER
T-18 50KVA LOADCENTER
12-1 1000KVA LOADCENTER
12-2 1000KVA LOADCENTER
12-4 1000KVA LOADCENTER
4-1 330KVA LOADCENTER
4-2 330KVA LOADCENTER
4-3 330KVA LOADCENTER
4-4 330KVA LOADCENTER
4-5 330KVA LOADCENTER
4-6 330KVA LOADCENTER
4-7 330KVA LOADCENTER
4-8 330KVA LOADCENTER
4-9 330KVA LOADCENTER
4-10 330KVA LOADCENTER
4-11 330KVA LOADCENTER
4-12 330KVA LOADCENTER
32-1 2500KVA LOADCENTER

32-2 1000KVA LOADCENTER
32-3 2500KVA LOADCENTER
32-4 2000KVA LOADCENTER
32-5 2000KVA LOADCENTER

EXHIBIT D-2

Equipment - Non Bond-Financed, Warranted

Quantity	Item
	Crane 1 - Washington
	Crane 2 - Washington
	Crane 3 - Washington
	Crane 4 - Washington
	Crane 5 - Washington
	Crane 6 - Washington
	Crane 7 - Washington
	Crane 8 - Washington
	Crane 9 - Clyde
	Crane 10 - American
	Crane 18 - American
	SRY #4 - 80 FT. 1980 JLG
	SRY #10 - AA IT14B CAT LOADER

EXHIBIT D-3

Equipment - Non Bond-Financed, Non Warranted

Quantities and amounts are estimates only. Items sold are limited in quantity and amount to items which are present on the Property (as defined in the Sale Agreement) as of the date of Closing (as defined in the Sale Agreement).

1	Delta 8" Jointer and Base 480 Volt
1	Delta 12" disc. & 6' belt sander with base
1	Rockwell 4' jointer
1	Makita 10' slide compound saw
1	DeWalt radial arm saw
1	1 level & 3 transits
	Best locking systems
	Auto repair tools: tire changer, battery charger, tune up scope
	Solvent tanks (2), hot tank (1)
	Lab equipment
	Graco Senator Airless
	Spider climber, rope, mis. Rope grabs
9 sets	Shore power cables - 4/0 at 250' each
4 sets	Shore power cables - 4/0 at 300' each
1	Greenlee 6000 wire puller and accessories
1	Greenlee 884 Hydraulic pipe bender
1	Greenlee 1818 pipe bender
1	Greenlee 777 hydraulic pipe bender
1	Greenlee 690 blower and vacuum fish tape system
1	Greenlee 911 wire cart
5	15000 watt portable electric heaters
2	Tektronics Oscilloscopes
1	Tektronics cable tester
1	Gould brush recorder
1 set	Shore power cables - 262 KCMIL at 350' each
3 sets	Shore power cables - 262 KCMIL at 250' each
4	Other cables - 2/0 at 250'
	SRY #14 - TOPLINE ELEC. LIFT TRUCK
	ELGIN MEGAWIND SWEEPER
	SRY #44 TANK TRAILER
	SLOP HOSE TRAILER
	MAN BOX SLINGS, STRETCHERS, RIGGINGS
	PERSONAL MONITORING DEVICES
	FIRE HOSES
	RED HEAD FIRE HOSE BOXES
	CLEASBY TAR KETTLE

SRY #65 - CATERPILLAR FORKLIFT
SRY #66 - CATERPILLER FORKLIFT
SRY #67 HYSTER 8000 CHALLENGER
#3 RECTIFIER
#1 1200 AMP ADJ. AUTOTRANSF.
#2 1200 AMP ADJ. AUTOTRANSF.
#3 400 AMP ADJ. AUTOTRANSF.
#1 208 STEPDOWN TRANSF.
#2 230 STEPDOWN TRANSF.
#3 208 STEPDOWN TRANSF.
1500 KVA XFMR (9) SUB 4
2500 KVA TRANSFORMER
OIL BOOM TRAILER #0
OIL BOOM TRAILER #1
LARGE LATHE
SMALL LATHE
DRILL PRESS
LARGE HYDRAULIC PRESS
KALAMAZOO CUT-OFF SAW
KERNEY & TRECKER MILLING MACHINE
GRINDERS & SANDER
RIDGID PIPE THREADER
WELDING MACHINES
DRILL PRESS - LELAND GIFFORD
RADIAL DRILL PRESS
BUFFALO (2) CINCINNATI DRILL PRESS
SHEAR-PECK STOW
PRESS BRAKE, CHICAGO
#1 ½ IRON WORKER, BUFFALO
BANDSAW, MARVEL
BANDSAW, DOALL
CABINET, BEAD BLAST
DRILL PRESS
BENCH GRINDER
LARGE BAND SAW
SMALL BAND SAW
RADIAL ARM SAW
PLANER (SURFACE)
PLANER (THICKNESS)
12-14" TILT ARBOR TABLE SAW
10" TILT ARBOR SAW
WOOD LATHE
WOOD SHAPER

127	Dry Dock 1 Bilge Blocks
87	Dry Dock 1 Keel Blocks

105	Dry Dock 3 Bilge Blocks
6	Dry Dock 3 Saddle Blocks
96	Dry Dock 3 Keel Blocks
65	Small Metal Skiffs
25	Large Metal Skiffs
3	Large Metal Skiffs (sand only)
1	Small Metal Skiff (sand only)
10	Destroyer Bilge Frames (Double frames)
4	Destroyer Bilge Frames (Triple frames)
4	100 Ton Jacks

EXHIBIT D-4

Equipment - Bond-Financed, Non Warranted

Quantities and amounts are estimates only. Items sold are limited in quantity and amount to items which are present on the Property (as defined in the Sale Agreement) as of the date of Closing (as defined in the Sale Agreement).

Quantity	Item
136	Dry Dock 4 Bilge Blocks
3	Dry Dock 4 Bilge Block Empty Concrete Bases
175	Dry Dock 4 Keel Blocks
1	Portable Oil Containment Book 4400'

EXHIBIT D-5

Equipment - Titled Property

LANDA HOT WATER PRESSURE WASHER - 1991 trailer, plate no. E176799, title no. 9206649818

SPILL RESPONSE BOAT - 1994 Alumaweld vessel, hull no. AWB1121OF394, title no. 0400290

RESPONSE BOAT TRAILER - 1994 EZ Loader, plate no. E186905, title no. 9330192916

EXHIBIT E

Trade Names

PSY
PSRY
Portland Shipyard
Portland Ship Repair Yard
CASGEN.com

THE INDEBTEDNESS EVIDENCED BY THIS LEASE IS SUBORDINATE TO THE PRIOR PAYMENT IN FULL OF THE SENIOR LOAN (AS DEFINED IN A MASTER LOAN AND SECURITY AGREEMENT DATED AUGUST 23, 2000 AMONG TRANSAMERICA EQUIPMENT FINANCIAL SERVICES CORPORATION, LANDLORD, TENANT AND OTHERS).

SHIPYARD LEASE
(Portland, Oregon)

1. Basic Terms

This Section 1 contains the Basic Terms of this lease between the Landlord and Tenant named below.

1.1	*Date of Lease*:	August 29, 2000
1.2	*Landlord*:	PORTLAND SHIPYARD LLC, an Oregon limited liability company 5555 North Channel Avenue Portland, OR 97217
1.3	*Tenant*:	CASCADE GENERAL INC., an Oregon corporation 5555 North Channel Avenue Portland, OR 97217

1.4 ***Premises***: The real property, consisting of approximately 56.61 acres of land and commonly known as 5555 North Channel Avenue, Portland, Oregon, and more particularly described on Exhibit A attached hereto and approximately 60.8 acres of submerged and submersible lands more particularly described on Exhibit B attached hereto. The Premises shall include (i) all improvements located upon the land, (ii) the dry docks, machinery and equipment listed on Exhibits C, D-1, D-2, D-3, D-4 and D-5 attached hereto, and (iii) all of the trade names listed on Exhibit E attached hereto. Tenant acknowledges that the Premises are subject to a security interest in favor of Transamerica Equipment Financial Services Corporation ("Lender").

1.5 ***Lease Term***: Eight years, 9 months beginning on August 29, 2000 and ending on April 30, 2009.

1.6 ***Permitted Uses:*** (Subject to *Section 5*)The operation of a commercial ship repair, conversion and construction facility and related, incidental uses.

1.7 *Rent and Other Charges Payable by Tenant*:

(a) ***Base Rent:*** $261,000 per month, to be adjusted as set forth in Section 3.2 below.

(b) ***Other Periodic Payments:*** (i) Real Property Taxes *(See Section 4.2)*; (ii) Utilities *(See Section 4.4)*; (iii) Assumed Contracts *(See Section 4.3)*; (iv) Insurance

Premiums *(See Section 4.5)*; (iv) Common Area Assessments *(See Section 5.2)*; (v) Maintenance, Repairs and Alterations *(See Section 7)*.

2. Lease Term

2.1 ***Lease of Premises For Lease Term.*** Landlord leases the Premises to Tenant and Tenant leases the Premises from Landlord for the Lease Term. The Lease Term is for the period stated in Section 1.5 above and shall begin and end on the dates specified in Section 1.5 above, unless the beginning or end of the Lease Term is changed under any provision of this Lease. The "Commencement Date" shall be the date specified in Section 1.5 above for the beginning of the Lease Term, unless advanced or delayed under any provision of this Lease.

2.2 ***Holding Over.*** Tenant shall vacate the Premises upon the expiration or earlier termination of this Lease. Tenant shall reimburse Landlord for and indemnify Landlord against all damages which Landlord incurs from Tenant's delay in vacating the Premises. If Tenant does not vacate the Premises upon the expiration or earlier termination of the Lease and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Premises shall be a "month-to-month" tenancy, subject to all of the terms of this Lease applicable to a month-to-month tenancy.

3. Base Rent

3.1 ***Time and Manner of Payment.*** Upon execution of this Lease, Tenant shall pay Landlord the Base Rent in the amount stated in Section 1.7(a) above for the first month of the Lease Term. On the first day of the second month of the Lease Term and each month thereafter, Tenant shall pay Landlord the Base Rent, in advance, without offset, deduction or prior demand. The Base Rent shall be payable at Landlord's address or at such other place as Landlord may designate in writing.

3.2 ***Cost of Living Increase.*** The Base Rent shall be increased on January 1, 2005 (the "Rental Adjustment Date") in accordance with the increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics. Comparisons shall be made using the index entitled U.S. City Average – All Urban Consumers – All Items (1982-1984=100) (the "Index"). The Base Rent shall be increased on the Rental Adjustment Date by the percentage that the Index has increased from the month immediately preceding the Commencement Date to the month immediately preceding the Rental Adjustment Date. Landlord shall notify Tenant of the increase in Base Rent by a written statement setting forth the amount of the new Base Rent. Tenant shall pay the new Base Rent from the Rental Adjustment Date until the expiration of the term of the Lease. If the format or components of the Index materially change after the Commencement Date, Landlord shall substitute an Index which is published by the Bureau of Labor Statistics or similar agency and which is most nearly equivalent to the Index. In no event shall the Base Rent increase on the Rental Adjustment Date by more than 15 percent.

3.3 ***Termination; Advance Payments.*** Upon termination of this Lease under Section 8, Section 9 or any other termination not resulting from Tenant's default and after Tenant has vacated the Premises in the manner required by this Lease, Landlord shall refund or credit to Tenant (or Tenant's successor), any advance rent or other advance payments made by Tenant to

Landlord and any amounts paid for real property taxes and other reserves which apply to any time periods after termination of the Lease.

4. Other Charges Payable by Tenant

4.1 ***Additional Rent.*** All charges payable by Tenant other than Base Rent are called "Additional Rent." This Lease is what is commonly called a "net lease," it being understood that Landlord will receive the Base Rent described in Section 1.7 above free and clear of any and all impositions, real estate taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises, whether or not such charge or cost is specifically enumerated in this Lease. Unless this Lease provides otherwise, Tenant shall pay all Additional Rent then due with the next monthly installment of Base Rent. The term "Rent" shall mean Base Rent and Additional Rent.

4.2 ***Property Taxes.***

(a) ***Real Property Taxes.*** Tenant shall pay all real property taxes on the Premises (including any fees, taxes or assessments against, or as a result of, any tenant improvements installed on the Premises by or for the benefit of Tenant) during the Lease Term. Such payment shall be made prior to the delinquency date of the taxes and in all events prior to May 15 of each tax year. Landlord shall reimburse Tenant for any real property taxes paid by Tenant covering any period of time prior to or after the Lease Term. If Tenant fails to pay the real property taxes when due, Landlord may pay the taxes and Tenant shall reimburse Landlord for the amount of such tax payment as Additional Rent.

(b) ***Definition of "Real Property Tax."*** "Real property tax" means (i) any general or special fee, license fee, license tax, business license fee, commercial rental tax, levy, charge, assessment, penalty or tax imposed by any taxing authority against the Premises; (ii) any tax on the Landlord's right to receive, or the receipt of, rent or income from the Premises or against Landlord's business of leasing the Premises; (iii) any tax or charge for fire protection, streets, sidewalks, road maintenance, refuse or other services provided to the Premises by any governmental agency; (iv) any tax imposed upon this transaction or based upon a reassessment of the Premises due to a change of ownership, as defined by applicable law, or other transfer of all or part of Landlord's interest in the Premises; and (v) any charge or fee replacing any tax previously included within the definition of real property tax. "Real property tax" does not, however, include Landlord's federal or state income, franchise, inheritance or estate taxes.

(c) ***Personal Property Taxes.*** Tenant shall pay all taxes charged against trade fixtures, furnishings, equipment or any other personal property belonging to Tenant or leased to Tenant pursuant to this Lease. Tenant shall exert its best efforts to have personal property taxes assessed separately from the Premises.

(d) ***Tenant's Right to Contest Taxes.*** Tenant may attempt to have the assessed valuation of the Premises reduced or may initiate proceedings to contest the real property taxes. If required by law, Landlord shall join in the proceedings brought by Tenant. However, Tenant shall pay all costs of the proceedings, including any costs or fees incurred by Landlord. Upon the final determination of any proceeding or contest, Tenant shall immediately pay the real property taxes due, together with all costs, charges, interest and penalties incidental to the proceedings.

4.3 ***Assumed Contracts, Percentage Rent.*** Tenant shall pay all rent and other charges due under those leases, contracts and agreements listed on Exhibit A to the Assignment and Assumption Agreement dated August 23, 2000 between Landlord and Tenant (the "Assumed Contracts"). In addition, Tenant shall pay the Additional Percentage Rent, as that term is defined in Section 8 of the Sale Agreement dated August 23, 2000 by and among The Port of Portland (the "Port"), Landlord and Tenant (the "Sale Agreement").

4.4 ***Utilities.*** Tenant shall pay, directly to the appropriate supplier, the cost of all natural gas, heat, light, power, sewer service, telephone, water, refuse disposal and other utilities and services supplied to the Premises. However, if any services or utilities are jointly metered with other property, Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of such utilities and services and Tenant shall pay such share to Landlord within 15 days after receipt of Landlords' written statement.

4.5 ***Insurance Policies***

(a) ***Liability Insurance.*** During the Lease Term, Tenant shall maintain a policy of commercial general liability insurance (sometimes known as broad form comprehensive general liability insurance) insuring Tenant against liability for bodily injury, property damage (including loss of use of property) and personal injury arising out of the operation, use or occupancy of the Premises. Tenant shall name Landlord as an additional insured under such policy. The initial amount of such insurance shall be no less than $5,000,000 per occurrence and shall be subject to periodic increases based upon inflation, increased liability awards, recommendation of Landlord's professional insurance advisers and other relevant factors. The liability insurance obtained by Tenant under this Section 4.5(a) shall (i) be primary and noncontributing; (ii) contain cross-liability endorsements; and (iii) insure Landlord against Tenant's performance under Section 5.3, if the matters giving rise to the indemnity under Section 5.3 result from the negligence of Tenant. The amount and coverage of such insurance shall not limit Tenant's liability nor relieve Tenant of any other obligation under this Lease. Landlord may also obtain comprehensive public liability insurance in an amount and with coverage determined by Landlord insuring Landlord against liability arising out of ownership, operation, use or occupancy of the Premises. The policy obtained by Landlord shall not be contributory and shall not provide primary insurance.

(b) ***Property and Rental Income Insurance.*** During the Lease Term, Landlord shall maintain policies of insurance covering loss of or damage to the Premises in the full amount of at least its actual cash value. Such policy shall provide protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extend perils (all risk), sprinkler leakage and any other perils which Landlord deems reasonably necessary. In its discretion, Landlord shall have the right to obtain flood and earthquake insurance. Landlord shall not obtain insurance for Tenant's fixtures or equipment or building improvements installed by Tenant on the Premises. Tenant shall not do or permit anything to be done which invalidates any such insurance policies.

(c) ***Payments of Premiums.*** Tenant shall pay all premiums for the insurance policies described in Sections 4.5(a) and 4.5(b) (whether obtained by Landlord or Tenant) within 15 days after Tenant's receipt of a copy of the premium statement or other evidence of the amount due. If the Lease Term expires before the expiration of an insurance policy maintained by Landlord, Tenant shall be liable for Tenant's prorated share of the

that the insurance that Tenant is required to maintain under this Section 4.5 is in full force and effect.

(d) ***General Insurance Provisions.***

(i) Any insurance which Tenant is required to maintain under this Lease shall include a provision which requires the insurance carrier to give Landlord not less than 30 days' written notice prior to any cancellation or modification of such coverage.

(ii) If policy is cancelled or modified during the Lease Term without Landlord's consent, Landlord may obtain such insurance, in which case Tenant shall reimburse Landlord for the cost of such insurance within 15 days after receipt of a statement that indicates the cost of such insurance.

(iii) Tenant shall maintain all insurance required under this Lease with companies holding a "General Policy Rating" of A-12 or better, as set forth in the most current issue of "Best Key Rating Guide." Landlord and Tenant acknowledge the insurance markets are rapidly changing and that insurance in the form and amounts described in this Section 4.5 may not be available in the future. Tenant acknowledges that the insurance described in this Section 4.5 is for the primary benefit of Landlord. If at any time during the Lease Term, Tenant is unable to maintain the insurance required under the Lease, Tenant shall nevertheless maintain insurance coverage which is customary and commercially reasonable in the insurance industry for Tenant's type of business, as that coverage may change from time to time. Landlord makes no representation as to the adequacy of such insurance to protect Landlord's or Tenant's interests. Therefore, Tenant shall obtain any such additional property or liability insurance which Tenant deems necessary to protect Landlord and Tenant.

(iv) Unless prohibited under any applicable insurance policies maintained, Landlord and Tenant each hereby waive any and all rights of recovery against the other, or against the officers, employees, agents or representatives of the other, for loss of or damage to its property or the property of others under its control, if such loss or damage is covered by any insurance policy in force (whether or not described in this Lease) or required to be in force at the time of such loss or damage. Upon obtaining the required policies of insurance, Landlord and Tenant shall give notice to the insurance carriers of this mutual waiver of subrogation.

4.6 ***Late Charges.*** Tenant's failure to pay Rent promptly may cause Landlord to incur unanticipated costs. The exact amount of such costs are impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by any ground lease, mortgage or trust deed encumbering the Premises. Therefore, if Landlord does not receive any Rent payment within 15 days after it becomes due, Tenant shall pay Landlord a late charge equal to five percent of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment. The collection of such late charge shall not be in lieu of any other remedies of Landlord under this Lease and such collection shall not waive the breach covered by the late payment.

5. *Use of Premises*

5.1 ***Permitted Uses***. Tenant may use the Premises for the Permitted Uses set forth in Section 1.6 above and for no other use without Landlord's prior written consent, which consent shall not be unreasonably withheld so long as such use is consistent with the Use Restrictions (as that term is defined in Section 5.2 below).

5.2 ***Manner of Use***. Tenant shall not cause or permit the Premises to be used in any way which constitutes a violation of any law, ordinance or governmental regulation or order, or which constitutes a nuisance or waste. Tenant shall obtain and pay for all permits, including a Certificate of Occupancy, required for Tenant's occupancy of the Premises and shall promptly take all actions necessary to comply with all applicable statues, ordinances, rules, regulations, orders and requirements regulating the use by Tenant of the Premises, including, but not limited to, the Occupational Safety and Health Act and the Americans with Disabilities Act. Without limiting the generality of the foregoing, Tenant shall (i) use the Premises in compliance with all the terms and conditions of the use restrictions set forth in Sections 1.3 and 1.4 of the Sale Agreement, including, without limitation, the restrictions on the Bond Financed Facilities (the "Use Restrictions"), and (ii) be responsible for payment of all Common Area Assessments described in the Bargain and Sale Deed attached as Exhibit L to the Sale Agreement.

5.3 ***Indemnity***. Tenant shall indemnify Landlord against and hold Landlord harmless from any and all costs, claims or liability arising from: (a) Tenant's use of the Premises; (b) the conduct of Tenant's business or anything else done or permitted by Tenant to be done in or about the Premises, including any contamination of the Premises or any other property resulting from the presence or use of Hazardous Materials caused by Tenant; (c) any breach or default in the performance of Tenant's obligations under this Lease; (d) any misrepresentation or breach of warranty by Tenant under this Lease; or (e) other acts or omissions of Tenant. Tenant shall defend Landlord against any such cost, claim or liability at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs incurred by Landlord in connection with any such claim. As a material part of the consideration to Landlord, Tenant assumes all risk of damage to property or injury to person in or about the Premises arising from any cause and Tenant hereby waives all claims in respect thereof against Landlord, except for any claim arising out of Landlord's gross negligence or willful misconduct. As used in this section, the term "Tenant" shall include Tenant's employees, agents, contractors and invitees, if applicable. The obligations of Tenant under this Section 5.3 shall survive the expiration or earlier termination of this Lease.

5.4 ***Landlord's Access***. Landlord, its agents or the Port (if such access is authorized by the Sale Agreement) may enter the Premises at all reasonable times to show the Premises to potential buyers, investors or tenants or other parties; to do any other act or to inspect and conduct tests in order to monitor Tenant's compliance with all applicable environmental laws and all laws governing the presence and use of Hazardous Material; or for any other purpose Landlord deems necessary.

5.5 ***Quiet Possession***. If Tenant pays the rent and complies with all other terms of this Lease, Tenant may occupy and enjoy the Premises for the full Lease Term, subject to the provisions of this Lease.

6. Hazardous Materials.

6.1 ***Definitions***. As used in this Lease, the term "Hazardous Materials" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any applicable federal, state or local laws or regulations, including without limitation petroleum based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons.

6.2 ***Use, Indemnity***. Tenant shall cause all Hazardous Materials brought upon, kept on, in or about the Premises to be used in compliance with all legal requirements. Notwithstanding the foregoing, Tenant shall only bring such Hazardous Materials on the Premises that are directly related to Tenant's use of the Premises. If Tenant breaches the obligations stated in the foregoing sentence or if, at any time during the term of the Lease or upon the expiration date hereof, the presence of Hazardous Materials on the Premises caused by Tenant results in contamination of the Premises, Tenant will indemnify, defend and hold Landlord harmless from and against any and all liabilities, claims, damages, costs and expenses of any kind and nature, including, without limitation, legal, accounting, consulting, engineering or other expenses which may be posed upon Landlord by any other party (including a governmental entity) which arise as a result of such contamination. The obligations of Tenant under this Section 6 shall survive the expiration or earlier termination of the Lease.

6.3 ***Sale Agreement***. Except as specifically set forth herein, nothing in this Lease shall modify, alter or limit the obligations of Landlord or Tenant under Section 10 of the Sale Agreement.

7. Condition of Premises; Maintenance, Repairs and Alterations

7.1 ***Existing Conditions***. Tenant accepts the Premises in its condition as of the execution of the Lease, "AS-IS" subject to all recorded matters, laws, ordinances and governmental regulations and orders. Except as provided herein, Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation as to the condition of the Premises or the suitability of the Premises for Tenant's intended use. Tenant represents that Tenant has made its own inspection of and inquiry regarding the condition of the Premises and is not relying on any representations of Landlord with respect thereto.

7.2 ***Exemption of Landlord from Liability***. Landlord shall not be liable for any damage or injury to person, business (or any loss of income therefrom), goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers or any other person in or about the Premises, whether such damage or injury is caused by or results from: (a) fire, steam, electricity, water, gas or rain; (b) the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures or any other cause; (c) conditions arising in or about the Premises, or from other sources or places; or (d) any act or omission of any other tenant or subtenant of the Premises. Landlord shall not be liable for any such damage or injury even though the cause of or the means of repairing such

damage or injury are not accessible to Tenant. The provisions of this Section 7.2 shall not, however, exempt Landlord from liability for Landlord's gross negligence or willful misconduct.

7.3 ***Landlord's Obligations.*** Subject to the provisions of Section 8 and Section 9, Landlord shall have absolutely no responsibility to repair, maintain or replace any portion of the Premises at any time. Tenant waives the benefit of any present or future law which might give Tenant the right to repair the Premises at Landlord's expense or to terminate the Lease due to the condition of the Premises.

7.4 ***Tenant's Obligations.***

(a) Except as provided in Section 8 and Section 9, Tenant shall keep all portions of the Premises (including structural, nonstructural, interior, exterior and landscaped areas, portions, systems and equipment) in good order, condition and repair (including interior repainting and refinishing, as needed). If any portion of the Premises or any system or equipment in the Premises which Tenant is obligated to repair cannot be fully repaired or restored, Tenant shall promptly replace such portion of the Premises or system or equipment in the Premises. If any part of the Premises is damaged by any act or omission of Tenant, Tenant shall pay Landlord the cost of repairing or replacing such damaged property, whether or not Landlord would otherwise be obligated to pay the cost of maintaining or repairing such property. It is the intention of Landlord and Tenant that at all times Tenant shall maintain the portions of the Premises which Tenant is obligated to maintain in a fully operative condition.

(b) Tenant shall fulfill all of Tenant's obligations under this Section 7.4 at Tenant's sole expense. If Tenant fails to maintain, repair or replace the Premises as required by this Section 7.4, Landlord may, upon ten days' prior notice to Tenant (except that no notice shall be required in the case of an emergency), enter the Premises and perform such maintenance or repair (including replacement, as needed) on behalf of Tenant. In such case, Tenant shall reimburse Landlord for all costs incurred in performing such maintenance or repair immediately upon demand.

7.5 ***Alterations, Additions and Improvements.***

(a) Tenant may make any alterations, additions or improvements to the Premises without Landlord's prior written consent so long as such alterations are consistent with (i) the operation of the Premises for the Permitted Uses, (ii) the Use Restrictions and (iii) the Swan Island Industrial Park Standards for Development dated September 24, 1976 as revised in April 1994 (the "Development Standards"). All alterations, additions and improvements shall be done in a good and workmanlike manner, in conformity with all applicable laws and regulations.

(b) Tenant shall pay when due all claims for labor and material furnished to the Premises. Landlord may elect to record and post notices of non-responsibility on the Premises.

7.6 ***Condition upon Termination.*** Upon the termination of the Lease, Tenant shall surrender the Premises to Landlord, in the same condition as received except for ordinary wear and tear which Tenant was not otherwise obligated to remedy under any provision of this Lease. However, Tenant shall not be obligated to repair any damage which Landlord is required to repair under Section 8. All alterations, additions and improvements shall become Landlord's

property and shall be surrendered to Landlord upon the expiration or earlier termination of the Lease, except that Tenant may remove any machinery or equipment owned by Tenant which can be removed without material damage to the Premises. Tenant shall repair, at Tenant's expense, any damage to the Premises caused by the removal of any such machinery or equipment. In no event, however, shall Tenant remove any of the following materials or equipment (which shall be deemed Landlord's property) without Landlord's prior written consent (i) the equipment listed on Exhibit B attached hereto; (ii) any power wiring or power panels; (iii) lighting or lighting fixtures; (iv) wall coverages, drapes, blinds or other window coverings; (v) carpets or other floor coverings; (vi) heaters, air conditioners or any other heating or air conditioning equipment; (vii) fencing or security gates; or (viii) other similar building operating equipment and decorations.

8. Damage or Destruction

8.1 *Partial Damage to Premises.*

(a) If the Premises is only partially damaged (i.e., less than 50 percent of the Premises is untenantable as a result of such damage or less than 50 percent of Tenant's operations are materially impaired) and if the proceeds received by Landlord from the insurance policies described in Section 4.5(b) are sufficient to pay for the necessary repairs, this Lease shall remain in effect and Landlord shall repair the damage to the Premises, but not to Tenant's fixtures, equipment or improvements.

(b) If the insurance proceeds received by Landlord are not sufficient to pay the entire cost of repair, or if the cause of the damage is not covered by the insurance policies which Landlord maintains under Section 4.5(b), Landlord may elect either to (i) repair the damage as soon as reasonably possible, in which case this Lease shall remain in full force and effect, or (ii) terminate this Lease as of the date the damage occurred. Landlord shall notify Tenant within 30 days after receipt of notice of the occurrence of the damage whether Landlord elects to repair the damage or terminate the Lease. If Landlord elects to repair the damage, Tenant shall pay Landlord the "deductible amount" (if any) under Landlord's insurance policies and, if the damage was due to an act or omission of Tenant, or Tenant's employees, agents, contractors or invitees, the difference between the actual cost of repair any insurance proceeds received by Landlord. If Landlord elects to terminate the Lease, Tenant may elect to continue this Lease in full force and effect, in which case Tenant shall repair any damage to the Premises and any building in which the Premises is located. Tenant shall pay the cost of such repairs, except that upon satisfactory completion of such repairs, Landlord shall deliver to Tenant any insurance proceeds received by Landlord for the damage repaired by Tenant. Tenant shall give landlord written notice of such election within ten days after receiving Landlord's termination notice.

(c) If the damage to the Premises occurs during the last six months of the Lease Term and such damage will require more than 30 days to repair, either Landlord or Tenant may elect to terminate this Lease as of the date the damage occurred, regardless of the sufficiency of any insurance proceeds. The party electing to terminate this Lease shall give written notification to the other party of such election within 30 days after Tenant's notice to Landlord of the occurrence of the damage.

8.2 ***Substantial or Total Destruction.*** If the Premises is substantially or totally destroyed by any cause whatsoever (i.e., the damage to the Premises is greater than partial damage as described in Section 8.1) and regardless of whether Landlord receives any insurance proceeds, this Lease shall terminate as of the date the destruction occurred. Notwithstanding the preceding sentence, if the Premises can be rebuilt within one year after the date of destruction, Landlord may elect to rebuild the Premises at Landlord's own expense, in which case this Lease shall remain in full force and effect. Landlord shall notify Tenant of such election within 30 days after Tenant's notice of the occurrence of total or substantial destruction. If the damage was caused by an act or omission of Tenant, Tenant shall pay Landlord the difference between the actual cost of rebuilding and any insurance proceeds received by Landlord.

8.3 ***No Abatement of Rent.*** There shall be no abatement of Rent or any other obligation of Tenant hereunder by reason of any damage or destruction of the Premises. .

8.4 ***Waiver.*** Tenant waives the protection of any statute, code or judicial decision which grants a tenant the right to terminate a lease in the event of the substantial or total destruction of the leased property. Tenant agrees that the provisions of this Section 8 shall govern the rights and obligations of Landlord and Tenant in the event of any substantial or total destruction of Premises.

9. Condemnation

If all or any portion of the Premises is taken under the power of eminent domain or sold under the threat of that power (all of which are called "Condemnation"), this Lease shall terminate as to the part taken or sold on the date the condemning authority takes title or possession, whichever occurs first. If so much of the Premises is taken such that, in Landlord's and Tenant's reasonable judgment, the Premises are no longer suitable for the conduct of the Permitted Uses, Landlord may terminate this Lease as of the date condemning authority takes title or possession, by delivering written notice to Tenant within ten days after receipt of written notice of such taking (or in the absence of such notice, within ten days after the condemning authority takes title or possession). If Landlord does not terminate this Lease, this Lease shall remain in effect as to the portion of the Premises not taken, except that the Base Rent and Additional Rent shall be reduced in proportion to the reduction in the area of the Premises. Any Condemnation award or payment shall be distributed in the following order: (a) first, to any ground lessor, mortgagee or beneficiary under a deed of trust encumbering the Premises, the amount of its interest in the Premises; (b) second, to Tenant, only the amount of any award specifically designated for loss of or damage to Tenant's trade fixtures or removable personal property; and (c) third, to Landlord, the remainder of such award, whether as compensation for reduction in the value of the leasehold, the taking of the fee or otherwise. If this Lease is not terminated, Landlord shall repair any damage to the Premises caused by the Condemnation, except that Landlord shall not be obligated to repair any damage for which Tenant has been reimbursed by the condemning authority. If the severance damages received by Landlord are not sufficient to pay for such repair, Landlord shall have the right to either terminate this Lease or make such repair at Landlord's expense.

10. Assignment and Subletting

10.1 ***Landlord's Consent Required.*** No portion of the Premises or of Tenant's interest in this Lease may be acquired by any other person or entity, whether by sale,

assignment, mortgage, sublease, transfer, operation of law or act of Tenant, without Landlord's prior written consent. Landlord has the right to grant or withhold its consent as provided in Section 10.3 below.

10.2 ***No Release of Tenant.*** No transfer permitted by this Section 10, whether with or without Landlord's consent, shall release Tenant or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Landlord's acceptance of rent from any other person is not a waiver of any provision of this Section 10. Consent to one transfer is not a consent to any subsequent transfer. If Tenant's transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may consent to subsequent assignments or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant's liability under this Lease.

10.3 ***Landlord's Consent.*** Tenant's request for consent to any transfer described in Section 10.1 shall set forth in writing the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (e.g., the term of the rent and security deposit payment under any proposed assignment or sublease) and any other information Landlord deems relevant. Landlord shall have the right to withhold consent, if reasonable, or to grant consent, based on the following facts: (i) the business of the proposed assignee or subtenant and the proposed use of the Premises; (ii) the net worth and financial reputation of the proposed assignee or subtenant; (iii) Tenant's compliance with all of its obligations under the Lease; (iv) the reputation, character and past performance of the prospective transferee; (v) Landlord's ability to obtain the consent of the Port and Landlord's secured lender (if such consent is required); and (vi) such other factors as Landlord may reasonably deem relevant.

10.4 ***Sublease.*** Notwithstanding the provisions of this Section 10, Tenant may sublease portions of the Premises without Landlord's prior written consent so long as (i) the subleased premises as to each sublease do not exceed 150,000 square feet, (ii) the subtenant uses the Premises for a use consistent with the Permitted Uses described in Section 1.6 above, (iii) the consent of the Port and/or Landlord's secured lender is not required, and (iv) the subtenant agrees to be bound by all the terms and conditions of this Lease including, without limitation, all of those matters described in Section 5.2 above.

10.5 ***No Merger.*** No merger shall result from Tenant's sublease of the Premises under this Section 10, Tenant's surrender of this Lease or the termination of this Lease in any other manner. In any such event, Landlord may terminate any or all subtenancies or succeed to the interest as sublandlord under any or all subtenancies.

11. Defaults; Remedies

11.1 ***Covenants and Conditions.*** Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as covenant. Tenant's right to continue in possession of the Premises is conditioned upon such performance. Time is of the essence in the performance of all covenants and conditions.

11.2 ***Defaults.*** Tenant shall be in material default under this Lease:

(a) If Tenant abandons the Premises or if Tenant's vacation of the Premises results in the cancellation of any insurance described in Section 4.5;

(b) If Tenant fails to pay rent or any other charge within 15 days of when due;

(c) If Tenant fails to perform any of Tenant's nonmonetary obligations under this Lease for a period of 30 days after written notice from Landlord; provided that if more than 30 days are required to complete such performance, Tenant shall not be in default if Tenant commences such performance within the 30-day period and thereafter diligently pursues its completion. This section is intended to satisfy any and all notice requirements imposed by law on Landlord and is not in addition to any such requirement.

(d) If Tenant is in default under (i) the Promissory Note dated August 23, 2000 between Tenant as maker and Landlord, as payee or any documents securing the Promissory Note (including, without limitation, failure to comply with the Use Restrictions or the Development Standards), or (ii) any of the Assumed Contracts.

(e) (i) If Tenant makes a general assignment or general arrangement for the benefit of creditors; (ii) if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within 30 days; (iii) if a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises or if Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure which is not discharged within 30 days. If a court of competent jurisdiction determines that any of the acts described in this Section 11.2(e) is not a default under this Lease and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive as Additional Rent, the excess, if any, of the rent (or any other consideration) paid in connection with such assignment or sublease over the rent payable by Tenant under this Lease.

11.3 ***Remedies***. On the occurrence of any material default by Tenant, Landlord may, at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including (i) the worth at the time of the award of the unpaid Base Rent, Additional Rent and other charges which Landlord had earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Landlord would have earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Tenant would have paid for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform is obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or

expenses Landlord incurs in maintaining or preserving the Premises after such default, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation or alteration of the Premises, Landlord's reasonable attorney fees incurred in connection therewith and any real estate commission paid or payable. As used in subparts (i) and (ii) above, the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of 15 percent per annum, or such lesser amount as may then be the maximum lawful rate. As used in subpart (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent. If Tenant has abandoned the Premises, Landlord shall have the option of (i) retaking possession of the Premises and recovering from Tenant the amount specified in this Section 11.3(a), or (ii) proceeding under Section 11.3(b);

(b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due.

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Premises is located.

11.4 ***Cumulative Remedies***. Landlord's exercise of any right or remedy shall not prevent it from exercising any other right or remedy.

11.5 ***Loan Agreement***. In addition to the rights of Landlord set forth in this Section 11, in the event a default occurs and is continuing under the Master Loan Agreement by and among Landlord, Lender, Cammell Laird Pacific, Inc. and Tenant dated August 23, 2000, Lender (and Lender's successors and assigns) may, at its option and upon written notice to Landlord and Tenant (but subject to any notice and cure rights set forth in the Master Loan Agreement or related documents), terminate this Lease, and Lender is an intended third party beneficiary of this Lease.

12. Protection of Lenders

12.1 ***Subordination***. Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust or mortgage encumbering the Premises, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded. Tenant shall cooperate with Landlord and any lender which is acquiring a security interest in the Premises or the Lease. Tenant shall execute such further documents and assurances as such lender may require, provided that Tenant's obligations under this Lease shall not be increased in any material way (the performance of ministerial acts shall not be deemed material). If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage or the date of recording thereof.

12.2 ***Signing of Documents***. Tenant shall sign and deliver any instrument or documents necessary or appropriate to evidence any such attornment or subordination or agreement to do so. If Tenant fails to do so within ten days after written request, Tenant hereby

makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the attorney-in-fact of Tenant to execute and deliver any such instrument or document.

12.3 ***Estoppel Certificates.***

(a) Upon Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been cancelled or terminated; (iii) the last date of payment of the Base Rent and other charges and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why); and (v) such other representations or information with respect to Tenant or the Lease as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Premises may require. Tenant shall deliver such statement to Landlord within ten days after Landlord's request. Landlord may give any such statement by Tenant to any prospective purchaser or encumbrancer of the Premises. Such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

(b) If Tenant does not deliver such statement to Landlord within such ten-day period, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been cancelled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's Base Rent, Additional Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under the Lease. In such event, Tenant shall be estopped from denying the truth of such facts.

13. Legal Costs

13.1 ***Legal Proceedings.*** If any action for breach of or to enforce the provisions of this Lease is commenced, the prevailing party shall be entitled to recover from the losing party the prevailing party's reasonable attorney fees and costs incurred in such action, at trial or on any appeal. Tenant shall also indemnify Landlord against and hold Landlord harmless from all costs, expenses, demands and liability Landlord may incur if Landlord becomes or is made a party to any claim or action (a) instituted by Tenant against any third party, or by any third party against Tenant, or by or against any person holding any interest under or using the Premises by license of or agreement with Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding. Tenant shall defend Landlord against any such claim or action at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs Landlord incurs in any such claim or action.

13.2 ***Landlord's Consent.*** Tenant shall pay Landlord's reasonable attorney fees incurred in connection with Tenant's request for Landlord's consent under Section 10, or in connection with any other act which Tenant proposes to do and which requires Landlord's consent.

14. Miscellaneous Provisions

14.1 ***Nondiscrimination***. Tenant promises, and it is a condition to the continuance of this Lease, that there will be no discrimination against, or segregation of, any person or group on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing, transferring, occupancy, tenure or use of the Premises or any portion thereof.

14.2 ***Landlord's Liability; Certain Duties.***

(a) As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Premises or the leasehold estate under a ground lease of the Premises at the time in question. Each Landlord is obligated to perform the obligations of Landlord under this Lease only during the time such Landlord owns such interest or title. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of transfer. However, each Landlord shall deliver to its transferee all funds that Tenant previously paid if such funds have not yet been applied under the terms of this Lease.

(b) Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor, mortgagee or beneficiary under any deed of trust encumbering the Premises whose name and address have been furnished to Tenant in writing. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee or beneficiary) fails to cure such nonperformance within 30 days after receipt of Tenant's notice. However, if such nonperformance reasonably requires more than 30 days to cure, Landlord shall not be in default if such cure is commenced within such 30-day period and thereafter diligently pursued to completion.

(c) Notwithstanding any term or provision herein to the contrary, the liability of Landlord for the performance of its duties and obligations under this Lease is limited to Landlord's interest in the Premises and neither the Landlord nor its partners, shareholders, officers or other principals shall have any personal liability under this Lease.

14.3 ***Severability***. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

14.4 ***Interpretation***. The captions of the sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms of provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Premises with Tenant's expressed or implied permission. No rule of interpretation which construes ambiguities against a party drafting a document shall apply to the interpretation of this Lease.

14.5 ***Incorporation of Prior Agreements; Modifications***. This Lease is the only agreement between the parties pertaining to the lease of the Premises and no other

agreements are effective. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

14.6 ***Notices.*** All notices required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid. Notices to Tenant shall be delivered to the address specified in Section 1.3. Notices to Landlord shall be delivered to the address specified in Section 1.2 above. All notices shall be effective upon delivery if personally delivered or one day after mailing, if mailed. Either party may change its notice address upon written notice to the other party.

14.7 ***Waivers.*** All waivers must be in writing and signed by the waiving party. Landlord's failure to enforce any provision of this Lease or its acceptance of rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

14.8 ***No Recordation.*** Tenant shall not record this Lease without prior written consent from Landlord. However, either Landlord or Tenant may require that a "Short-Form" memorandum of this Lease executed by both parties be recorded. The party requiring such recording shall pay all transfer taxes and recording fees.

14.9 ***Binding Effect; Choice of Law.*** This Lease binds any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. The laws of the state in which the Premises is located shall govern this Lease.

14.10 ***Corporate Authority; Partnership Authority.*** If Tenant is a corporation, each person signing this Lease on behalf of Tenant represents and warrants that he has full authority to do so and that this Lease binds the corporation.

14.11 ***Consent of Port.*** In the event any action of Tenant with respect to the Premises requires the approval of the Port under the Sale Agreement or the Use Restrictions, Tenant will (i) give written notice of such action, and (ii) obtain the consent of the Port at Tenant's sole cost and expense.

14.12 ***Force Majeure.*** If Landlord or Tenant cannot perform any of their obligations due to events beyond the party's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond Landlord's or Tenant's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, government regulation or restriction and weather conditions.

14.13 ***Execution of Lease.*** This Lease may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument.

14.14 ***Survival.*** All representations and warranties of Landlord and Tenant shall survive the termination of this Lease.

15. Brokers

15.1 ***Agency Disclosure; No Brokers.*** Landlord and Tenant each warrant that they have dealt with no real estate broker(s) in connection with this transaction.

LANDLORD

PORTLAND SHIPYARD LLC, an Oregon limited liability company

Signed on August 23, 2000 at Portland, Oregon.

By _____
Its President

TENANT

CASCADE GENERAL, INC., an Oregon corporation

Signed on August 23, 2000 at Portland, Oregon.

By _____
Its President

030386\00001\340242 V008

EXHIBIT A

LAND LEGAL DESCRIPTION
PORT OF PORTLAND – CASCADE GENERAL

A TRACT OF LAND SITUATED IN THE SOUTH ONE-HALF OF SECTION 17,THE SOUTHEAST ONE-QUARTER OF SECTION 18, AND THE NORTHWEST ONE-QUARTER OF SECTION 20, TOWNSHIP 1 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN, IN THE CITY OF PORTLAND, COUNTY OF MULTNOMAH AND THE STATE OF OREGON, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT WHICH IS 1,262.39 FEET WEST AND 859.49 FEET SOUTH OF THE NORTHEAST CORNER OF SAID SECTION 20 SAID POINT BEING A CENTERLINE ANGLE POINT OF N. LAGOON AVENUE; THENCE, ALONG THE CENTERLINE OF N. LAGOON AVENUE, NORTH 52°30'00" WEST, 695.12 FEET; THENCE NORTH 37°30'00" EAST, 40.00 FEET TO A POINT ON THE NORTHEASTERLY RIGHT-OF-WAY LINE OF N. LAGOON AVENUE AT THE MOST WESTERLY CORNER OF THAT TRACT OF LAND RECORDED MARCH 20, 1967 IN DEED BOOK 552, PAGE 1034, MULTNOMAH COUNTY DEED RECORDS; THENCE, CONTINUING ALONG SAID RIGHT-OF-WAY LINE, NORTH 52°30'00" WEST, 688.03 FEET TO THE **TRUE POINT OF BEGINNING**; THENCE, CONTINUING ALONG THE NORTHEASTERLY RIGHT-OF-WAY LINE OF N. LAGOON AVE., NORTH 52°30'00" WEST, 699.69 FEET TO A POINT OF INTERSECTION WITH THE NORTHEASTERLY EXTENSION OF THE NORTHWESTERLY RIGHT-OF-WAY LINE OF N. DOLPHIN ST.; THENCE, ALONG THE EXTENSION OF SAID RIGHT-OF- WAY LINE, SOUTH 37°30'00" WEST, 118.00 FEET TO A POINT-OF-NON-TANGENCY AT THE INTERSECTION OF N. DOLPHIN STREET AND THE SOUTHERLY RIGHT-OF-WAY LINE OF THAT PORTION OF N. LAGOON AVENUE VACATED IN CITY OF PORTLAND ORDINANCE NO. 153166, RECORDED JUNE 21, 1985, DEED BOOK 1832, PAGE 670-675, MULTNOMAH COUNTY DEED RECORDS; THENCE, DEPARTING SAID N. DOLPHIN STREET AND RUNNING ALONG THE SOUTHERLY RIGHT-OF-WAY LINE OF SAID VACATED N. LAGOON AVENUE THE FOLLOWING FIVE (5) COURSES: 1) THENCE 59.69 FEET ALONG THE ARC OF A 38.00-FOOT RADIUS CURVE TO THE LEFT, CONCAVE TO THE WEST, THROUGH A CENTRAL ANGLE OF 90°00'00" (THE LONG CHORD BEARS NORTH 07°30'00" WEST, 53.74 FEET); 2) THENCE NORTH 52°30'00" WEST, 654.91 FEET; 3) THENCE NORTH 37°30'00" EAST, 10.00 FEET; 4) THENCE NORTH 52°30'00" WEST, 323.19 FEET TO A POINT-OF-CURVATURE; 5) THENCE, 158.44 FEET ALONG THE ARC OF A 788.51-FOOT RADIUS CURVE TO THE LEFT, CONCAVE TO THE SOUTH, THROUGH A CENTRAL ANGLE OF 11°30'47" (THE LONG CHORD BEARS NORTH 58°15'23" WEST, 158.18 FEET) TO A POINT-OF-NON-TANGENCY; THENCE, DEPARTING SAID VACATED RIGHT-OF-WAY LINE AND RUNNING ALONG THE WESTERLY LINE OF THAT TRACT OF LAND DESCRIBED IN DEED TO NORTHWEST MARINE IRONWORKS, INC., RECORDED DECEMBER 13, 1982, DEED BOOK 1633, PAGE 543, MULTNOMAH COUNTY DEED RECORDS, SOUTH 15°32'47" WEST, 948.46 FEET TO THE NORTHERLY RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE (40.00 FEET FROM CENTERLINE); THENCE, ALONG THE RIGHT OF WAY LINE OF SAID N. CHANNEL AVENUE THE FOLLOWING FIVE (5) COURSES: 1) THENCE NORTH 75°18'23" WEST, 147.62 FEET; 2) THENCE SOUTH 14°41'37" WEST, 80.00 FEET TO A POINT-OF-NON-TANGENCY; 3) THENCE 144.21 FEET ALONG THE ARC OF A 58.00 FOOT NON-TANGENT RADIUS CURVE TO THE

LEFT, CONCAVE TO THE NORTH, THROUGH A CENTRAL ANGLE OF 142°27'26" (THE LONG CHORD BEARS SOUTH 67°58'56" EAST, 109.83 FEET) TO A POINT OF REVERSE CURVATURE; 4) THENCE 27.88 FEET ALONG THE ARC OF A 25.00-FOOT RADIUS CURVE TO THE RIGHT, CONCAVE TO THE SOUTH, THROUGH A CENTRAL ANGLE OF 63°54'10" (THE LONG CHORD BEARS NORTH 72°44'39" EAST, 26.46 FEET) TO A POINT-OF-TANGENCY; 5) THENCE SOUTH 75°18'23" EAST, 206.81 FEET TO A POINT-OF-INTERSECTION WITH THE SOUTH RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE AND THE NORTHERLY PROJECTION OF THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314; THENCE, DEPARTING SAID N. CHANNEL AVENUE RIGHT-OF-WAY LINE AND RUNNING ALONG SAID NORTHERLY PROJECTION, SOUTH 36°31'18" WEST, 271.29 FEET MORE OR LESS TO A POINT ON THE ORDINARY HIGH WATER LINE OF THE WILLAMETTE RIVER (ESTABLISHED AT NGVD 29/47 ELEVATION 17.00 FEET ABOVE MEAN SEA LEVEL); THENCE, ALONG THE ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 4.13 FEET TO THE RIVERSIDE FACE OF AN EXISTING CONCRETE RETAINING WALL; THENCE, ALONG SAID RETAINING WALL, NORTH 53°28'42" WEST, 1843.21 FEET TO THE END OF SAID RETAINING WALL; THENCE, CONTINUING ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING ELEVEN (11) COURSES, 1) THENCE NORTH 20°38'22"WEST, 30.58 FEET; 2) THENCE NORTH 27°24'49" EAST, 65.83 FEET; 3) THENCE NORTH 37°39'44" EAST, 73.19 FEET; 4) THENCE NORTH 25°27'22" EAST, 84.57 FEET; 5) THENCE NORTH 03°40'06" WEST, 80.02 FEET; 6) THENCE NORTH 03°08'50" EAST, 88.88 FEET; 7) THENCE NORTH 18°33'02" EAST, 97.19 FEET; 8) THENCE NORTH 42°50'55" EAST, 34.66 FEET; 9) THENCE NORTH 81°50'18" EAST, 53.67 FEET; 10) THENCE SOUTH 74°56'21" EAST, 414.25 FEET; 11) THENCE NORTH 45°23'27" EAST, 34.05 FEET TO A RETAINING WALL/CELL LINE; THENCE, ALONG SAID CELL LINE THE FOLLOWING ELEVEN (11) COURSES: 1) THENCE NORTH 15°21'35" EAST, 201.00 FEET; 2) THENCE SOUTH 74°38'25" EAST, 57.98 FEET; 3) THENCE NORTH 60°21'35" EAST, 38.14 FEET; 4) THENCE NORTH 15°21'35" EAST, 43.50 FEET; 5) THENCE NORTH 29°38'25" WEST, 33.27 FEET; 6) THENCE NORTH 74°38'25" WEST, 62.28 FEET; 7) THENCE NORTH 16°29'56" EAST, 409.89 FEET; 8) THENCE SOUTH 75°31'20" EAST, 200.46 FEET TO A POINT-OF-NON-TANGENCY (THE RADIAL BEARING BEING SOUTH 13°22'07" WEST) ; 9) THENCE 84.45 FEET ALONG THE ARC OF A 205.00 NON-TANGENT RADIUS CURVE TO THE RIGHT, CONCAVE TO THE SOUTHWEST, THROUGH A CENTRAL ANGLE OF 23°36'12" (THE LONG CHORD BEARS SOUTH 64°49'47" EAST, 83.85 FEET) TO A POINT OF NON-TANGENCY (THE RADIAL BEARING BEING SOUTH 36°58'19" WEST); 10) THENCE SOUTH 53°08'15" EAST, 56.69 FEET; 11) THENCE SOUTH 36°48'33"WEST, 50.81 FEET TO A POINT ON THE LAGOON SIDE FACE OF A CONCRETE RETAINING WALL; THENCE, ALONG THE FACE OF SAID RETAINING WALL, SOUTH 52°27'04" EAST, 1504.65 FEET TO THE END OF SAID RETAINING WALL; THENCE, ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING SIX (6) COURSES: 1) SOUTH 18°13'01" WEST, 9.64 FEET; 2) THENCE SOUTH 55°59'25" EAST, 228.49 FEET; 3) THENCE SOUTH 47°33'08" EAST, 207.85 FEET; 4) THENCE SOUTH 66°22'48" EAST, 69.65 FEET; 5) THENCE SOUTH 51°51'06" EAST, 329.79 FEET; 6) THENCE SOUTH 52°55'19" EAST, 606.49 FEET; THENCE, DEPARTING SAID ORDINARY HIGH WATER LINE, SOUTH 37°30'00" WEST 59.01 FEET; THENCE NORTH 52°30'00" WEST, 101.55 FEET; THENCE SOUTH 36°00'00" WEST, 108.52 FEET TO THE TRUE POINT OF BEGINNING, CONTAINING 56.61 ACRES MORE OR LESS.

SUBJECT TO THOSE EASEMENTS RECORDED IN DEED BOOK 1633, PAGE 456 AND 458, BOOK 2007, PAGE 122, BOOK 2048, PAGE 408, BOOK 2129, PAGE 524, BOOK 91, PAGE 407,

BOOK 1055, PAGE 479, BOOK 1183, PAGE 1202, BOOK 1214, PAGE 713, BOOK 1308, PAGE 792, AND BOOK 1832, PAGE 670 MULTNOMAH COUNTY DEED RECORDS.

THE BEARINGS IN THIS DESCRIPTION ARE BASED UPON PRIVATE SURVEY NO. 56596 (W.B. WELLS & ASSOCIATES, INC. SURVEY), MULTNOMAH COUNTY SURVEY RECORDS.

EXHIBIT B

SUBMERGED LANDS DESCRIPTION
PORT OF PORTLAND – CASCADE GENERAL

A TRACT OF LAND SITUATED IN THE SOUTH ONE-HALF OF SECTION 17,THE SOUTHEAST ONE-QUARTER OF SECTION 18, AND THE NORTHWEST ONE-QUARTER OF SECTION 20, TOWNSHIP 1 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN, IN THE CITY OF PORTLAND, MULTNOMAH COUNTY, OREGON, DESCRIBED AS FOLLOWS:

COMMENCING AT A 5/8-INCH DIAMETER IRON ROD WITH YELLOW PLASTIC CAP STAMPED "PORT OF PORTLAND" ON THE SOUTHERLY RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE AT THE INTERSECTION WITH THE NORTHERLY PROJECTION OF THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314, FROM WHICH THE NORTHEAST CORNER OF SECTION 20 BEARS SOUTH 89°19'16" EAST, 3964.16 FEET; THENCE, ALONG SAID NORTHERLY PROJECTION, SOUTH 36°31'18" WEST, 271.29 FEET TO A POINT ON THE ORDINARY HIGH WATER LINE OF THE WILLAMETTE RIVER SITUATED IN THE NORTH ONE-HALF OF SECTION 20 AND THE WEST ONE-HALF OF SECTION 21, TOWNSHIP 1 NORTH, RANGE 1 EAST, WILLAMETTE MERIDIAN, CITY OF PORTLAND, COUNTY (ESTABLISHED AT NGVD 29/47 ELEVATION 17.0 FEET ABOVE MEAN SEA LEVEL) AND THE **TRUE POINT-OF-BEGINNING** OF THE PARCEL TO BE DESCRIBED; THENCE, ALONG SAID ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 4.13 FEET TO THE RIVERSIDE FACE OF AN EXISTING CONCRETE RETAINING WALL; THENCE, ALONG SAID RETAINING WALL, NORTH 53°28'42" WEST, 1843.21 FEET TO THE END OF SAID RETAINING WALL; THENCE, CONTINUING ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING ELEVEN (11) COURSES, 1) THENCE NORTH 20°38'22"WEST, 30.58 FEET; 2) THENCE NORTH 27°24'49" EAST, 65.83 FEET; 3) THENCE NORTH 37°39'44" EAST, 73.19 FEET; 4) THENCE NORTH 25°27'22" EAST, 84.57 FEET; 5) THENCE NORTH 03°40'06" WEST, 80.02 FEET; 6) THENCE NORTH 03°08'50" EAST, 88.88 FEET; 7) THENCE NORTH 18°33'02" EAST, 97.19 FEET; 8) THENCE NORTH 42°50'55" EAST, 34.66 FEET; 9) THENCE NORTH 81°50'18" EAST, 53.67 FEET; 10) THENCE SOUTH 74°56'21" EAST, 414.25 FEET; 11) THENCE NORTH 45°23'27" EAST, 34.05 FEET TO A RETAINING WALL/CELL LINE; THENCE, ALONG SAID CELL LINE THE FOLLOWING SEVEN (7) COURSES: 1) THENCE NORTH 15°21'35" EAST, 201.00 FEET; 2) THENCE SOUTH 74°38'25" EAST, 57.98 FEET; 3) THENCE NORTH 60°21'35" EAST, 38.14 FEET; 4) THENCE NORTH 15°21'35" EAST, 43.50 FEET; 5) THENCE NORTH 29°38'25" WEST, 33.27 FEET; 6) THENCE NORTH 74°38'25" WEST, 62.28 FEET; 7) THENCE NORTH 16°29'56" EAST, 201.50 FEET; THENCE, DEPARTING SAID RETAINING WALL / CELL LINE, NORTH 74°38'25" WEST, 922.99 FEET TO A POINT ON THE EXISTING WILLAMETTE RIVER HARBOR LINE AS ESTABLISHED BY THE U.S. ARMY CORPS OF ENGINEERS IN A DOCUMENT DATED FEBRUARY 23, 1968; THENCE ALONG SAID HARBOR LINE SOUTH 74°24'03" WEST, 808.98 FEET TO HABOR LINE MONUMENT # 59A, WHICH IS DESCRIBED IN PORT OF PORTLAND ORDINANCE #287; THENCE SOUTH 40°00'26" WEST, 689.07 FEET TO A POINT THAT IS 350.00 FEET PARALLEL WITH AND RIVERWARD OF THE SWAN ISLAND WHARF AT BERTHS 312, 313 AND 314; THENCE, ALONG A LINE THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF SAID WHARF, SOUTH 52°54'43" EAST, 3166.59 FEET; THENCE SOUTH

36°32'33" WEST, 78.68 FEET TO A POINT THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF THE EXISTING FACE OF DOLPHINS AT LAY BERTH 315; THENCE, ALONG A LINE THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF SAID FACE OF DOLPHINS, SOUTH 53°27'30" EAST, 7.76 FEET TO A POINT OF INTERSECTION WITH A LINE THAT IS 4.00 FEET SOUTHERLY OF WHEN MEASURED AT RIGHT ANGLES AND PARALLEL WITH THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314; THENCE, ALONG SAID LINE, NORTH 36°31'18" EAST, 567.30 FEET TO A POINT ON SAID ORDINARY HIGH WATER LINE; THENCE, ALONG SAID ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 12.42 FEET TO THE POINT OF BEGINNING, CONTAINING 60.80 ACRES MORE OR LESS.

THE BEARINGS IN THIS DESCRIPTION ARE BASED UPON PRIVATE SURVEY NO. 56596 (W.B. WELLS & ASSOCIATES, INC. SURVEY), MULTNOMAH COUNTY SURVEY RECORDS.

EXHIBIT C

DRY DOCKS

Floating Dry Dock No. 3 - Built by Gunderson Brothers, 661 feet in length, 140 feet in width, and 61 feet in depth.

Floating Dry Dock No. 4 - Built by Ishikawajima-Harima Heavy Industries Co., Ltd., Tokyo, Japan, having hull number F103, 982 feet in length, 228 feet in width, and 73 feet in depth.

EXHIBIT D-1

Equipment - Bond-Financed, Warranted

Crane 11 - Hitachi
Crane 12 - Hitachi
Crane 14 - Hitachi
Crane 15 - Hitachi
Crane 16 - Hitachi
Crane 17 - Hitachi
SRY #11 - '78 CATERPILLAR LIFT TRUCK
SRY #12 - '79 CATERPILLAR LIFT TRUCK
T-2 50KVA LOADCENTER
T-3 50KVA LOADCENTER
T-4 50KVA LOADCENTER
T-5 50KVA LOADCENTER
T-6 50KVA LOADCENTER
T-7 50KVA LOADCENTER
T-8 50KVA LOADCENTER
T-9 50KVA LOADCENTER
T-10 50KVA LOADCENTER
T-11 50KVA LOADCENTER
T-12 50KVA LOADCENTER
T-14 50KVA LOADCENTER
T-15 50KVA LOADCENTER
T-16 50KVA LOADCENTER
T-17 50KVA LOADCENTER
T-18 50KVA LOADCENTER
12-1 1000KVA LOADCENTER
12-2 1000KVA LOADCENTER
12-4 1000KVA LOADCENTER
4-1 330KVA LOADCENTER
4-2 330KVA LOADCENTER
4-3 330KVA LOADCENTER
4-4 330KVA LOADCENTER
4-5 330KVA LOADCENTER
4-6 330KVA LOADCENTER
4-7 330KVA LOADCENTER
4-8 330KVA LOADCENTER
4-9 330KVA LOADCENTER
4-10 330KVA LOADCENTER
4-11 330KVA LOADCENTER
4-12 330KVA LOADCENTER
32-1 2500KVA LOADCENTER

32-2 1000KVA LOADCENTER
32-3 2500KVA LOADCENTER
32-4 2000KVA LOADCENTER
32-5 2000KVA LOADCENTER

EXHIBIT D-2

Equipment - Non Bond-Financed, Warranted

Quantity	Item
	Crane 1 - Washington
	Crane 2 - Washington
	Crane 3 - Washington
	Crane 4 - Washington
	Crane 5 - Washington
	Crane 6 - Washington
	Crane 7 - Washington
	Crane 8 - Washington
	Crane 9 - Clyde
	Crane 10 - American
	Crane 18 - American
	SRY #4 - 80 FT. 1980 JLG
	SRY #10 - AA IT14B CAT LOADER

EXHIBIT D-3

Equipment - Non Bond-Financed, Non Warranted

Quantities and amounts are estimates only. Items sold are limited in quantity and amount to items which are present on the Property (as defined in the Sale Agreement) as of the date of Closing (as defined in the Sale Agreement).

1	Delta 8" Jointer and Base 480 Volt
1	Delta 12" disc. & 6' belt sander with base
1	Rockwell 4' jointer
1	Makita 10' slide compound saw
1	DeWalt radial arm saw
1	1 level & 3 transits
	Best locking systems
	Auto repair tools: tire changer, battery charger, tune up scope
	Solvent tanks (2), hot tank (1)
	Lab equipment
	Graco Senator Airless
	Spider climber, rope, mis. Rope grabs
9 sets	Shore power cables - 4/0 at 250' each
4 sets	Shore power cables - 4/0 at 300' each
1	Greenlee 6000 wire puller and accessories
1	Greenlee 884 Hydraulic pipe bender
1	Greenlee 1818 pipe bender
1	Greenlee 777 hydraulic pipe bender
1	Greenlee 690 blower and vacuum fish tape system
1	Greenlee 911 wire cart
5	15000 watt portable electric heaters
2	Tektronics Oscilloscopes
1	Tektronics cable tester
1	Gould brush recorder
1 set	Shore power cables - 262 KCMIL at 350' each
3 sets	Shore power cables - 262 KCMIL at 250' each
4	Other cables - 2/0 at 250'
	SRY #14 - TOPLINE ELEC. LIFT TRUCK
	ELGIN MEGAWIND SWEEPER
	SRY #44 TANK TRAILER
	SLOP HOSE TRAILER
	MAN BOX SLINGS, STRETCHERS, RIGGINGS
	PERSONAL MONITORING DEVICES
	FIRE HOSES
	RED HEAD FIRE HOSE BOXES
	CLEASBY TAR KETTLE

SRY #65 - CATERPILLAR FORKLIFT
SRY #66 - CATERPILLER FORKLIFT
SRY #67 HYSTER 8000 CHALLENGER
#3 RECTIFIER
#1 1200 AMP ADJ. AUTOTRANSF.
#2 1200 AMP ADJ. AUTOTRANSF.
#3 400 AMP ADJ. AUTOTRANSF.
#1 208 STEPDOWN TRANSF.
#2 230 STEPDOWN TRANSF.
#3 208 STEPDOWN TRANSF.
1500 KVA XFMR (9) SUB 4
2500 KVA TRANSFORMER
OIL BOOM TRAILER #0
OIL BOOM TRAILER #1
LARGE LATHE
SMALL LATHE
DRILL PRESS
LARGE HYDRAULIC PRESS
KALAMAZOO CUT-OFF SAW
KERNEY & TRECKER MILLING MACHINE
GRINDERS & SANDER
RIDGID PIPE THREADER
WELDING MACHINES
DRILL PRESS - LELAND GIFFORD
RADIAL DRILL PRESS
BUFFALO (2) CINCINNATI DRILL PRESS
SHEAR-PECK STOW
PRESS BRAKE, CHICAGO
#1 ½ IRON WORKER, BUFFALO
BANDSAW, MARVEL
BANDSAW, DOALL
CABINET, BEAD BLAST
DRILL PRESS
BENCH GRINDER
LARGE BAND SAW
SMALL BAND SAW
RADIAL ARM SAW
PLANER (SURFACE)
PLANER (THICKNESS)
12-14" TILT ARBOR TABLE SAW
10" TILT ARBOR SAW
WOOD LATHE
WOOD SHAPER

127	Dry Dock 1 Bilge Blocks
87	Dry Dock 1 Keel Blocks

105	Dry Dock 3 Bilge Blocks
6	Dry Dock 3 Saddle Blocks
96	Dry Dock 3 Keel Blocks
65	Small Metal Skiffs
25	Large Metal Skiffs
3	Large Metal Skiffs (sand only)
1	Small Metal Skiff (sand only)
10	Destroyer Bilge Frames (Double frames)
4	Destroyer Bilge Frames (Triple frames)
4	100 Ton Jacks

EXHIBIT D-4

Equipment - Bond-Financed, Non Warranted

Quantities and amounts are estimates only. Items sold are limited in quantity and amount to items which are present on the Property (as defined in the Sale Agreement) as of the date of Closing (as defined in the Sale Agreement).

Quantity	Item
136	Dry Dock 4 Bilge Blocks
3	Dry Dock 4 Bilge Block Empty Concrete Bases
175	Dry Dock 4 Keel Blocks
1	Portable Oil Containment Book 4400'

EXHIBIT D-5

Equipment - Titled Property

LANDA HOT WATER PRESSURE WASHER - 1991 trailer, plate no. E176799, title no. 9206649818

SPILL RESPONSE BOAT - 1994 Alumaweld vessel, hull no. AWB1121OF394, title no. 0400290

RESPONSE BOAT TRAILER - 1994 EZ Loader, plate no. E186905, title no. 9330192916

EXHIBIT E

Trade Names

PSY
PSRY
Portland Shipyard
Portland Ship Repair Yard
CASGEN.com

SIXTH AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Shipyard Commerce Center LLC (Landlord) and Cascade General, Inc. (Tenant), as most recently amended by a Fifth Amendment to Shipyard Lease effective December 20, 2004. This Sixth Amendment is effective August 1, 2006.

Whereas:

A. Since inception the Premises of the Shipyard Lease has included all of Landlord's real estate holdings at 5555 North Channel Avenue, Portland, Oregon.

B. Effective August 1, 2006, with the agreement of Tenant, Landlord executed a separate agreement to lease directly to US Barge LLC a portion of the real estate previously leased to Tenant, and a Gantry crane, as more fully detailed in the separate agreement.

C. Effective September 1, 2006, Tenant no longer has access to the real estate now leased directly to US Barge LLC.

D. Effective September 1, 2006, Landlord and Tenant wish to modify the Base Rent to reflect the reduction in Premises.

Landlord and Tenant agree as follows:

1. The end of Paragraph 1.4 is modified by the addition of the following sentence. "Notwithstanding the above, the Premises shall not include the real estate and Gantry crane leased by Landlord to US Barge pursuant to a lease dated August 1, 2006".

2. Paragraph 1.7(a) is replace in its entirety as follows "The rent is decreased from $100,000 per month to $75,000 per month effective September 1, 2006".

Landlord
Shipyard Commerce Center LLC

By _____
President

Tenant
Cascade General, Inc.

By _____
Secretary

FIFTH AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC (Landlord) and Cascade General, Inc. (Tenant), as most recently amended by a Fourth Amendment to Shipyard Lease effective June 1, 2003. This Fifth Amendment is effective December 20, 2004.

Whereas:

A. Prior to October 8, 2004 Drydock #1 was owned by the U.S. Navy, and Tenant leased Drydock #1 and was financially responsible for the cost of the leases during various time periods. Effective October 8, 2004 Landlord purchased Drydock #1 from the U.S. Navy. Landlord and Tenant wish for Drydock #1 to be added to Exhibit C and thereby incorporated in the Lease. Landlord and Tenant have negotiated $20,000 per month as the increase in monthly rent due to the addition of Drydock #1 to the Lease.

B. Notwithstanding that paragraph 3.2 of the Lease provides for a cost of living increase to the Lease rent effective January 1, 2005, Landlord and Tenant have mutually agreed that rent adjustments documented in previous Amendments have been adequate to adjust the rent.

C. Tenant requires surety bonds to successfully perform certain ship repair projects. Tenant required the financial assistance of Landlord to obtain adequate terms from a surety. Effective February 24, 2004 Landlord executed a Deed of Trust in favor of Arch Insurance Company, whereby Landlord pledged all of the property described on Exhibit A to assist Tenant to secure the $10,000,000 surety line from Arch Insurance Company. Landlord and Tenant have negotiated $100,000 per year as the appropriate compensation for Tenant to pay to Landlord for this accommodation.

D. On or around April 5, 2004 Landlord changed its name from Portland Shipyard LLC to Shipyard Commerce Center LLC. Landlord and Tenant wish to amend the Lease to acknowledge this name change.

Landlord and Tenant agree as follows:

1. Paragraph 1.7(a) is modified by the deletion of the phrase "to be adjusted as set forth in Section 3.2 below" and the addition of the sentence "The rent is increased from $80,000 per month to $100,000 per month effective October 8, 2004".

2. The phrase "Floating Drydock #3" is inserted on Exhibit C.

3. Paragraph 3.2 is deleted.

4. A new paragraph 16 entitled "Additional Compensation to Landlord" is added.

5. A new paragraph 16.1 entitled "Fee for Execution of Trust Deed" is added as follows "As a fee for the execution and ongoing existence of a Trust Deed in favor of Arch Insurance Company, a surety for Tenant, Tenant shall pay to Landlord $100,000 in 2004, and $100,000 during each subsequent year in which the Trust Deed is in existence".

6. Paragraph 1.2 is amended by deleting "PORTLAND SHIPYARD LLC" and in its place inserting "SHIPYARD COMMERCE CENTER LLC".

7. The signature page of the Lease is amended by deleting "PORTLAND SHIPYARD LLC" and in its place inserting "SHIPYARD COMMERCE CENTER LLC".

Landlord
Shipyard Commerce Center LLC

By _____
President

Tenant
Cascade General, Inc.

By _____
Secretary

FOURTH

~~THIRD~~ AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC (Landlord) and Cascade General, Inc. (Tenant), as most recently amended ~~effective June 1, 2002~~ September 1, 2002. This ~~Third~~ Fourth Amendment is effective January 1, 2003.

Whereas:

A. Landlord and Tenant had negotiated a lower Base Rent in the Second Amendment to Shipyard Lease. This lower Base Rent was largely in recognition of Tenant's deteriorated financial condition and inability to continue to pay a larger Base Rent given its reduced business volume.

B. Tenant's financial condition has improved, and Landlord and Tenant have negotiated the conditions under which Tenant will pay a larger total Rent for years in which it has larger business volumes.

Landlord and Tenant agree as follows:

The following is inserted into the Lease as paragraph 1.7 (c): **Annual Volume-Based Rent:** Tenant shall owe, in addition to Base Rent, an additional annual volume-based rent for any calendar year in which Tenant's revenues (as reported in its audited financial statements) exceed $50,000,000. The additional annual volume-based rent shall equal $75,000 if Tenant's revenues exceed $50,000,000 but do not exceed $55,000,000. The additional annual volume-based rent shall equal $150,000 if Tenant's revenues exceed $55,000,000 but do not exceed $60,000,000. Similarly, the annual volume-based rent shall increase by $75,000 for each additional $5,000,000 of Tenant revenues (example – the annual volume-based rent shall be $525,000 if Tenant revenues are $84,999,000). By December 31 of each year, Tenant shall make an estimated good-faith payment of its annual volume-based rent. By April 1 of the succeeding year, Tenant shall make an additional payment (or receive a refund from Landlord) to reconcile the obligation to the Tenant's final audited revenues.

Landlord
Portland Shipyard LLC

By _____
President

Tenant
Cascade General, Inc.

By _____
Secretary

THIRD AMENDMENT TO SHIPYARD LEASE

This Third Amendment to Shipyard Lease ("Amendment") pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC ("Landlord") and Cascade General, Inc. ("Tenant") (as amended to date, the "Shipyard Lease") and is executed this 1st day of September 2002 to be effective as of August 29, 2000, regardless of the date of execution.

Recitals:

Whereas:

A. In Section 10 of the Sale Agreement Portland Shipyard dated August 29, 2000 among The Port of Portland (the "Port"), Landlord, and Tenant (the "Sale Agreement"), responsibility for "Subsequent Contamination," (as defined in the Sale Agreement and relating to environmental contamination of the properties which are the subject of the Shipyard Lease) was allocated to Landlord as the purchaser of the property.

B. As consideration for the environmental responsibilities and obligations the Port undertakes under Section 10, including responsibility for cleanup of "Pre-existing Contamination" (as defined in the Sales Agreement), the Sale Agreement also requires that Landlord make an "Environmental Payment" (as defined in the Sale Agreement) to the Port under the terms and conditions set forth in the Sale Agreement. The Environmental Payment of $2,500,000 plus accrued interest is due and payable on April 15, 2009.

C. Credits against the Environmental Payment may be received for certain actions, such as dredging.

D. Section 10 of the Sale Agreement specifically states that Section 10 is not intended to govern allocation of responsibilities between Landlord and Tenant.

E. Tenant has, without interruption, leased the premises ("Premises") that are the subject of the Shipyard Lease from the Port prior to Landlord's purchase of the shipyard, and from Landlord after Landlord's purchase of the property.

F. As between Landlord and Tenant, any environmental contamination would have been caused by Tenant or by activities related to Tenant's business activities, and not by Landlord.

G. The parties agree that it has always been the intent of the parties that any liability for Subsequent Contamination (as defined in Section 10 of the Sale Agreement) and the Environmental Payment (as defined in Section of the Sale Agreement) be the responsibility of Tenant under the Shipyard Lease, and actions taken by the parties since August 29, 2000 have reflected that understanding.

H. The parties wish to clarify the language of the Shipyard Lease to ensure that the environmental obligations of Tenant and Landlord are clearly set forth in the text of the Shipyard Lease.

AGREEMENT

Therefore, Landlord and Tenant agree as follows:

1. Tenant shall be responsible for cleanup of any Subsequent Contamination which occurs while Tenant leases the premises that are the subject of the Shipyard Lease from Landlord (at least through the April 30, 2009 lease term of the Shipyard Lease and for any extended term contained in any amendment or modification to the Shipyard Lease or any new lease agreement for the Premises between the parties and/or their successors). Tenant shall reimburse Landlord for any cleanup of Subsequent Contamination performed by Landlord.

2. Tenant shall be responsible for the Environmental Payment to the Port, as set forth in the Sale Agreement. Tenant shall make the Environmental Payment to the Landlord, and Landlord will make the Environmental Payment to the Port. Any charges incurred because of a late payment are the obligation of the party responsible for the late payment. (For example, if Tenant has paid Landlord on time, but Landlord makes a late payment to the Port, any late charges are the responsibility of Landlord. If Landlord makes a late payment to the Port because Tenant's payment to the Landlord is late, late charges are the responsibility of Tenant.)

3. If the Port gives Landlord any credit against the Environmental Payment, Landlord shall give Tenant that same credit. If Tenant performs any action that entitles a credit to be taken against the Environmental Payment, Tenant will provide any necessary supporting documentation for that action to Landlord, and Landlord will claim a credit against the Environmental Payment from the Port.

4. Landlord and Tenant will cooperate with and assist one another in any negotiations with the Port or any other person or entity regarding environmental issues concerning the Premises, including but not limited to issues of contamination, cleanup, dredging, Subsequent Contamination or the Environmental Payment (and credits against the Environmental Payment).

5. Except as specifically set forth in this Amendment, the Shipyard Lease and each of its terms and conditions remain unchanged and continue in full force and effect.

LANDLORD	TENANT
Portland Shipyard LLC	Cascade General, Inc.
By: _____	By: _____
Its: President	Its: Sr VP / Finance

SECOND AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC (Landlord) and Cascade General, Inc (Tenant), as amended effective July 1, 2000. This Second Amendment is effective June 1, 2002

Whereas:

A. Tenant is severely under-utilizing the facility, has recently vacated certain portions of the facility, and has openly expressed its intention to further consolidate its operations to a smaller portion of the facility.

B. Tenant and Landlord have become more aware of the tenant occupancy costs in other special-purpose shipyard facilities.

C. Tenant's financial condition and operating results have deteriorated, and, in conjunction with other cost-cutting measures, seeks a reduction to its monthly rent to enhance its viability as a long-term tenant under the Lease.

Landlord and Tenant agree as follows:

Paragraph 1.7(a) is modified by replacing "$130,000" with "$80,000".

Landlord
Portland Shipyard LLC

By _____

Its President

Tenant
Cascade General, Inc

By _____

Its Secretary

AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC (Landlord) and Cascade General, Inc (Tenant), and is effective July 1, 2001.

Whereas:

A. On or around June 27, 2001, Landlord removed from the leased premises and sold Drydock #4 and related equipment, and Landlord and Tenant have agreed to reduce the Base Rent accordingly.

B. Based upon data received from Multnomah County for the initial property tax assessment on the leased premises, Tenant's annual property tax obligation would be dramatically larger than what was anticipated when the lease was negotiated. Landlord and Tenant have agreed to modify the lease to make Landlord responsible for the costs associated with the process of contesting the July 1, 2001 property tax assessment.

Landlord and Tenant agree as follows:

1. Paragraph 1.7(a) is modified by replacing "$261,000" with "$130,000".

2. Paragraph 4.2(d) is modified by inserting, after the existing third sentence, "Notwithstanding the above, Landlord shall pay any costs required to contest the initial property tax assessment for the July 1, 2001 tax year".

Landlord
Portland Shipyard LLC

By _____

Its President

Tenant
Cascade General, Inc

By _____

Its Secretary

THE INDEBTEDNESS EVIDENCED BY THIS LEASE IS SUBORDINATE TO THE PRIOR PAYMENT IN FULL OF THE SENIOR LOAN (AS DEFINED IN A MASTER LOAN AND SECURITY AGREEMENT DATED AUGUST 23, 2000 AMONG TRANSAMERICA EQUIPMENT FINANCIAL SERVICES CORPORATION, LANDLORD, TENANT AND OTHERS).

SHIPYARD LEASE
(Portland, Oregon)

1. Basic Terms

This Section 1 contains the Basic Terms of this lease between the Landlord and Tenant named below.

1.1	*Date of Lease*:	August 29, 2000
1.2	*Landlord*:	PORTLAND SHIPYARD LLC, an Oregon limited liability company 5555 North Channel Avenue Portland, OR 97217
1.3	*Tenant*:	CASCADE GENERAL INC., an Oregon corporation 5555 North Channel Avenue Portland, OR 97217

1.4 *Premises*: The real property, consisting of approximately 56.61 acres of land and commonly known as 5555 North Channel Avenue, Portland, Oregon, and more particularly described on Exhibit A attached hereto and approximately 60.8 acres of submerged and submersible lands more particularly described on Exhibit B attached hereto. The Premises shall include (i) all improvements located upon the land, (ii) the dry docks, machinery and equipment listed on Exhibits C, D-1, D-2, D-3, D-4 and D-5 attached hereto, and (iii) all of the trade names listed on Exhibit E attached hereto. Tenant acknowledges that the Premises are subject to a security interest in favor of Transamerica Equipment Financial Services Corporation ("Lender").

1.5 *Lease Term*: Eight years, 9 months beginning on August 29, 2000 and ending on April 30, 2009.

1.6 *Permitted Uses:* (Subject to *Section 5*)The operation of a commercial ship repair, conversion and construction facility and related, incidental uses.

1.7 *Rent and Other Charges Payable by Tenant*:

(a) *Base Rent:* $261,000 per month, to be adjusted as set forth in Section 3.2 below.

(b) *Other Periodic Payments:* (i) Real Property Taxes *(See Section 4.2)*; (ii) Utilities *(See Section 4.4)*; (iii) Assumed Contracts *(See Section 4.3)*; (iv) Insurance

Premiums *(See Section 4.5)*; (iv) Common Area Assessments *(See Section 5.2)*; (v) Maintenance, Repairs and Alterations *(See Section 7)*.

2. *Lease Term*

2.1 ***Lease of Premises For Lease Term.*** Landlord leases the Premises to Tenant and Tenant leases the Premises from Landlord for the Lease Term. The Lease Term is for the period stated in Section 1.5 above and shall begin and end on the dates specified in Section 1.5 above, unless the beginning or end of the Lease Term is changed under any provision of this Lease. The "Commencement Date" shall be the date specified in Section 1.5 above for the beginning of the Lease Term, unless advanced or delayed under any provision of this Lease.

2.2 ***Holding Over.*** Tenant shall vacate the Premises upon the expiration or earlier termination of this Lease. Tenant shall reimburse Landlord for and indemnify Landlord against all damages which Landlord incurs from Tenant's delay in vacating the Premises. If Tenant does not vacate the Premises upon the expiration or earlier termination of the Lease and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Premises shall be a "month-to-month" tenancy, subject to all of the terms of this Lease applicable to a month-to-month tenancy.

3. *Base Rent*

3.1 ***Time and Manner of Payment.*** Upon execution of this Lease, Tenant shall pay Landlord the Base Rent in the amount stated in Section 1.7(a) above for the first month of the Lease Term. On the first day of the second month of the Lease Term and each month thereafter, Tenant shall pay Landlord the Base Rent, in advance, without offset, deduction or prior demand. The Base Rent shall be payable at Landlord's address or at such other place as Landlord may designate in writing.

3.2 ***Cost of Living Increase.*** The Base Rent shall be increased on January 1, 2005 (the "Rental Adjustment Date") in accordance with the increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics. Comparisons shall be made using the index entitled U.S. City Average – All Urban Consumers – All Items (1982-1984=100) (the "Index"). The Base Rent shall be increased on the Rental Adjustment Date by the percentage that the Index has increased from the month immediately preceding the Commencement Date to the month immediately preceding the Rental Adjustment Date. Landlord shall notify Tenant of the increase in Base Rent by a written statement setting forth the amount of the new Base Rent. Tenant shall pay the new Base Rent from the Rental Adjustment Date until the expiration of the term of the Lease. If the format or components of the Index materially change after the Commencement Date, Landlord shall substitute an Index which is published by the Bureau of Labor Statistics or similar agency and which is most nearly equivalent to the Index. In no event shall the Base Rent increase on the Rental Adjustment Date by more than 15 percent.

3.3 ***Termination; Advance Payments.*** Upon termination of this Lease under Section 8, Section 9 or any other termination not resulting from Tenant's default and after Tenant has vacated the Premises in the manner required by this Lease, Landlord shall refund or credit to Tenant (or Tenant's successor), any advance rent or other advance payments made by Tenant to

Landlord and any amounts paid for real property taxes and other reserves which apply to any time periods after termination of the Lease.

4. Other Charges Payable by Tenant

4.1 ***Additional Rent.*** All charges payable by Tenant other than Base Rent are called "Additional Rent." This Lease is what is commonly called a "net lease," it being understood that Landlord will receive the Base Rent described in Section 1.7 above free and clear of any and all impositions, real estate taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises, whether or not such charge or cost is specifically enumerated in this Lease. Unless this Lease provides otherwise, Tenant shall pay all Additional Rent then due with the next monthly installment of Base Rent. The term "Rent" shall mean Base Rent and Additional Rent.

4.2 ***Property Taxes.***

(a) ***Real Property Taxes.*** Tenant shall pay all real property taxes on the Premises (including any fees, taxes or assessments against, or as a result of, any tenant improvements installed on the Premises by or for the benefit of Tenant) during the Lease Term. Such payment shall be made prior to the delinquency date of the taxes and in all events prior to May 15 of each tax year. Landlord shall reimburse Tenant for any real property taxes paid by Tenant covering any period of time prior to or after the Lease Term. If Tenant fails to pay the real property taxes when due, Landlord may pay the taxes and Tenant shall reimburse Landlord for the amount of such tax payment as Additional Rent.

(b) ***Definition of "Real Property Tax."*** "Real property tax" means (i) any general or special fee, license fee, license tax, business license fee, commercial rental tax, levy, charge, assessment, penalty or tax imposed by any taxing authority against the Premises; (ii) any tax on the Landlord's right to receive, or the receipt of, rent or income from the Premises or against Landlord's business of leasing the Premises; (iii) any tax or charge for fire protection, streets, sidewalks, road maintenance, refuse or other services provided to the Premises by any governmental agency; (iv) any tax imposed upon this transaction or based upon a reassessment of the Premises due to a change of ownership, as defined by applicable law, or other transfer of all or part of Landlord's interest in the Premises; and (v) any charge or fee replacing any tax previously included within the definition of real property tax. "Real property tax" does not, however, include Landlord's federal or state income, franchise, inheritance or estate taxes.

(c) ***Personal Property Taxes.*** Tenant shall pay all taxes charged against trade fixtures, furnishings, equipment or any other personal property belonging to Tenant or leased to Tenant pursuant to this Lease. Tenant shall exert its best efforts to have personal property taxes assessed separately from the Premises.

(d) ***Tenant's Right to Contest Taxes.*** Tenant may attempt to have the assessed valuation of the Premises reduced or may initiate proceedings to contest the real property taxes. If required by law, Landlord shall join in the proceedings brought by Tenant. However, Tenant shall pay all costs of the proceedings, including any costs or fees incurred by Landlord. Upon the final determination of any proceeding or contest, Tenant shall immediately pay the real property taxes due, together with all costs, charges, interest and penalties incidental to the proceedings.

4.3 ***Assumed Contracts, Percentage Rent.*** Tenant shall pay all rent and other charges due under those leases, contracts and agreements listed on Exhibit A to the Assignment and Assumption Agreement dated August 23, 2000 between Landlord and Tenant (the "Assumed Contracts"). In addition, Tenant shall pay the Additional Percentage Rent, as that term is defined in Section 8 of the Sale Agreement dated August 23, 2000 by and among The Port of Portland (the "Port"), Landlord and Tenant (the "Sale Agreement").

4.4 ***Utilities.*** Tenant shall pay, directly to the appropriate supplier, the cost of all natural gas, heat, light, power, sewer service, telephone, water, refuse disposal and other utilities and services supplied to the Premises. However, if any services or utilities are jointly metered with other property, Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of such utilities and services and Tenant shall pay such share to Landlord within 15 days after receipt of Landlords' written statement.

4.5 ***Insurance Policies***

(a) ***Liability Insurance.*** During the Lease Term, Tenant shall maintain a policy of commercial general liability insurance (sometimes known as broad form comprehensive general liability insurance) insuring Tenant against liability for bodily injury, property damage (including loss of use of property) and personal injury arising out of the operation, use or occupancy of the Premises. Tenant shall name Landlord as an additional insured under such policy. The initial amount of such insurance shall be no less than $5,000,000 per occurrence and shall be subject to periodic increases based upon inflation, increased liability awards, recommendation of Landlord's professional insurance advisers and other relevant factors. The liability insurance obtained by Tenant under this Section 4.5(a) shall (i) be primary and noncontributing; (ii) contain cross-liability endorsements; and (iii) insure Landlord against Tenant's performance under Section 5.3, if the matters giving rise to the indemnity under Section 5.3 result from the negligence of Tenant. The amount and coverage of such insurance shall not limit Tenant's liability nor relieve Tenant of any other obligation under this Lease. Landlord may also obtain comprehensive public liability insurance in an amount and with coverage determined by Landlord insuring Landlord against liability arising out of ownership, operation, use or occupancy of the Premises. The policy obtained by Landlord shall not be contributory and shall not provide primary insurance.

(b) ***Property and Rental Income Insurance.*** During the Lease Term, Landlord shall maintain policies of insurance covering loss of or damage to the Premises in the full amount of at least its actual cash value. Such policy shall provide protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extend perils (all risk), sprinkler leakage and any other perils which Landlord deems reasonably necessary. In its discretion, Landlord shall have the right to obtain flood and earthquake insurance. Landlord shall not obtain insurance for Tenant's fixtures or equipment or building improvements installed by Tenant on the Premises. Tenant shall not do or permit anything to be done which invalidates any such insurance policies.

(c) ***Payments of Premiums.*** Tenant shall pay all premiums for the insurance policies described in Sections 4.5(a) and 4.5(b) (whether obtained by Landlord or Tenant) within 15 days after Tenant's receipt of a copy of the premium statement or other evidence of the amount due. If the Lease Term expires before the expiration of an insurance policy maintained by Landlord, Tenant shall be liable for Tenant's prorated share of the

insurance premiums. Before the Commencement Date, Tenant shall deliver to Landlord a certificate of insurance, executed by an authorized officer of the insurance company, showing that the insurance that Tenant is required to maintain under this Section 4.5 is in full force and effect.

(d) ***General Insurance Provisions.***

(i) Any insurance which Tenant is required to maintain under this Lease shall include a provision which requires the insurance carrier to give Landlord not less than 30 days' written notice prior to any cancellation or modification of such coverage.

(ii) If policy is cancelled or modified during the Lease Term without Landlord's consent, Landlord may obtain such insurance, in which case Tenant shall reimburse Landlord for the cost of such insurance within 15 days after receipt of a statement that indicates the cost of such insurance.

(iii) Tenant shall maintain all insurance required under this Lease with companies holding a "General Policy Rating" of A-12 or better, as set forth in the most current issue of "Best Key Rating Guide." Landlord and Tenant acknowledge the insurance markets are rapidly changing and that insurance in the form and amounts described in this Section 4.5 may not be available in the future. Tenant acknowledges that the insurance described in this Section 4.5 is for the primary benefit of Landlord. If at any time during the Lease Term, Tenant is unable to maintain the insurance required under the Lease, Tenant shall nevertheless maintain insurance coverage which is customary and commercially reasonable in the insurance industry for Tenant's type of business, as that coverage may change from time to time. Landlord makes no representation as to the adequacy of such insurance to protect Landlord's or Tenant's interests. Therefore, Tenant shall obtain any such additional property or liability insurance which Tenant deems necessary to protect Landlord and Tenant.

(iv) Unless prohibited under any applicable insurance policies maintained, Landlord and Tenant each hereby waive any and all rights of recovery against the other, or against the officers, employees, agents or representatives of the other, for loss of or damage to its property or the property of others under its control, if such loss or damage is covered by any insurance policy in force (whether or not described in this Lease) or required to be in force at the time of such loss or damage. Upon obtaining the required policies of insurance, Landlord and Tenant shall give notice to the insurance carriers of this mutual waiver of subrogation.

4.6 ***Late Charges.*** Tenant's failure to pay Rent promptly may cause Landlord to incur unanticipated costs. The exact amount of such costs are impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by any ground lease, mortgage or trust deed encumbering the Premises. Therefore, if Landlord does not receive any Rent payment within 15 days after it becomes due, Tenant shall pay Landlord a late charge equal to five percent of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment. The collection of such late charge shall not be in lieu of any other remedies of Landlord under this Lease and such collection shall not waive the breach covered by the late payment.

5. *Use of Premises*

5.1 ***Permitted Uses.*** Tenant may use the Premises for the Permitted Uses set forth in Section 1.6 above and for no other use without Landlord's prior written consent, which consent shall not be unreasonably withheld so long as such use is consistent with the Use Restrictions (as that term is defined in Section 5.2 below).

5.2 ***Manner of Use.*** Tenant shall not cause or permit the Premises to be used in any way which constitutes a violation of any law, ordinance or governmental regulation or order, or which constitutes a nuisance or waste. Tenant shall obtain and pay for all permits, including a Certificate of Occupancy, required for Tenant's occupancy of the Premises and shall promptly take all actions necessary to comply with all applicable statues, ordinances, rules, regulations, orders and requirements regulating the use by Tenant of the Premises, including, but not limited to, the Occupational Safety and Health Act and the Americans with Disabilities Act. Without limiting the generality of the foregoing, Tenant shall (i) use the Premises in compliance with all the terms and conditions of the use restrictions set forth in Sections 1.3 and 1.4 of the Sale Agreement, including, without limitation, the restrictions on the Bond Financed Facilities (the "Use Restrictions"), and (ii) be responsible for payment of all Common Area Assessments described in the Bargain and Sale Deed attached as Exhibit L to the Sale Agreement.

5.3 ***Indemnity.*** Tenant shall indemnify Landlord against and hold Landlord harmless from any and all costs, claims or liability arising from: (a) Tenant's use of the Premises; (b) the conduct of Tenant's business or anything else done or permitted by Tenant to be done in or about the Premises, including any contamination of the Premises or any other property resulting from the presence or use of Hazardous Materials caused by Tenant; (c) any breach or default in the performance of Tenant's obligations under this Lease; (d) any misrepresentation or breach of warranty by Tenant under this Lease; or (e) other acts or omissions of Tenant. Tenant shall defend Landlord against any such cost, claim or liability at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs incurred by Landlord in connection with any such claim. As a material part of the consideration to Landlord, Tenant assumes all risk of damage to property or injury to person in or about the Premises arising from any cause and Tenant hereby waives all claims in respect thereof against Landlord, except for any claim arising out of Landlord's gross negligence or willful misconduct. As used in this section, the term "Tenant" shall include Tenant's employees, agents, contractors and invitees, if applicable. The obligations of Tenant under this Section 5.3 shall survive the expiration or earlier termination of this Lease.

5.4 ***Landlord's Access.*** Landlord, its agents or the Port (if such access is authorized by the Sale Agreement) may enter the Premises at all reasonable times to show the Premises to potential buyers, investors or tenants or other parties; to do any other act or to inspect and conduct tests in order to monitor Tenant's compliance with all applicable environmental laws and all laws governing the presence and use of Hazardous Material; or for any other purpose Landlord deems necessary.

5.5 ***Quiet Possession.*** If Tenant pays the rent and complies with all other terms of this Lease, Tenant may occupy and enjoy the Premises for the full Lease Term, subject to the provisions of this Lease.

6. Hazardous Materials.

6.1 ***Definitions.*** As used in this Lease, the term "Hazardous Materials" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any applicable federal, state or local laws or regulations, including without limitation petroleum based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons.

6.2 ***Use, Indemnity.*** Tenant shall cause all Hazardous Materials brought upon, kept on, in or about the Premises to be used in compliance with all legal requirements. Notwithstanding the foregoing, Tenant shall only bring such Hazardous Materials on the Premises that are directly related to Tenant's use of the Premises. If Tenant breaches the obligations stated in the foregoing sentence or if, at any time during the term of the Lease or upon the expiration date hereof, the presence of Hazardous Materials on the Premises caused by Tenant results in contamination of the Premises, Tenant will indemnify, defend and hold Landlord harmless from and against any and all liabilities, claims, damages, costs and expenses of any kind and nature, including, without limitation, legal, accounting, consulting, engineering or other expenses which may be posed upon Landlord by any other party (including a governmental entity) which arise as a result of such contamination. The obligations of Tenant under this Section 6 shall survive the expiration or earlier termination of the Lease.

6.3 ***Sale Agreement.*** Except as specifically set forth herein, nothing in this Lease shall modify, alter or limit the obligations of Landlord or Tenant under Section 10 of the Sale Agreement.

7. Condition of Premises; Maintenance, Repairs and Alterations

7.1 ***Existing Conditions.*** Tenant accepts the Premises in its condition as of the execution of the Lease, "AS-IS" subject to all recorded matters, laws, ordinances and governmental regulations and orders. Except as provided herein, Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation as to the condition of the Premises or the suitability of the Premises for Tenant's intended use. Tenant represents that Tenant has made its own inspection of and inquiry regarding the condition of the Premises and is not relying on any representations of Landlord with respect thereto.

7.2 ***Exemption of Landlord from Liability.*** Landlord shall not be liable for any damage or injury to person, business (or any loss of income therefrom), goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers or any other person in or about the Premises, whether such damage or injury is caused by or results from: (a) fire, steam, electricity, water, gas or rain; (b) the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures or any other cause; (c) conditions arising in or about the Premises, or from other sources or places; or (d) any act or omission of any other tenant or subtenant of the Premises. Landlord shall not be liable for any such damage or injury even though the cause of or the means of repairing such

damage or injury are not accessible to Tenant. The provisions of this Section 7.2 shall not, however, exempt Landlord from liability for Landlord's gross negligence or willful misconduct.

7.3 ***Landlord's Obligations***. Subject to the provisions of Section 8 and Section 9, Landlord shall have absolutely no responsibility to repair, maintain or replace any portion of the Premises at any time. Tenant waives the benefit of any present or future law which might give Tenant the right to repair the Premises at Landlord's expense or to terminate the Lease due to the condition of the Premises.

7.4 ***Tenant's Obligations***.

(a) Except as provided in Section 8 and Section 9, Tenant shall keep all portions of the Premises (including structural, nonstructural, interior, exterior and landscaped areas, portions, systems and equipment) in good order, condition and repair (including interior repainting and refinishing, as needed). If any portion of the Premises or any system or equipment in the Premises which Tenant is obligated to repair cannot be fully repaired or restored, Tenant shall promptly replace such portion of the Premises or system or equipment in the Premises. If any part of the Premises is damaged by any act or omission of Tenant, Tenant shall pay Landlord the cost of repairing or replacing such damaged property, whether or not Landlord would otherwise be obligated to pay the cost of maintaining or repairing such property. It is the intention of Landlord and Tenant that at all times Tenant shall maintain the portions of the Premises which Tenant is obligated to maintain in a fully operative condition.

(b) Tenant shall fulfill all of Tenant's obligations under this Section 7.4 at Tenant's sole expense. If Tenant fails to maintain, repair or replace the Premises as required by this Section 7.4, Landlord may, upon ten days' prior notice to Tenant (except that no notice shall be required in the case of an emergency), enter the Premises and perform such maintenance or repair (including replacement, as needed) on behalf of Tenant. In such case, Tenant shall reimburse Landlord for all costs incurred in performing such maintenance or repair immediately upon demand.

7.5 ***Alterations, Additions and Improvements.***

(a) Tenant may make any alterations, additions or improvements to the Premises without Landlord's prior written consent so long as such alterations are consistent with (i) the operation of the Premises for the Permitted Uses, (ii) the Use Restrictions and (iii) the Swan Island Industrial Park Standards for Development dated September 24, 1976 as revised in April 1994 (the "Development Standards"). All alterations, additions and improvements shall be done in a good and workmanlike manner, in conformity with all applicable laws and regulations.

(b) Tenant shall pay when due all claims for labor and material furnished to the Premises. Landlord may elect to record and post notices of non-responsibility on the Premises.

7.6 ***Condition upon Termination***. Upon the termination of the Lease, Tenant shall surrender the Premises to Landlord, in the same condition as received except for ordinary wear and tear which Tenant was not otherwise obligated to remedy under any provision of this Lease. However, Tenant shall not be obligated to repair any damage which Landlord is required to repair under Section 8. All alterations, additions and improvements shall become Landlord's

property and shall be surrendered to Landlord upon the expiration or earlier termination of the Lease, except that Tenant may remove any machinery or equipment owned by Tenant which can be removed without material damage to the Premises. Tenant shall repair, at Tenant's expense, any damage to the Premises caused by the removal of any such machinery or equipment. In no event, however, shall Tenant remove any of the following materials or equipment (which shall be deemed Landlord's property) without Landlord's prior written consent (i) the equipment listed on Exhibit B attached hereto; (ii) any power wiring or power panels; (iii) lighting or lighting fixtures; (iv) wall coverages, drapes, blinds or other window coverings; (v) carpets or other floor coverings; (vi) heaters, air conditioners or any other heating or air conditioning equipment; (vii) fencing or security gates; or (viii) other similar building operating equipment and decorations.

8. Damage or Destruction

8.1 *Partial Damage to Premises.*

(a) If the Premises is only partially damaged (i.e., less than 50 percent of the Premises is untenantable as a result of such damage or less than 50 percent of Tenant's operations are materially impaired) and if the proceeds received by Landlord from the insurance policies described in Section 4.5(b) are sufficient to pay for the necessary repairs, this Lease shall remain in effect and Landlord shall repair the damage to the Premises, but not to Tenant's fixtures, equipment or improvements.

(b) If the insurance proceeds received by Landlord are not sufficient to pay the entire cost of repair, or if the cause of the damage is not covered by the insurance policies which Landlord maintains under Section 4.5(b), Landlord may elect either to (i) repair the damage as soon as reasonably possible, in which case this Lease shall remain in full force and effect, or (ii) terminate this Lease as of the date the damage occurred. Landlord shall notify Tenant within 30 days after receipt of notice of the occurrence of the damage whether Landlord elects to repair the damage or terminate the Lease. If Landlord elects to repair the damage, Tenant shall pay Landlord the "deductible amount" (if any) under Landlord's insurance policies and, if the damage was due to an act or omission of Tenant, or Tenant's employees, agents, contractors or invitees, the difference between the actual cost of repair any insurance proceeds received by Landlord. If Landlord elects to terminate the Lease, Tenant may elect to continue this Lease in full force and effect, in which case Tenant shall repair any damage to the Premises and any building in which the Premises is located. Tenant shall pay the cost of such repairs, except that upon satisfactory completion of such repairs, Landlord shall deliver to Tenant any insurance proceeds received by Landlord for the damage repaired by Tenant. Tenant shall give landlord written notice of such election within ten days after receiving Landlord's termination notice.

(c) If the damage to the Premises occurs during the last six months of the Lease Term and such damage will require more than 30 days to repair, either Landlord or Tenant may elect to terminate this Lease as of the date the damage occurred, regardless of the sufficiency of any insurance proceeds. The party electing to terminate this Lease shall give written notification to the other party of such election within 30 days after Tenant's notice to Landlord of the occurrence of the damage.

8.2 ***Substantial or Total Destruction.*** If the Premises is substantially or totally destroyed by any cause whatsoever (i.e., the damage to the Premises is greater than partial damage as described in Section 8.1) and regardless of whether Landlord receives any insurance proceeds, this Lease shall terminate as of the date the destruction occurred. Notwithstanding the preceding sentence, if the Premises can be rebuilt within one year after the date of destruction, Landlord may elect to rebuild the Premises at Landlord's own expense, in which case this Lease shall remain in full force and effect. Landlord shall notify Tenant of such election within 30 days after Tenant's notice of the occurrence of total or substantial destruction. If the damage was caused by an act or omission of Tenant, Tenant shall pay Landlord the difference between the actual cost of rebuilding and any insurance proceeds received by Landlord.

8.3 ***No Abatement of Rent.*** There shall be no abatement of Rent or any other obligation of Tenant hereunder by reason of any damage or destruction of the Premises. .

8.4 ***Waiver.*** Tenant waives the protection of any statute, code or judicial decision which grants a tenant the right to terminate a lease in the event of the substantial or total destruction of the leased property. Tenant agrees that the provisions of this Section 8 shall govern the rights and obligations of Landlord and Tenant in the event of any substantial or total destruction of Premises.

9. Condemnation

If all or any portion of the Premises is taken under the power of eminent domain or sold under the threat of that power (all of which are called "Condemnation"), this Lease shall terminate as to the part taken or sold on the date the condemning authority takes title or possession, whichever occurs first. If so much of the Premises is taken such that, in Landlord's and Tenant's reasonable judgment, the Premises are no longer suitable for the conduct of the Permitted Uses, Landlord may terminate this Lease as of the date condemning authority takes title or possession, by delivering written notice to Tenant within ten days after receipt of written notice of such taking (or in the absence of such notice, within ten days after the condemning authority takes title or possession). If Landlord does not terminate this Lease, this Lease shall remain in effect as to the portion of the Premises not taken, except that the Base Rent and Additional Rent shall be reduced in proportion to the reduction in the area of the Premises. Any Condemnation award or payment shall be distributed in the following order: (a) first, to any ground lessor, mortgagee or beneficiary under a deed of trust encumbering the Premises, the amount of its interest in the Premises; (b) second, to Tenant, only the amount of any award specifically designated for loss of or damage to Tenant's trade fixtures or removable personal property; and (c) third, to Landlord, the remainder of such award, whether as compensation for reduction in the value of the leasehold, the taking of the fee or otherwise. If this Lease is not terminated, Landlord shall repair any damage to the Premises caused by the Condemnation, except that Landlord shall not be obligated to repair any damage for which Tenant has been reimbursed by the condemning authority. If the severance damages received by Landlord are not sufficient to pay for such repair, Landlord shall have the right to either terminate this Lease or make such repair at Landlord's expense.

10. Assignment and Subletting

10.1 ***Landlord's Consent Required.*** No portion of the Premises or of Tenant's interest in this Lease may be acquired by any other person or entity, whether by sale,

assignment, mortgage, sublease, transfer, operation of law or act of Tenant, without Landlord's prior written consent. Landlord has the right to grant or withhold its consent as provided in Section 10.3 below.

10.2 ***No Release of Tenant.*** No transfer permitted by this Section 10, whether with or without Landlord's consent, shall release Tenant or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Landlord's acceptance of rent from any other person is not a waiver of any provision of this Section 10. Consent to one transfer is not a consent to any subsequent transfer. If Tenant's transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may consent to subsequent assignments or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant's liability under this Lease.

10.3 ***Landlord's Consent.*** Tenant's request for consent to any transfer described in Section 10.1 shall set forth in writing the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (e.g., the term of the rent and security deposit payment under any proposed assignment or sublease) and any other information Landlord deems relevant. Landlord shall have the right to withhold consent, if reasonable, or to grant consent, based on the following facts: (i) the business of the proposed assignee or subtenant and the proposed use of the Premises; (ii) the net worth and financial reputation of the proposed assignee or subtenant; (iii) Tenant's compliance with all of its obligations under the Lease; (iv) the reputation, character and past performance of the prospective transferee; (v) Landlord's ability to obtain the consent of the Port and Landlord's secured lender (if such consent is required); and (vi) such other factors as Landlord may reasonably deem relevant.

10.4 ***Sublease.*** Notwithstanding the provisions of this Section 10, Tenant may sublease portions of the Premises without Landlord's prior written consent so long as (i) the subleased premises as to each sublease do not exceed 150,000 square feet, (ii) the subtenant uses the Premises for a use consistent with the Permitted Uses described in Section 1.6 above, (iii) the consent of the Port and/or Landlord's secured lender is not required, and (iv) the subtenant agrees to be bound by all the terms and conditions of this Lease including, without limitation, all of those matters described in Section 5.2 above.

10.5 ***No Merger.*** No merger shall result from Tenant's sublease of the Premises under this Section 10, Tenant's surrender of this Lease or the termination of this Lease in any other manner. In any such event, Landlord may terminate any or all subtenancies or succeed to the interest as sublandlord under any or all subtenancies.

11. Defaults; Remedies

11.1 ***Covenants and Conditions.*** Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as covenant. Tenant's right to continue in possession of the Premises is conditioned upon such performance. Time is of the essence in the performance of all covenants and conditions.

11.2 ***Defaults.*** Tenant shall be in material default under this Lease:

(a) If Tenant abandons the Premises or if Tenant's vacation of the Premises results in the cancellation of any insurance described in Section 4.5;

(b) If Tenant fails to pay rent or any other charge within 15 days of when due;

(c) If Tenant fails to perform any of Tenant's nonmonetary obligations under this Lease for a period of 30 days after written notice from Landlord; provided that if more than 30 days are required to complete such performance, Tenant shall not be in default if Tenant commences such performance within the 30-day period and thereafter diligently pursues its completion. This section is intended to satisfy any and all notice requirements imposed by law on Landlord and is not in addition to any such requirement.

(d) If Tenant is in default under (i) the Promissory Note dated August 23, 2000 between Tenant as maker and Landlord, as payee or any documents securing the Promissory Note (including, without limitation, failure to comply with the Use Restrictions or the Development Standards), or (ii) any of the Assumed Contracts.

(e) (i) If Tenant makes a general assignment or general arrangement for the benefit of creditors; (ii) if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within 30 days; (iii) if a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises or if Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure which is not discharged within 30 days. If a court of competent jurisdiction determines that any of the acts described in this Section 11.2(e) is not a default under this Lease and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive as Additional Rent, the excess, if any, of the rent (or any other consideration) paid in connection with such assignment or sublease over the rent payable by Tenant under this Lease.

11.3 ***Remedies***. On the occurrence of any material default by Tenant, Landlord may, at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including (i) the worth at the time of the award of the unpaid Base Rent, Additional Rent and other charges which Landlord had earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Landlord would have earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Tenant would have paid for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform is obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or

expenses Landlord incurs in maintaining or preserving the Premises after such default, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation or alteration of the Premises, Landlord's reasonable attorney fees incurred in connection therewith and any real estate commission paid or payable. As used in subparts (i) and (ii) above, the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of 15 percent per annum, or such lesser amount as may then be the maximum lawful rate. As used in subpart (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent. If Tenant has abandoned the Premises, Landlord shall have the option of (i) retaking possession of the Premises and recovering from Tenant the amount specified in this Section 11.3(a), or (ii) proceeding under Section 11.3(b);

(b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due.

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Premises is located.

11.4 ***Cumulative Remedies.*** Landlord's exercise of any right or remedy shall not prevent it from exercising any other right or remedy.

11.5 ***Loan Agreement.*** In addition to the rights of Landlord set forth in this Section 11, in the event a default occurs and is continuing under the Master Loan Agreement by and among Landlord, Lender, Cammell Laird Pacific, Inc. and Tenant dated August 23, 2000, Lender (and Lender's successors and assigns) may, at its option and upon written notice to Landlord and Tenant (but subject to any notice and cure rights set forth in the Master Loan Agreement or related documents), terminate this Lease, and Lender is an intended third party beneficiary of this Lease.

12. Protection of Lenders

12.1 ***Subordination.*** Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust or mortgage encumbering the Premises, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded. Tenant shall cooperate with Landlord and any lender which is acquiring a security interest in the Premises or the Lease. Tenant shall execute such further documents and assurances as such lender may require, provided that Tenant's obligations under this Lease shall not be increased in any material way (the performance of ministerial acts shall not be deemed material). If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage or the date of recording thereof.

12.2 ***Signing of Documents.*** Tenant shall sign and deliver any instrument or documents necessary or appropriate to evidence any such attornment or subordination or agreement to do so. If Tenant fails to do so within ten days after written request, Tenant hereby

makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the attorney-in-fact of Tenant to execute and deliver any such instrument or document.

12.3 ***Estoppel Certificates.***

(a) Upon Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been cancelled or terminated; (iii) the last date of payment of the Base Rent and other charges and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why); and (v) such other representations or information with respect to Tenant or the Lease as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Premises may require. Tenant shall deliver such statement to Landlord within ten days after Landlord's request. Landlord may give any such statement by Tenant to any prospective purchaser or encumbrancer of the Premises. Such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

(b) If Tenant does not deliver such statement to Landlord within such ten-day period, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been cancelled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's Base Rent, Additional Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under the Lease. In such event, Tenant shall be estopped from denying the truth of such facts.

13. Legal Costs

13.1 ***Legal Proceedings.*** If any action for breach of or to enforce the provisions of this Lease is commenced, the prevailing party shall be entitled to recover from the losing party the prevailing party's reasonable attorney fees and costs incurred in such action, at trial or on any appeal. Tenant shall also indemnify Landlord against and hold Landlord harmless from all costs, expenses, demands and liability Landlord may incur if Landlord becomes or is made a party to any claim or action (a) instituted by Tenant against any third party, or by any third party against Tenant, or by or against any person holding any interest under or using the Premises by license of or agreement with Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding. Tenant shall defend Landlord against any such claim or action at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs Landlord incurs in any such claim or action.

13.2 ***Landlord's Consent.*** Tenant shall pay Landlord's reasonable attorney fees incurred in connection with Tenant's request for Landlord's consent under Section 10, or in connection with any other act which Tenant proposes to do and which requires Landlord's consent.

14. Miscellaneous Provisions

14.1 ***Nondiscrimination***. Tenant promises, and it is a condition to the continuance of this Lease, that there will be no discrimination against, or segregation of, any person or group on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing, transferring, occupancy, tenure or use of the Premises or any portion thereof.

14.2 ***Landlord's Liability; Certain Duties.***

(a) As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Premises or the leasehold estate under a ground lease of the Premises at the time in question. Each Landlord is obligated to perform the obligations of Landlord under this Lease only during the time such Landlord owns such interest or title. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of transfer. However, each Landlord shall deliver to its transferee all funds that Tenant previously paid if such funds have not yet been applied under the terms of this Lease.

(b) Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor, mortgagee or beneficiary under any deed of trust encumbering the Premises whose name and address have been furnished to Tenant in writing. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee or beneficiary) fails to cure such nonperformance within 30 days after receipt of Tenant's notice. However, if such nonperformance reasonably requires more than 30 days to cure, Landlord shall not be in default if such cure is commenced within such 30-day period and thereafter diligently pursued to completion.

(c) Notwithstanding any term or provision herein to the contrary, the liability of Landlord for the performance of its duties and obligations under this Lease is limited to Landlord's interest in the Premises and neither the Landlord nor its partners, shareholders, officers or other principals shall have any personal liability under this Lease.

14.3 ***Severability***. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

14.4 ***Interpretation***. The captions of the sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms of provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Premises with Tenant's expressed or implied permission. No rule of interpretation which construes ambiguities against a party drafting a document shall apply to the interpretation of this Lease.

14.5 ***Incorporation of Prior Agreements; Modifications***. This Lease is the only agreement between the parties pertaining to the lease of the Premises and no other

agreements are effective. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

14.6 ***Notices.*** All notices required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid. Notices to Tenant shall be delivered to the address specified in Section 1.3. Notices to Landlord shall be delivered to the address specified in Section 1.2 above. All notices shall be effective upon delivery if personally delivered or one day after mailing, if mailed. Either party may change its notice address upon written notice to the other party.

14.7 ***Waivers.*** All waivers must be in writing and signed by the waiving party. Landlord's failure to enforce any provision of this Lease or its acceptance of rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

14.8 ***No Recordation.*** Tenant shall not record this Lease without prior written consent from Landlord. However, either Landlord or Tenant may require that a "Short-Form" memorandum of this Lease executed by both parties be recorded. The party requiring such recording shall pay all transfer taxes and recording fees.

14.9 ***Binding Effect; Choice of Law.*** This Lease binds any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. The laws of the state in which the Premises is located shall govern this Lease.

14.10 ***Corporate Authority; Partnership Authority.*** If Tenant is a corporation, each person signing this Lease on behalf of Tenant represents and warrants that he has full authority to do so and that this Lease binds the corporation.

14.11 ***Consent of Port.*** In the event any action of Tenant with respect to the Premises requires the approval of the Port under the Sale Agreement or the Use Restrictions, Tenant will (i) give written notice of such action, and (ii) obtain the consent of the Port at Tenant's sole cost and expense.

14.12 ***Force Majeure.*** If Landlord or Tenant cannot perform any of their obligations due to events beyond the party's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond Landlord's or Tenant's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, government regulation or restriction and weather conditions.

14.13 ***Execution of Lease.*** This Lease may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument.

14.14 ***Survival.*** All representations and warranties of Landlord and Tenant shall survive the termination of this Lease.

15. Brokers

15.1 ***Agency Disclosure; No Brokers.*** Landlord and Tenant each warrant that they have dealt with no real estate broker(s) in connection with this transaction.

LANDLORD

PORTLAND SHIPYARD LLC, an Oregon limited liability company

Signed on August 23, 2000 at Portland, Oregon.

By _____
Its President

TENANT

CASCADE GENERAL, INC., an Oregon corporation

Signed on August 23, 2000 at Portland, Oregon.

By _____
Its President

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EXHIBIT A

LAND LEGAL DESCRIPTION
PORT OF PORTLAND – CASCADE GENERAL

A TRACT OF LAND SITUATED IN THE SOUTH ONE-HALF OF SECTION 17, THE SOUTHEAST ONE-QUARTER OF SECTION 18, AND THE NORTHWEST ONE-QUARTER OF SECTION 20, TOWNSHIP 1 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN, IN THE CITY OF PORTLAND, COUNTY OF MULTNOMAH AND THE STATE OF OREGON, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT WHICH IS 1,262.39 FEET WEST AND 859.49 FEET SOUTH OF THE NORTHEAST CORNER OF SAID SECTION 20 SAID POINT BEING A CENTERLINE ANGLE POINT OF N. LAGOON AVENUE; THENCE, ALONG THE CENTERLINE OF N. LAGOON AVENUE, NORTH 52°30'00" WEST, 695.12 FEET; THENCE NORTH 37°30'00" EAST, 40.00 FEET TO A POINT ON THE NORTHEASTERLY RIGHT-OF-WAY LINE OF N. LAGOON AVENUE AT THE MOST WESTERLY CORNER OF THAT TRACT OF LAND RECORDED MARCH 20, 1967 IN DEED BOOK 552, PAGE 1034, MULTNOMAH COUNTY DEED RECORDS; THENCE, CONTINUING ALONG SAID RIGHT-OF-WAY LINE, NORTH 52°30'00" WEST, 688.03 FEET TO THE **TRUE POINT OF BEGINNING**; THENCE, CONTINUING ALONG THE NORTHEASTERLY RIGHT-OF-WAY LINE OF N. LAGOON AVE., NORTH 52°30'00" WEST, 699.69 FEET TO A POINT OF INTERSECTION WITH THE NORTHEASTERLY EXTENSION OF THE NORTHWESTERLY RIGHT-OF-WAY LINE OF N. DOLPHIN ST.; THENCE, ALONG THE EXTENSION OF SAID RIGHT-OF- WAY LINE, SOUTH 37°30'00" WEST, 118.00 FEET TO A POINT-OF-NON-TANGENCY AT THE INTERSECTION OF N. DOLPHIN STREET AND THE SOUTHERLY RIGHT-OF-WAY LINE OF THAT PORTION OF N. LAGOON AVENUE VACATED IN CITY OF PORTLAND ORDINANCE NO. 153166, RECORDED JUNE 21, 1985, DEED BOOK 1832, PAGE 670-675, MULTNOMAH COUNTY DEED RECORDS; THENCE, DEPARTING SAID N. DOLPHIN STREET AND RUNNING ALONG THE SOUTHERLY RIGHT-OF-WAY LINE OF SAID VACATED N. LAGOON AVENUE THE FOLLOWING FIVE (5) COURSES: 1) THENCE 59.69 FEET ALONG THE ARC OF A 38.00-FOOT RADIUS CURVE TO THE LEFT, CONCAVE TO THE WEST, THROUGH A CENTRAL ANGLE OF 90°00'00" (THE LONG CHORD BEARS NORTH 07°30'00" WEST, 53.74 FEET); 2) THENCE NORTH 52°30'00" WEST, 654.91 FEET; 3) THENCE NORTH 37°30'00" EAST, 10.00 FEET; 4) THENCE NORTH 52°30'00" WEST, 323.19 FEET TO A POINT-OF-CURVATURE; 5) THENCE, 158.44 FEET ALONG THE ARC OF A 788.51-FOOT RADIUS CURVE TO THE LEFT, CONCAVE TO THE SOUTH, THROUGH A CENTRAL ANGLE OF 11°30'47" (THE LONG CHORD BEARS NORTH 58°15'23" WEST, 158.18 FEET) TO A POINT-OF-NON-TANGENCY; THENCE, DEPARTING SAID VACATED RIGHT-OF-WAY LINE AND RUNNING ALONG THE WESTERLY LINE OF THAT TRACT OF LAND DESCRIBED IN DEED TO NORTHWEST MARINE IRONWORKS, INC., RECORDED DECEMBER 13, 1982, DEED BOOK 1633, PAGE 543, MULTNOMAH COUNTY DEED RECORDS, SOUTH 15°32'47" WEST, 948.46 FEET TO THE NORTHERLY RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE (40.00 FEET FROM CENTERLINE); THENCE, ALONG THE RIGHT OF WAY LINE OF SAID N. CHANNEL AVENUE THE FOLLOWING FIVE (5) COURSES: 1) THENCE NORTH 75°18'23" WEST, 147.62 FEET; 2) THENCE SOUTH 14°41'37" WEST, 80.00 FEET TO A POINT-OF-NON-TANGENCY; 3) THENCE 144.21 FEET ALONG THE ARC OF A 58.00 FOOT NON-TANGENT RADIUS CURVE TO THE

LEFT, CONCAVE TO THE NORTH, THROUGH A CENTRAL ANGLE OF 142°27'26" (THE LONG CHORD BEARS SOUTH 67°58'56" EAST, 109.83 FEET) TO A POINT OF REVERSE CURVATURE; 4) THENCE 27.88 FEET ALONG THE ARC OF A 25.00-FOOT RADIUS CURVE TO THE RIGHT, CONCAVE TO THE SOUTH, THROUGH A CENTRAL ANGLE OF 63°54'10" (THE LONG CHORD BEARS NORTH 72°44'39" EAST, 26.46 FEET) TO A POINT-OF-TANGENCY; 5) THENCE SOUTH 75°18'23" EAST, 206.81 FEET TO A POINT-OF-INTERSECTION WITH THE SOUTH RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE AND THE NORTHERLY PROJECTION OF THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314; THENCE, DEPARTING SAID N. CHANNEL AVENUE RIGHT-OF-WAY LINE AND RUNNING ALONG SAID NORTHERLY PROJECTION, SOUTH 36°31'18" WEST, 271.29 FEET MORE OR LESS TO A POINT ON THE ORDINARY HIGH WATER LINE OF THE WILLAMETTE RIVER (ESTABLISHED AT NGVD 29/47 ELEVATION 17.00 FEET ABOVE MEAN SEA LEVEL); THENCE, ALONG THE ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 4.13 FEET TO THE RIVERSIDE FACE OF AN EXISTING CONCRETE RETAINING WALL; THENCE, ALONG SAID RETAINING WALL, NORTH 53°28'42" WEST, 1843.21 FEET TO THE END OF SAID RETAINING WALL; THENCE, CONTINUING ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING ELEVEN (11) COURSES, 1) THENCE NORTH 20°38'22"WEST, 30.58 FEET; 2) THENCE NORTH 27°24'49" EAST, 65.83 FEET; 3) THENCE NORTH 37°39'44" EAST, 73.19 FEET; 4) THENCE NORTH 25°27'22" EAST, 84.57 FEET; 5) THENCE NORTH 03°40'06" WEST, 80.02 FEET; 6) THENCE NORTH 03°08'50" EAST, 88.88 FEET; 7) THENCE NORTH 18°33'02" EAST, 97.19 FEET; 8) THENCE NORTH 42°50'55" EAST, 34.66 FEET; 9) THENCE NORTH 81°50'18" EAST, 53.67 FEET; 10) THENCE SOUTH 74°56'21" EAST, 414.25 FEET; 11) THENCE NORTH 45°23'27" EAST, 34.05 FEET TO A RETAINING WALL/CELL LINE; THENCE, ALONG SAID CELL LINE THE FOLLOWING ELEVEN (11) COURSES: 1) THENCE NORTH 15°21'35" EAST, 201.00 FEET; 2) THENCE SOUTH 74°38'25" EAST, 57.98 FEET; 3) THENCE NORTH 60°21'35" EAST, 38.14 FEET; 4) THENCE NORTH 15°21'35" EAST, 43.50 FEET; 5) THENCE NORTH 29°38'25" WEST, 33.27 FEET; 6) THENCE NORTH 74°38'25" WEST, 62.28 FEET; 7) THENCE NORTH 16°29'56" EAST, 409.89 FEET; 8) THENCE SOUTH 75°31'20" EAST, 200.46 FEET TO A POINT-OF-NON-TANGENCY (THE RADIAL BEARING BEING SOUTH 13°22'07" WEST) ; 9) THENCE 84.45 FEET ALONG THE ARC OF A 205.00 NON-TANGENT RADIUS CURVE TO THE RIGHT, CONCAVE TO THE SOUTHWEST, THROUGH A CENTRAL ANGLE OF 23°36'12" (THE LONG CHORD BEARS SOUTH 64°49'47" EAST, 83.85 FEET) TO A POINT OF NON-TANGENCY (THE RADIAL BEARING BEING SOUTH 36°58'19" WEST); 10) THENCE SOUTH 53°08'15" EAST, 56.69 FEET; 11) THENCE SOUTH 36°48'33"WEST, 50.81 FEET TO A POINT ON THE LAGOON SIDE FACE OF A CONCRETE RETAINING WALL; THENCE, ALONG THE FACE OF SAID RETAINING WALL, SOUTH 52°27'04" EAST, 1504.65 FEET TO THE END OF SAID RETAINING WALL; THENCE, ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING SIX (6) COURSES: 1) SOUTH 18°13'01" WEST, 9.64 FEET; 2) THENCE SOUTH 55°59'25" EAST, 228.49 FEET; 3) THENCE SOUTH 47°33'08" EAST, 207.85 FEET; 4) THENCE SOUTH 66°22'48" EAST, 69.65 FEET; 5) THENCE SOUTH 51°51'06" EAST, 329.79 FEET; 6) THENCE SOUTH 52°55'19" EAST, 606.49 FEET; THENCE, DEPARTING SAID ORDINARY HIGH WATER LINE, SOUTH 37°30'00" WEST 59.01 FEET; THENCE NORTH 52°30'00" WEST, 101.55 FEET; THENCE SOUTH 36°00'00" WEST, 108.52 FEET TO THE TRUE POINT OF BEGINNING, CONTAINING 56.61 ACRES MORE OR LESS.

SUBJECT TO THOSE EASEMENTS RECORDED IN DEED BOOK 1633, PAGE 456 AND 458, BOOK 2007, PAGE 122, BOOK 2048, PAGE 408, BOOK 2129, PAGE 524, BOOK 91, PAGE 407,

BOOK 1055, PAGE 479, BOOK 1183, PAGE 1202, BOOK 1214, PAGE 713, BOOK 1308, PAGE 792, AND BOOK 1832, PAGE 670 MULTNOMAH COUNTY DEED RECORDS.

THE BEARINGS IN THIS DESCRIPTION ARE BASED UPON PRIVATE SURVEY NO. 56596 (W.B. WELLS & ASSOCIATES, INC. SURVEY), MULTNOMAH COUNTY SURVEY RECORDS.

EXHIBIT B

SUBMERGED LANDS DESCRIPTION
PORT OF PORTLAND – CASCADE GENERAL

A TRACT OF LAND SITUATED IN THE SOUTH ONE-HALF OF SECTION 17,THE SOUTHEAST ONE-QUARTER OF SECTION 18, AND THE NORTHWEST ONE-QUARTER OF SECTION 20, TOWNSHIP 1 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN, IN THE CITY OF PORTLAND, MULTNOMAH COUNTY, OREGON, DESCRIBED AS FOLLOWS:

COMMENCING AT A 5/8-INCH DIAMETER IRON ROD WITH YELLOW PLASTIC CAP STAMPED "PORT OF PORTLAND" ON THE SOUTHERLY RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE AT THE INTERSECTION WITH THE NORTHERLY PROJECTION OF THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314, FROM WHICH THE NORTHEAST CORNER OF SECTION 20 BEARS SOUTH 89°19'16" EAST, 3964.16 FEET; THENCE, ALONG SAID NORTHERLY PROJECTION, SOUTH 36°31'18" WEST, 271.29 FEET TO A POINT ON THE ORDINARY HIGH WATER LINE OF THE WILLAMETTE RIVER SITUATED IN THE NORTH ONE-HALF OF SECTION 20 AND THE WEST ONE-HALF OF SECTION 21, TOWNSHIP 1 NORTH, RANGE 1 EAST, WILLAMETTE MERIDIAN, CITY OF PORTLAND, COUNTY (ESTABLISHED AT NGVD 29/47 ELEVATION 17.0 FEET ABOVE MEAN SEA LEVEL) AND THE TRUE POINT-OF-BEGINNING OF THE PARCEL TO BE DESCRIBED; THENCE, ALONG SAID ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 4.13 FEET TO THE RIVERSIDE FACE OF AN EXISTING CONCRETE RETAINING WALL; THENCE, ALONG SAID RETAINING WALL, NORTH 53°28'42" WEST, 1843.21 FEET TO THE END OF SAID RETAINING WALL; THENCE, CONTINUING ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING ELEVEN (11) COURSES, 1) THENCE NORTH 20°38'22"WEST, 30.58 FEET; 2) THENCE NORTH 27°24'49" EAST, 65.83 FEET; 3) THENCE NORTH 37°39'44" EAST, 73.19 FEET; 4) THENCE NORTH 25°27'22" EAST, 84.57 FEET; 5) THENCE NORTH 03°40'06" WEST, 80.02 FEET; 6) THENCE NORTH 03°08'50" EAST, 88.88 FEET; 7) THENCE NORTH 18°33'02" EAST, 97.19 FEET; 8) THENCE NORTH 42°50'55" EAST, 34.66 FEET; 9) THENCE NORTH 81°50'18" EAST, 53.67 FEET; 10) THENCE SOUTH 74°56'21" EAST, 414.25 FEET; 11) THENCE NORTH 45°23'27" EAST, 34.05 FEET TO A RETAINING WALL/CELL LINE; THENCE, ALONG SAID CELL LINE THE FOLLOWING SEVEN (7) COURSES: 1) THENCE NORTH 15°21'35" EAST, 201.00 FEET; 2) THENCE SOUTH 74°38'25" EAST, 57.98 FEET; 3) THENCE NORTH 60°21'35" EAST, 38.14 FEET; 4) THENCE NORTH 15°21'35" EAST, 43.50 FEET; 5) THENCE NORTH 29°38'25" WEST, 33.27 FEET; 6) THENCE NORTH 74°38'25" WEST, 62.28 FEET; 7) THENCE NORTH 16°29'56" EAST, 201.50 FEET; THENCE, DEPARTING SAID RETAINING WALL / CELL LINE, NORTH 74°38'25" WEST, 922.99 FEET TO A POINT ON THE EXISTING WILLAMETTE RIVER HARBOR LINE AS ESTABLISHED BY THE U.S. ARMY CORPS OF ENGINEERS IN A DOCUMENT DATED FEBRUARY 23, 1968; THENCE ALONG SAID HARBOR LINE SOUTH 74°24'03" WEST, 808.98 FEET TO HABOR LINE MONUMENT # 59A, WHICH IS DESCRIBED IN PORT OF PORTLAND ORDINANCE #287; THENCE SOUTH 40°00'26" WEST, 689.07 FEET TO A POINT THAT IS 350.00 FEET PARALLEL WITH AND RIVERWARD OF THE SWAN ISLAND WHARF AT BERTHS 312, 313 AND 314; THENCE, ALONG A LINE THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF SAID WHARF, SOUTH 52°54'43" EAST, 3166.59 FEET; THENCE SOUTH

36°32'33" WEST, 78.68 FEET TO A POINT THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF THE EXISTING FACE OF DOLPHINS AT LAY BERTH 315; THENCE, ALONG A LINE THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF SAID FACE OF DOLPHINS, SOUTH 53°27'30" EAST, 7.76 FEET TO A POINT OF INTERSECTION WITH A LINE THAT IS 4.00 FEET SOUTHERLY OF WHEN MEASURED AT RIGHT ANGLES AND PARALLEL WITH THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314; THENCE, ALONG SAID LINE, NORTH 36°31'18" EAST, 567.30 FEET TO A POINT ON SAID ORDINARY HIGH WATER LINE; THENCE, ALONG SAID ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 12.42 FEET TO THE POINT OF BEGINNING, CONTAINING 60.80 ACRES MORE OR LESS.

THE BEARINGS IN THIS DESCRIPTION ARE BASED UPON PRIVATE SURVEY NO. 56596 (W.B. WELLS & ASSOCIATES, INC. SURVEY), MULTNOMAH COUNTY SURVEY RECORDS.

EXHIBIT C

DRY DOCKS

Floating Dry Dock No. 3 - Built by Gunderson Brothers, 661 feet in length, 140 feet in width, and 61 feet in depth.

Floating Dry Dock No. 4 - Built by Ishikawajima-Harima Heavy Industries Co., Ltd., Tokyo, Japan, having hull number F103, 982 feet in length, 228 feet in width, and 73 feet in depth.

EXHIBIT D-1

Equipment - Bond-Financed, Warranted

Crane 11 - Hitachi
Crane 12 - Hitachi
Crane 14 - Hitachi
Crane 15 - Hitachi
Crane 16 - Hitachi
Crane 17 - Hitachi
SRY #11 - '78 CATERPILLAR LIFT TRUCK
SRY #12 - '79 CATERPILLAR LIFT TRUCK
T-2 50KVA LOADCENTER
T-3 50KVA LOADCENTER
T-4 50KVA LOADCENTER
T-5 50KVA LOADCENTER
T-6 50KVA LOADCENTER
T-7 50KVA LOADCENTER
T-8 50KVA LOADCENTER
T-9 50KVA LOADCENTER
T-10 50KVA LOADCENTER
T-11 50KVA LOADCENTER
T-12 50KVA LOADCENTER
T-14 50KVA LOADCENTER
T-15 50KVA LOADCENTER
T-16 50KVA LOADCENTER
T-17 50KVA LOADCENTER
T-18 50KVA LOADCENTER
12-1 1000KVA LOADCENTER
12-2 1000KVA LOADCENTER
12-4 1000KVA LOADCENTER
4-1 330KVA LOADCENTER
4-2 330KVA LOADCENTER
4-3 330KVA LOADCENTER
4-4 330KVA LOADCENTER
4-5 330KVA LOADCENTER
4-6 330KVA LOADCENTER
4-7 330KVA LOADCENTER
4-8 330KVA LOADCENTER
4-9 330KVA LOADCENTER
4-10 330KVA LOADCENTER
4-11 330KVA LOADCENTER
4-12 330KVA LOADCENTER
32-1 2500KVA LOADCENTER

32-2 1000KVA LOADCENTER
32-3 2500KVA LOADCENTER
32-4 2000KVA LOADCENTER
32-5 2000KVA LOADCENTER

EXHIBIT D-2

Equipment - Non Bond-Financed, Warranted

Quantity	Item
	Crane 1 - Washington
	Crane 2 - Washington
	Crane 3 - Washington
	Crane 4 - Washington
	Crane 5 - Washington
	Crane 6 - Washington
	Crane 7 - Washington
	Crane 8 - Washington
	Crane 9 - Clyde
	Crane 10 - American
	Crane 18 - American
	SRY #4 - 80 FT. 1980 JLG
	SRY #10 - AA IT14B CAT LOADER

EXHIBIT D-3

Equipment - Non Bond-Financed, Non Warranted

Quantities and amounts are estimates only. Items sold are limited in quantity and amount to items which are present on the Property (as defined in the Sale Agreement) as of the date of Closing (as defined in the Sale Agreement).

1	Delta 8" Jointer and Base 480 Volt
1	Delta 12" disc. & 6' belt sander with base
1	Rockwell 4' jointer
1	Makita 10' slide compound saw
1	DeWalt radial arm saw
1	1 level & 3 transits
	Best locking systems
	Auto repair tools: tire changer, battery charger, tune up scope
	Solvent tanks (2), hot tank (1)
	Lab equipment
	Graco Senator Airless
	Spider climber, rope, mis. Rope grabs
9 sets	Shore power cables - 4/0 at 250' each
4 sets	Shore power cables - 4/0 at 300' each
1	Greenlee 6000 wire puller and accessories
1	Greenlee 884 Hydraulic pipe bender
1	Greenlee 1818 pipe bender
1	Greenlee 777 hydraulic pipe bender
1	Greenlee 690 blower and vacuum fish tape system
1	Greenlee 911 wire cart
5	15000 watt portable electric heaters
2	Tektronics Oscilloscopes
1	Tektronics cable tester
1	Gould brush recorder
1 set	Shore power cables - 262 KCMIL at 350' each
3 sets	Shore power cables - 262 KCMIL at 250' each
4	Other cables - 2/0 at 250'
	SRY #14 - TOPLINE ELEC. LIFT TRUCK
	ELGIN MEGAWIND SWEEPER
	SRY #44 TANK TRAILER
	SLOP HOSE TRAILER
	MAN BOX SLINGS, STRETCHERS, RIGGINGS
	PERSONAL MONITORING DEVICES
	FIRE HOSES
	RED HEAD FIRE HOSE BOXES
	CLEASBY TAR KETTLE

SRY #65 - CATERPILLAR FORKLIFT
SRY #66 - CATERPILLER FORKLIFT
SRY #67 HYSTER 8000 CHALLENGER
#3 RECTIFIER
#1 1200 AMP ADJ. AUTOTRANSF.
#2 1200 AMP ADJ. AUTOTRANSF.
#3 400 AMP ADJ. AUTOTRANSF.
#1 208 STEPDOWN TRANSF.
#2 230 STEPDOWN TRANSF.
#3 208 STEPDOWN TRANSF.
1500 KVA XFMR (9) SUB 4
2500 KVA TRANSFORMER
OIL BOOM TRAILER #0
OIL BOOM TRAILER #1
LARGE LATHE
SMALL LATHE
DRILL PRESS
LARGE HYDRAULIC PRESS
KALAMAZOO CUT-OFF SAW
KERNEY & TRECKER MILLING MACHINE
GRINDERS & SANDER
RIDGID PIPE THREADER
WELDING MACHINES
DRILL PRESS - LELAND GIFFORD
RADIAL DRILL PRESS
BUFFALO (2) CINCINNATI DRILL PRESS
SHEAR-PECK STOW
PRESS BRAKE, CHICAGO
#1 ½ IRON WORKER, BUFFALO
BANDSAW, MARVEL
BANDSAW, DOALL
CABINET, BEAD BLAST
DRILL PRESS
BENCH GRINDER
LARGE BAND SAW
SMALL BAND SAW
RADIAL ARM SAW
PLANER (SURFACE)
PLANER (THICKNESS)
12-14" TILT ARBOR TABLE SAW
10" TILT ARBOR SAW
WOOD LATHE
WOOD SHAPER
127 Dry Dock 1 Bilge Blocks
87 Dry Dock 1 Keel Blocks

105	Dry Dock 3 Bilge Blocks
6	Dry Dock 3 Saddle Blocks
96	Dry Dock 3 Keel Blocks
65	Small Metal Skiffs
25	Large Metal Skiffs
3	Large Metal Skiffs (sand only)
1	Small Metal Skiff (sand only)
10	Destroyer Bilge Frames (Double frames)
4	Destroyer Bilge Frames (Triple frames)
4	100 Ton Jacks

EXHIBIT D-4

Equipment - Bond-Financed, Non Warranted

Quantities and amounts are estimates only. Items sold are limited in quantity and amount to items which are present on the Property (as defined in the Sale Agreement) as of the date of Closing (as defined in the Sale Agreement).

Quantity	Item
136	Dry Dock 4 Bilge Blocks
3	Dry Dock 4 Bilge Block Empty Concrete Bases
175	Dry Dock 4 Keel Blocks
1	Portable Oil Containment Book 4400'

EXHIBIT D-5

Equipment - Titled Property

LANDA HOT WATER PRESSURE WASHER - 1991 trailer, plate no. E176799, title no. 9206649818

SPILL RESPONSE BOAT - 1994 Alumaweld vessel, hull no. AWB1121OF394, title no. 0400290

RESPONSE BOAT TRAILER - 1994 EZ Loader, plate no. E186905, title no. 9330192916

EXHIBIT E

Trade Names

PSY
PSRY
Portland Shipyard
Portland Ship Repair Yard
CASGEN.com

PORT OF PORTLAND

September 28, 2000

Mr. Wayne Cozad
Cascade General, Inc.
P. O. Box 4367
Portland, OR 97208

Re: PERMIT AND RIGHT OF ENTRY - BERTH 311
Port Agreement No.: 11-273

Dear Wayne:

Enclosed for your records is a fully executed copy of the Permit and Right of Entry providing for Cascade General, Inc. to have access to the Port's Berth 311 to complete repairs of the pier required under the PSY Lease.

Jerry Hunt has coordinated with Port staff to have the required access to the facility for the project. He has also indicated that at completion of the repair work, he will ensure that all items left in the buildings on the pier at termination of the PSY Lease have been removed, and the Berth 311 area is left in the condition in which it was originally transferred to Cascade.

Thank you for your cooperation and assistance.

Sincerely,

Suzanne L. Brooks
Contracts Administrator
Property & Development Services

Enclosure

c: Jerry Hunt

Port of Portland

Permit Number: 11-273

PERMIT AND RIGHT OF ENTRY

PERMITTEE:
Cascade General, Inc.
5555 N. Channel Avenue
Portland, OR 97217
Attn.: Wayne Cozad
Phone: (503) 247-1833
Fax: (503) 247-1431

PORT CONTACT:
Port of Portland
121 NW Everett St.
Portland, OR 97209
Attn.: Suzanne Brooks
Phone: (503) 944-7509
Fax: (503) 944-7466

This Permit and Right of Entry ("Permit") is entered into by and between Cascade General, Inc. ("Permittee") and the Port of Portland (the "Port") as of this 22nd day of September, 2000.

RECITALS

A. The Port is the owner of certain property known as Berth 311, accessible from N. Basin Avenue, Portland, OR, within Swan Island Industrial Park, including certain property more precisely described in Section 2 below.

B. Under a lease of the property commonly known as the Portland Ship Yard between the Port and Permittee dated August 10, 1995 (Port Agreement No. 95-157), the Permittee leased Berth 311 from the Port. Permittee is required under the lease to repair damage to the pier structure at Berth 311. As part of the sale of the Portland Ship Yard, the lease was terminated August 29, 2000, with the repair of the pier structure not having been completed because such repair can only be performed at certain times of the year. The Sale Agreement Portland Ship Yard, dated as of August 29, 2000 ("Sale Agreement"), requires in Section 9.14 that the repair be completed by Permittee not later than October 31, 2000, and provides that the Port will give the access necessary to complete the repair.

NOW, THEREFORE, in consideration of the promises and covenants contained in this Permit and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. GRANT OF RIGHT TO USE PREMISES

The Port hereby grants to Permittee the non-exclusive right to enter upon and use the below-described Premises in accordance with the terms and conditions set forth below:

2. PREMISES

The Premises shall be an area commonly known as Berth 311, including a paved driveway and parking area accessible from N. Basin Avenue and a pier structure, as more particularly shown on Exhibit "A" attached to this Permit.

3. PERMITTED USE

This Permit authorizes the Permittee to enter upon the Premises for the purposes of: (i) performing repair of the pier, including repair of wales, chocks and piling, which Permittee must complete pursuant to the lease and Sale Agreement described in Recital B above; (ii) parking, storage and operation of vehicles and equipment on the paved upland area and on the pier; (iii) storage of equipment, supplies and materials used in the project; and (iv) tying up to the pier of necessary barges and equipment (the "Permitted Uses"). Permittee shall use the Premises solely for the Permitted Uses.

4. SPECIAL CONDITIONS

4.1 Permitting

Permittee shall be solely responsible for ensuring that all permits from governmental agencies which are required to perform this repair work are obtained.

4.2 Port Acceptance of Repairs

A Port Engineering inspector shall have the right during the project to inspect the repairs being made by Permittee, and the repairs and the final condition of the pier must be acceptable to the Port, in its sole discretion.

5. TERM OF PERMIT

The term of this Permit shall begin on September 27, 2000 ("Commencement Date"), and shall terminate October 31, 2000, unless otherwise terminated pursuant to the terms of this Permit. Notwithstanding any provision contained herein, the Port or its authorized representative may terminate this Permit at any time, verbally or in writing, at its convenience or for Permittee's default. If Permittee holds over after this Permit terminates, Permittee shall be deemed a month to month holdover tenant or a tenant at sufferance, at the Port's sole discretion. In the event the Port deems Permittee as a month to month holdover tenant, Permittee shall remain bound by this Permit, except that the tenancy shall be from month-to-month. Such a tenancy may be terminated at any time upon thirty (30) days written notice. In the event the Port deems Permittee as a tenant at sufferance, the Port shall be entitled to evict Permittee but the Port may still collect any monies owed as a result of this Permit.

6. NO LIENS

Permittee agrees to pay, when due, all sums for labor, services, materials, supplies, utilities, furnishings, machinery, or equipment provided to the Premises. Permittee shall not suffer or permit any liens to attach to all or any part of the Premises or any interest of Permittee in the Premises by reason of any work, labor, services, or materials done for, or supplied to, or claimed to have been done for or supplied to, Permittee, any of Permittee's contractors or anyone occupying or holding an interest of Permittee in all or any part of the Premises through or under Permittee. If any lien is filed against the Premises, Permittee shall cause the lien to be discharged of record within thirty (30) days after the date of filing of the same, by either payment, deposit or bond. In the event that Permittee fails to remove the lien within thirty (30) days, then the Port shall automatically have the right, but not the obligation, to pay the lien off with no notice to Permittee and Permittee shall immediately reimburse the Port for any sums so paid to remove any such lien.

7. SPECIAL INSURANCE REQUIREMENTS

Permittee shall require its contractor(s) performing work on the Premises ("Contractor") to maintain, or if Permittee performs such work, Permittee shall maintain, the insurance required by this Section and shall provide certificates of insurance evidencing such coverage to the Port.

7.1 Vessel Insurance

Contractor shall maintain protection and indemnity insurance for each vessel used in connection with work under this Permit, including tower's liability for all towing vessels, which names Permittee and the Port as additional insureds. The amount of coverage shall be not less than $5,000,000 per occurrence for towing vessels and crane barges and not less than $1,000,000 per occurrence for other vessels. Coverage shall include compensation under the Jones Act for the master and crew of each vessel, unless coverage is provided under Contractor's workers' compensation and employer's liability policy. Vessels shall meet the requirements of all applicable State and Federal environmental laws, including but not limited to the Oil Pollution Act (OPA). The Contractor shall provide evidence that each subject vessel is insured for water pollution liability losses in an amount of the greater of $1,000,000; the OPA statutory limit per vessel; or limits required by other applicable State and Federal environmental laws.

7.2 General Liability Insurance

Contractor shall maintain occurrence form commercial general liability insurance covering personal injury, bodily injury, death, and damage to property, including the loss of use thereof, arising from Contractor's operations on and around the Premises in an amount not less than $5,000,000 per occurrence. Such insurance shall include coverage for independent contractors, products-completed operations and broad form contractual liability and shall name Permittee and the Port as additional insureds.

7.3 Automobile Liability Insurance

Contractor shall maintain business automobile liability insurance covering the use, loading and unloading of any owned, hired or non-owned automobiles used in connection with work pursuant to this Permit. The amount of such insurance shall be not less than $5,000,000 per accident.

7.4 Workers' Compensation Coverage

Contractor shall maintain workers' compensation and employer's liability coverage for all of its employees subject to the Workers' Compensation laws of Oregon and the United States, including under the U.S. Longshore and Harbor Workers Act, if applicable. Coverage shall also be provided for compensation under the Jones Act, unless covered under Contractor's protection and indemnity insurance.

8. COMPENSATION TO BE PAID BY PERMITTEE

There shall be no Permit fee required. Any other payments which may become due to the Port under the terms of this Permit shall be subject to the Delinquency Charge described below.

8.1 Delinquency Charge

All amounts not paid by Permittee when due shall bear a "Delinquency Charge" at the rate of eighteen percent (18%) per annum or the maximum rate of interest allowed by law, whichever is less (the "Delinquency Rate"), from the date such amount is due until it is paid in full. The Delinquency Rate is subject to periodic change by the Port. No change shall occur, however, without at least thirty (30) days prior written notice to Permittee. Imposition of a Delinquency Charge shall not constitute a waiver of any other remedies available to the Port for failure to timely pay any amounts due under this Permit.

9. PORT'S RIGHT TO TERMINATE

Without limiting any other rights of the Port under this Permit or at law or in equity, the Port may terminate this Permit for Permittee's default. Upon notice of termination, the Permittee shall immediately leave the Premises. Permittee's obligations and liability to the Port shall survive termination. Unless waived by the Port, the Permittee shall restore the Premises as required in Section 20.

10. INDEMNITY; REIMBURSEMENT FOR DAMAGE

Permittee agrees to defend (using legal counsel acceptable to the Port), indemnify, and hold harmless the Port from and against, and reimburse the Port for, any and all actual or alleged claims, damages, expenses, costs, fees (including, but not limited to, attorney, accountant, paralegal, expert, and escrow fees), fines, and/or penalties (collectively "Costs") which may be imposed upon or claimed against or incurred by the Port and which, in whole or in part, directly

or indirectly, arise from or are in any way connected with any of the following, unless exclusively resulting from the Port's gross negligence or willful misconduct: (a) any act, omission or negligence of Permittee; (b) any use, occupation, management or control of the Premises by Permittee, whether or not due to Permittee's own act or omission and whether or not occurring on the Premises; (c) any condition created in or about the Premises by Permittee, including any accident, injury or damage resulting from such condition; (d) any breach, violation or nonperformance of any of Permittee's obligations under this Permit; (e) any damage caused by Permittee on or to the Premises. For purposes of this Section 10, "Permittee" shall be deemed to include Permittee and Permittee's assigns and all respective partners, officers, directors, agents, employees, invitees and/or contractors.

11. NO BENEFIT TO THIRD PARTIES

The Port and Permittee are the only parties to this Permit and as such are the only parties entitled to enforce its terms. Nothing in this Permit gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

12. INSURANCE

In addition to any special insurance requirements, Permittee shall maintain an occurrence form commercial general and automobile liability insurance policy or policies for the protection of Permittee and the Port insuring Permittee against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to this Permit or occasioned by reason of operations of the Permittee on or from the Premises. The insurance required by this Section shall include coverage for independent contractors and broad form contractual liability and shall have limits of not less than $1,000,000 combined single limit per occurrence for bodily injury and property damage. Such insurance shall name the Port, its commissioners, directors, officers, and employees as additional insureds. The coverage provided by this policy shall be primary and shall not seek contribution from any insurance or self-insurance carried by the Port. Permittee shall maintain in force Workers' Compensation insurance, including coverage for Employer's Liability. If Permittee is a qualified self-insured employer, a copy of Permittee's Certificate of Compliance and a certificate of insurance evidencing excess workers' compensation and employer's liability insurance shall be forwarded to Port upon execution of this Permit.

13. ASSIGNMENT OF INTEREST OR RIGHTS

The Permittee shall not, in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign, transfer or encumber any of Permittee's rights granted by this instrument. Any attempted assignment or transfer shall be void.

14. ATTORNEY FEES

If a suit, action, or other proceeding of any nature whatsoever (including without limitation any administrative proceeding and any proceeding under the U.S. Bankruptcy Code) is instituted in connection with any controversy arising out of this Permit or to interpret or enforce any rights or obligations hereunder, the prevailing party shall be entitled to recover attorney fees and all other fees, costs, and expenses actually incurred in connection therewith, at any hearing, at trial, on any appeal or any petition for review, in addition to all other amounts provided by law.

15. WARRANTIES/GUARANTEES

The Permittee acknowledges that it has inspected the Premises and has found them to be completely acceptable and safe for Permittee's intended use. Port makes no warranty, guarantee, or averment of any nature whatsoever concerning the physical condition of the Premises, and it is agreed that the Port will not be responsible for any loss, damage or costs which may be incurred by Permittee by reason of any such physical condition.

16. COMPLIANCE WITH LAW

Permittee shall comply with all applicable state, federal, and local laws, including but not limited to, City of Portland zoning ordinances and laws, rules, regulations, and policies concerning equal opportunity, nondiscrimination, Workers' Compensation, and minimum and prevailing wage requirements.

17. NOTICES

All notices required under this Permit shall be deemed properly served if hand delivered (including by reputable overnight courier) or sent by certified mail, return receipt requested, to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the parties at the addresses set forth below:

If by mail to Permittee:

Cascade General, Inc.
P.O. Box 4367
Portland, OR 97208
Attn.: Wayne Cozad

If by mail to the Port:

The Port of Portland
Property & Development Services
P.O. Box 3529
Portland OR 97208
Attn: Contracts Administrator

If by hand delivery to Permittee:

Cascade General, Inc.
5555 N. Channel Avenue
Portland, OR 97217
Attn.: Wayne Cozad

If by hand delivery to the Port:

The Port of Portland
Property & Development Services
121 NW Everett
Portland, OR 97209
Attn: Contracts Administrator

If mailed, the notice shall be deemed received five (5) days after the date such notice is deposited in a post office of the United States Postal Service, postage prepaid, return receipt requested, certified mail. If delivered by hand, the notice shall be deemed received as of the date of delivery or refusal of delivery.

18. INSTALLATION OR CONSTRUCTION OF IMPROVEMENTS

No improvements shall be constructed on the Premises without the Port's prior written consent, except as expressly allowed under Section 3 of this Permit.

19. ENVIRONMENTAL MANAGEMENT AND COMPLIANCE

19.1 Definitions

For the purposes of this Permit, the following definitions shall apply:

19.1.1 Environmental Law

"Environmental Law" shall be interpreted in the broadest sense to include any and all federal, State of Oregon and local laws, regulations, rules, permit terms, codes and ordinances now or hereafter in effect, as the same may be amended from time to time, and applicable decisional law, which in any way govern materials, substances, regulated wastes, emissions, pollutants, animals or plants, noise, or products and/or relate to the protection of health, natural resources, safety or the environment.

19.1.2 Hazardous Substance

"Hazardous Substance" shall be interpreted in the broadest sense to include any and all substances, emissions, pollutants, materials, or products defined or designated as hazardous, toxic, radioactive, dangerous or regulated wastes or materials or any other similar term in or under any Environmental Law. "Hazardous Substance" shall also include, but not be limited to, fuels, petroleum and petroleum-derived products.

19.1.3 Environmental Cost

"Environmental Cost" shall be interpreted in the broadest sense to include, but not be limited to, costs and damages arising from or relating to: (i) any actual or claimed violation of or noncompliance with any Environmental Law; (ii) claims for damages, response costs, fines, fees or other relief relating to matters addressed in any Environmental Law; (iii) injunctive relief relating to matters addressed in any Environmental Law; (iv) Hazardous Substance Releases (as defined in Section 19.1.4); and (v) violations of any environmental provisions of this Permit. Costs and damages as used in this Section shall include but not be limited to: (a) costs of evaluation, testing, analysis, clean-up, remediation, removal, disposal, monitoring and maintenance; (b) costs of reporting to or negotiating with any government agency; (c) fees of attorneys, engineers, consultants, and experts, whether or not taxable as costs, incurred at, before or after trial, appeal or administrative proceedings; (d) lost revenue; and (e) diminution of value, loss, or restriction on use of property.

19.1.4 Hazardous Substance Release

"Hazardous Substance Release" shall be interpreted in the broadest sense to include the spilling, discharge, deposit, injection, dumping, emitting, releasing, leaking or placing of any Hazardous Substance into the air or into or on any land or waters, except as authorized by a then-current and valid permit issued under applicable Environmental Law.

19.2 General Environmental Obligations of Permittee

Permittee shall manage and conduct all of its activities on or relating to the Premises (i) in compliance with Environmental Law and the environmental provisions of this Permit; (ii) in a manner designed to protect the environment; (iii) in cooperation with the Port in the Port's efforts to comply with Environmental Law; and (iv) in adherence with the "Best Management Practices" applicable to Permittee's use of the Premises. As used herein, "the Port's efforts to comply with Environmental Law" shall include, but not be limited to, efforts to contain and remediate any soil or groundwater contamination revealed by Permittee's construction and installation activities. As used herein, "Best Management Practices" shall mean those environmental or operational standards applicable to a particular business or industry group as a matter of common and accepted practice or as articulated by all or some of the following: Trade associations or professional associations for the particular business or industry group; the business or industry group's own standard operating procedures; those Best Management

Practices specifically defined or identified for a particular business operation or industry group by regulatory agency guidelines. Permittee shall be responsible for ascertaining which Environmental Laws govern its activities on or relating to the Premises and shall be responsible for maintaining a current understanding of such Environmental Laws throughout the Permit Term. Permittee shall manage and, as appropriate, secure the Premises and its occupation or use of the Premises so as to prevent any violation of Environmental Law by any party on or relating to the Premises.

19.3 Use of Hazardous Substances

In conjunction with and in the ordinary course of the Permitted Uses, and without further written consent, other than that granted by this Section 19.3, Permittee shall be permitted to use, handle or store, for their intended purposes in accordance with all manufacturers' instructions, Hazardous Substances consisting of: (i) small quantities of ordinary janitorial, office and landscaping supplies available at retail; and (ii) petroleum-derived products fully contained within motor vehicles.

19.4 Hazardous Substance Storage Tanks

Except with the prior written consent of the Port, which consent may be withheld or conditioned in the Port's sole discretion, no underground storage tanks, mobile storage tanks (including fueling trucks), or above-ground storage tanks for the storage of Hazardous Substances shall be installed or operated on the Premises. As a condition of its consent, the Port may require Permittee to sign the Port's then-current Storage Tank Use Agreements.

19.5 Treated Soil or Waste or Soil Containing Industry Byproducts

Permittee shall not store, treat, deposit or dispose of on the Premises: (i) soil or waste treated to remove or reduce its Hazardous Substance content, including soil or waste treated on the Premises, or (ii) soil containing industry byproducts, including, without limitation, slag.

19.6 Environmental Inspection

The Port reserves the right, at any time and from time to time, after notice to Permittee, to inspect the Premises and Permittee's operations on and use of the Premises: (i) for the presence of and/or Permittee's management of Hazardous Substances; (ii) for the purpose of sampling Permittee's stormwater discharge; (iii) for compliance with Environmental Law or the environmental provisions of this Permit and (iv) to facilitate the Port's environmental management, permitting and analysis related to the Premises or any other property of the Port.

19.7 Permittee's Liability

19.7.1 Hazardous Substance Releases

Except as provided in Section 19.7.3, and notwithstanding Section 10.3.2.4 of the Sale Agreement, Permittee shall be responsible for any Hazardous Substance Release which

occurs during the duration of this Permit on the Premises. Permittee shall also be responsible for any Hazardous Substance Release on the Premises, on other properties, in the air or in adjacent or nearby waterways (including groundwater) which results from or occurs in connection with Permittee's occupancy or use of the Premises occurring during the duration of this Permit or occurring or continuing after the duration of this Permit.

19.7.2 Permittee's Liability for Environmental Costs

Except as provided in Section 19.7.3, and notwithstanding Section 10.3.2.4 of the Sale Agreement, Permittee shall be responsible for all Environmental Costs arising under this Permit. Any Environmental Cost for which Permittee is obligated or responsible under this Permit shall be paid by Permittee within thirty (30) days after the date of written notice or invoice from the Port or from the agency assessing such Environmental Cost directly against Permittee.

19.7.3 Limitation of Permittee's Liability

Notwithstanding anything to the contrary provided in this Permit and except as otherwise provided in the Sale Agreement, Permittee shall have no responsibility for Hazardous Substances or Hazardous Substance Releases, or Environmental Costs arising therefrom, that: (i) existed on the Premises prior to the Commencement Date of this Permit (except if caused by Permittee or Permittee's agents, employees or contractors); or (ii) are caused by the Port or the agents, employees or contractors of the Port after the Commencement Date of this Permit.

19.7.4 Pre-existing Contamination Revealed by Construction Activities

In the event that Permittee's construction activities on the Premises reveals any pre-existing contamination of the Premises, Permittee releases the Port and waives any claim against the Port for any damages or costs caused by construction delay arising from the Port's efforts to remediate such pre-existing contamination.

19.8 Environmental Remediation

19.8.1 Immediate Response

In the event of a violation of Environmental Law, a violation of an environmental provision of this Permit, a Hazardous Substance Release, or the threat of or reasonable suspicion of the same for which Permittee is responsible under this Permit, Permittee shall immediately undertake and diligently pursue all acts necessary or appropriate to cure or correct the violation or investigate, contain and stop the Hazardous Substance Release. The parties understand and agree that Permittee's construction or installation activities may reveal a pre-existing condition such as soil or groundwater contamination which may result in the need for the Port to contain or remediate the contamination and the Port shall determine the necessity for, the scope of, the timing and duration of and the extent of the remediation, as well as any other actions necessary to comply with Environmental Law and Best Management Practices.

19.8.2 Remediation and Removal

Permittee shall promptly undertake all remedial and/or removal actions necessary or appropriate to ensure that any Hazardous Substance Release is eliminated and that any violation of any Environmental Law or environmental provision of this Permit is cured or corrected. Permittee shall remove, at Permittee's sole expense, all Hazardous Substances for which Permittee is responsible under this Permit or under any Environmental Law, and shall restore the Premises or other affected property or water to its precontamination condition. In the event that any remediation or removal required by this Permit cannot reasonably be completed prior to the termination or expiration of this Permit, Permittee shall not be in default of its remediation obligations as long as Permittee immediately commences all investigation, containment, remediation and removal activities within thirty (30) days (or sooner if required by Environmental Law) and diligently and continuously pursues such activities until completion.

19.8.3 Report to the Port

Within thirty (30) days following completion of any investigatory, containment, remediation and/or removal action required by this Permit, Permittee shall provide the Port with a written report outlining, in detail, what has been done and the results thereof.

19.8.4 Port's Approval Rights

Except in the case of an emergency or an agency order requiring immediate action, Permittee shall give the Port reasonable advance notice before beginning any investigatory, remediation or removal procedures. The Port shall have the right, within a reasonable time, to approve or disapprove the proposed investigatory, remediation and removal procedures and the company(ies) and/or individuals conducting such procedures which are required by this Permit or by Environmental Law, whether on the Premises or on any affected property or water. Permittee shall not initiate any risk assessment based remediation or closure without the prior written consent of the Port, which consent may be withheld or conditioned in the Port's sole discretion. The Port will have the right to require Permittee to request oversight from the Oregon Department of Environmental Quality ("DEQ") of any investigatory, containment, remediation and removal activities and/or require Permittee to seek a statement from DEQ of "No Further Action."

19.9 Notice to the Port

Permittee shall promptly notify the Port upon becoming aware of: (i) a violation or alleged violation of any Environmental Law related to the Premises or to Permittee's occupation or use of the Premises or any environmental provision of this Permit; (ii) any Hazardous Substance Release, including pre-existing contamination on, under or adjacent to the Premises or threat of or reasonable suspicion of any of the same; (iii) any notice or communication from a governmental agency directed to Permittee and relating to any Hazardous Substance Release or any violation or alleged violation of Environmental Law which relate to the Premises or to

Permittee's occupation or use of the Premises; and (iv) any Hazardous Substance Release or violation of Environmental Law discovered by Permittee on property or in the air or water adjacent to the Premises. If notice must be given on the weekend or after 5:00 p.m. on any day, Permittee shall notify the Port by calling the Port's emergency telephone number. That number currently is: (503) 335-1111.

19.10 Port's Right to Perform on Behalf of Permittee

In the event Permittee fails to perform any of its obligations under this Section 19 or under any Environmental Law, the Port shall have the right, upon giving Permittee seven (7) days written notice, to perform such obligations and charge Permittee the resulting Environmental Cost. The Port may not commence performance on behalf of Permittee under this Section 19.10, if within the seven (7) day notice period, Permittee promptly begins and diligently pursues to completion the performance of the obligations set forth in the Port's notice. In the event the Port determines that an emergency exists and the Permittee is unavailable, unwilling or unable to take immediate and appropriate action, the Port may take whatever immediate action it deems necessary and charge Permittee the resulting Environmental Cost.

20. DUTIES UPON TERMINATION

Excepting repairs made by Permittee pursuant to Section 3 above, upon termination of this Permit, Permittee shall restore the Premises to its condition at the commencement of this Permit, to the applicable building code standards of the Port and the jurisdiction in which the Premises are located, unless otherwise directed by the Port. In addition, the Permittee shall remove any and all of Permittee's property including, but not limited to, fencing, equipment, materials, supplies and debris from the Premises; repair any damage to the Premises caused by Permittee's use thereof; and return all keys, if applicable, to the Port. Permittee's obligations and liability to the Port shall survive termination. Any items of Permittee's property which remain on the Premises after the expiration or termination of the Permit may, at the Port's option, be deemed abandoned. The Port shall have the option of removing and disposing of any or all such abandoned property and recovering the cost thereof, plus interest from the date of expenditure at the Delinquency Rate, from Permittee upon demand.

21. WARRANTY OF AUTHORITY

The individuals executing this Permit warrant that they have full authority to execute this Permit on behalf of the entity for whom they are acting herein.

22. ENTIRE AGREEMENT

This Permit represents the entire agreement between the parties, and supersedes all prior agreements, written or oral. No amendment to this Permit shall be effective unless in writing and signed by the parties hereto.

PERMITTEE

Cascade General, Inc.

(Signature)

Wayne E. Cozad

(Printed Name)

Vice President

(Title)

THE PORT OF PORTLAND

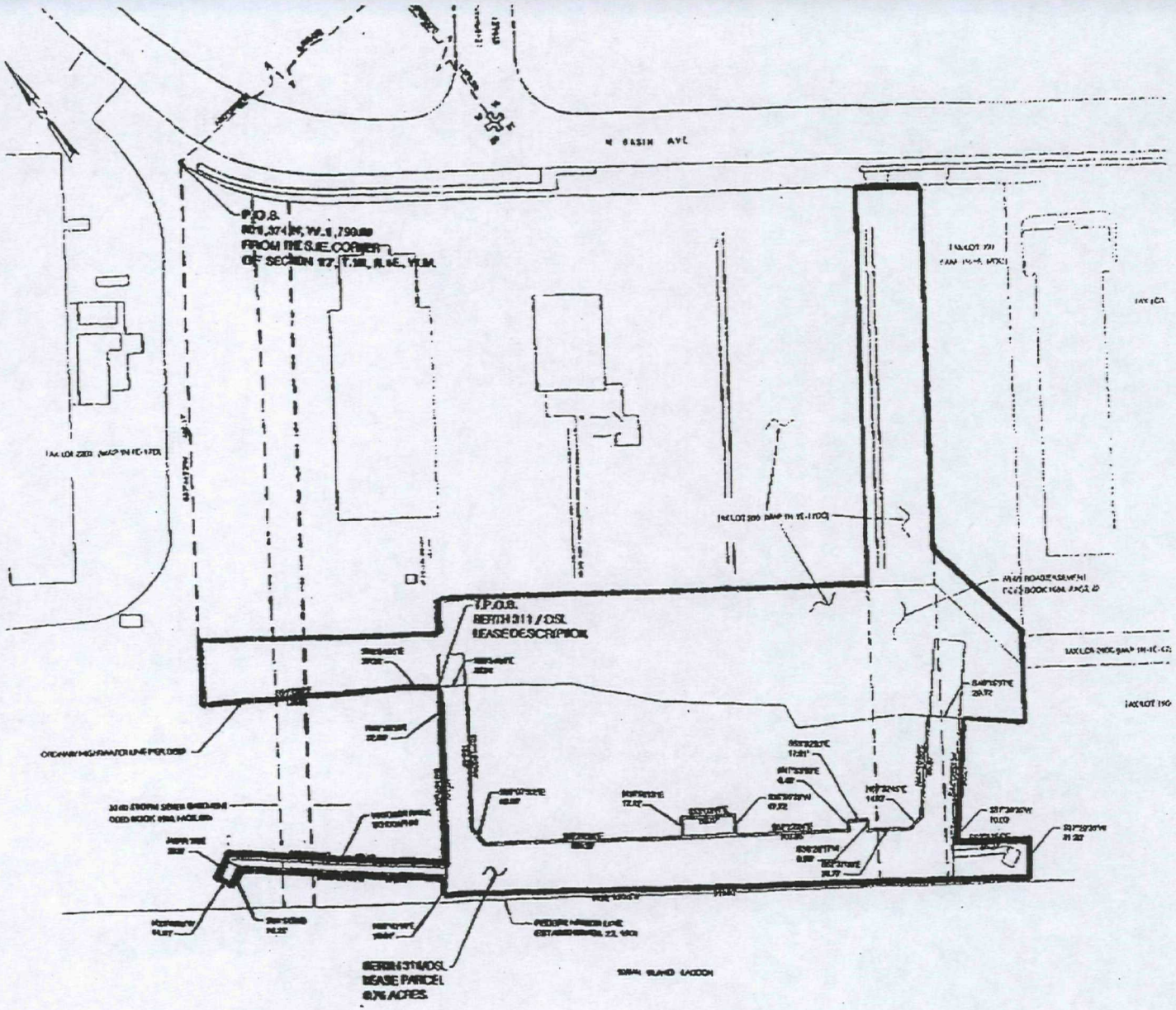
By:

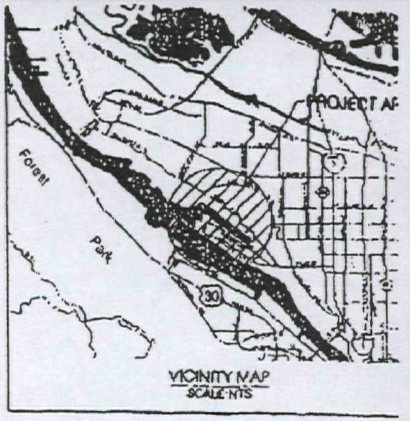
Title: General Counsel for Mike Thorne, Exec. Dir.

APPROVED AS TO LEGAL SUFFICIENCY FOR THE PORT OF PORTLAND

By:

Counsel for Port of Portland





PORT OF PORTLAND
PORTLAND, OREGON

PROJECT MANAGER

REGISTERED PROFESSIONAL LAND SURVEYOR
OREGON

EXHIBIT A

BERTH 311/

EP | YA 2000-2 | 1211 SI..

TOTAL P.02

THE INDEBTEDNESS EVIDENCED BY THIS LEASE IS SUBORDINATE TO THE PRIOR PAYMENT IN FULL OF THE SENIOR LOAN (AS DEFINED IN A MASTER LOAN AND SECURITY AGREEMENT DATED AUGUST 23, 2000 AMONG TRANSAMERICA EQUIPMENT FINANCIAL SERVICES CORPORATION, LANDLORD, TENANT AND OTHERS).

SHIPYARD LEASE
(Portland, Oregon)

1. Basic Terms

This Section 1 contains the Basic Terms of this lease between the Landlord and Tenant named below.

1.1	***Date of Lease***:	August 29, 2000
1.2	***Landlord***:	PORTLAND SHIPYARD LLC, an Oregon limited liability company 5555 North Channel Avenue Portland, OR 97217
1.3	***Tenant***:	CASCADE GENERAL INC., an Oregon corporation 5555 North Channel Avenue Portland, OR 97217

1.4 ***Premises***: The real property, consisting of approximately 56.61 acres of land and commonly known as 5555 North Channel Avenue, Portland, Oregon, and more particularly described on Exhibit A attached hereto and approximately 60.8 acres of submerged and submersible lands more particularly described on Exhibit B attached hereto. The Premises shall include (i) all improvements located upon the land, (ii) the dry docks, machinery and equipment listed on Exhibits C, D-1, D-2, D-3, D-4 and D-5 attached hereto, and (iii) all of the trade names listed on Exhibit E attached hereto. Tenant acknowledges that the Premises are subject to a security interest in favor of Transamerica Equipment Financial Services Corporation ("Lender").

1.5 ***Lease Term***: Eight years, 9 months beginning on August 29, 2000 and ending on April 30, 2009.

1.6 ***Permitted Uses:*** (Subject to ***Section 5***)The operation of a commercial ship repair, conversion and construction facility and related, incidental uses.

1.7 ***Rent and Other Charges Payable by Tenant***:

(a) ***Base Rent:*** $261,000 per month, to be adjusted as set forth in Section 3.2 below.

(b) ***Other Periodic Payments:*** (i) Real Property Taxes ***(See Section 4.2)***; (ii) Utilities ***(See Section 4.4)***; (iii) Assumed Contracts ***(See Section 4.3)***; (iv) Insurance

Premiums *(See Section 4.5)*; (iv) Common Area Assessments *(See Section 5.2)*; (v) Maintenance, Repairs and Alterations *(See Section 7)*.

2. Lease Term

2.1 ***Lease of Premises For Lease Term.*** Landlord leases the Premises to Tenant and Tenant leases the Premises from Landlord for the Lease Term. The Lease Term is for the period stated in Section 1.5 above and shall begin and end on the dates specified in Section 1.5 above, unless the beginning or end of the Lease Term is changed under any provision of this Lease. The "Commencement Date" shall be the date specified in Section 1.5 above for the beginning of the Lease Term, unless advanced or delayed under any provision of this Lease.

2.2 ***Holding Over.*** Tenant shall vacate the Premises upon the expiration or earlier termination of this Lease. Tenant shall reimburse Landlord for and indemnify Landlord against all damages which Landlord incurs from Tenant's delay in vacating the Premises. If Tenant does not vacate the Premises upon the expiration or earlier termination of the Lease and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Premises shall be a "month-to-month" tenancy, subject to all of the terms of this Lease applicable to a month-to-month tenancy.

3. Base Rent

3.1 ***Time and Manner of Payment.*** Upon execution of this Lease, Tenant shall pay Landlord the Base Rent in the amount stated in Section 1.7(a) above for the first month of the Lease Term. On the first day of the second month of the Lease Term and each month thereafter, Tenant shall pay Landlord the Base Rent, in advance, without offset, deduction or prior demand. The Base Rent shall be payable at Landlord's address or at such other place as Landlord may designate in writing.

3.2 ***Cost of Living Increase.*** The Base Rent shall be increased on January 1, 2005 (the "Rental Adjustment Date") in accordance with the increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics. Comparisons shall be made using the index entitled U.S. City Average – All Urban Consumers – All Items (1982-1984=100) (the "Index"). The Base Rent shall be increased on the Rental Adjustment Date by the percentage that the Index has increased from the month immediately preceding the Commencement Date to the month immediately preceding the Rental Adjustment Date. Landlord shall notify Tenant of the increase in Base Rent by a written statement setting forth the amount of the new Base Rent. Tenant shall pay the new Base Rent from the Rental Adjustment Date until the expiration of the term of the Lease. If the format or components of the Index materially change after the Commencement Date, Landlord shall substitute an Index which is published by the Bureau of Labor Statistics or similar agency and which is most nearly equivalent to the Index. In no event shall the Base Rent increase on the Rental Adjustment Date by more than 15 percent.

3.3 ***Termination; Advance Payments.*** Upon termination of this Lease under Section 8, Section 9 or any other termination not resulting from Tenant's default and after Tenant has vacated the Premises in the manner required by this Lease, Landlord shall refund or credit to Tenant (or Tenant's successor), any advance rent or other advance payments made by Tenant to

Landlord and any amounts paid for real property taxes and other reserves which apply to any time periods after termination of the Lease.

4. Other Charges Payable by Tenant

4.1 ***Additional Rent.*** All charges payable by Tenant other than Base Rent are called "Additional Rent." This Lease is what is commonly called a "net lease," it being understood that Landlord will receive the Base Rent described in Section 1.7 above free and clear of any and all impositions, real estate taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises, whether or not such charge or cost is specifically enumerated in this Lease. Unless this Lease provides otherwise, Tenant shall pay all Additional Rent then due with the next monthly installment of Base Rent. The term "Rent" shall mean Base Rent and Additional Rent.

4.2 ***Property Taxes.***

(a) ***Real Property Taxes.*** Tenant shall pay all real property taxes on the Premises (including any fees, taxes or assessments against, or as a result of, any tenant improvements installed on the Premises by or for the benefit of Tenant) during the Lease Term. Such payment shall be made prior to the delinquency date of the taxes and in all events prior to May 15 of each tax year. Landlord shall reimburse Tenant for any real property taxes paid by Tenant covering any period of time prior to or after the Lease Term. If Tenant fails to pay the real property taxes when due, Landlord may pay the taxes and Tenant shall reimburse Landlord for the amount of such tax payment as Additional Rent.

(b) ***Definition of "Real Property Tax."*** "Real property tax" means (i) any general or special fee, license fee, license tax, business license fee, commercial rental tax, levy, charge, assessment, penalty or tax imposed by any taxing authority against the Premises; (ii) any tax on the Landlord's right to receive, or the receipt of, rent or income from the Premises or against Landlord's business of leasing the Premises; (iii) any tax or charge for fire protection, streets, sidewalks, road maintenance, refuse or other services provided to the Premises by any governmental agency; (iv) any tax imposed upon this transaction or based upon a reassessment of the Premises due to a change of ownership, as defined by applicable law, or other transfer of all or part of Landlord's interest in the Premises; and (v) any charge or fee replacing any tax previously included within the definition of real property tax. "Real property tax" does not, however, include Landlord's federal or state income, franchise, inheritance or estate taxes.

(c) ***Personal Property Taxes.*** Tenant shall pay all taxes charged against trade fixtures, furnishings, equipment or any other personal property belonging to Tenant or leased to Tenant pursuant to this Lease. Tenant shall exert its best efforts to have personal property taxes assessed separately from the Premises.

(d) ***Tenant's Right to Contest Taxes.*** Tenant may attempt to have the assessed valuation of the Premises reduced or may initiate proceedings to contest the real property taxes. If required by law, Landlord shall join in the proceedings brought by Tenant. However, Tenant shall pay all costs of the proceedings, including any costs or fees incurred by Landlord. Upon the final determination of any proceeding or contest, Tenant shall immediately pay the real property taxes due, together with all costs, charges, interest and penalties incidental to the proceedings.

4.3 ***Assumed Contracts, Percentage Rent.*** Tenant shall pay all rent and other charges due under those leases, contracts and agreements listed on Exhibit A to the Assignment and Assumption Agreement dated August 23, 2000 between Landlord and Tenant (the "Assumed Contracts"). In addition, Tenant shall pay the Additional Percentage Rent, as that term is defined in Section 8 of the Sale Agreement dated August 23, 2000 by and among The Port of Portland (the "Port"), Landlord and Tenant (the "Sale Agreement").

4.4 ***Utilities.*** Tenant shall pay, directly to the appropriate supplier, the cost of all natural gas, heat, light, power, sewer service, telephone, water, refuse disposal and other utilities and services supplied to the Premises. However, if any services or utilities are jointly metered with other property, Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of such utilities and services and Tenant shall pay such share to Landlord within 15 days after receipt of Landlords' written statement.

4.5 ***Insurance Policies***

(a) ***Liability Insurance.*** During the Lease Term, Tenant shall maintain a policy of commercial general liability insurance (sometimes known as broad form comprehensive general liability insurance) insuring Tenant against liability for bodily injury, property damage (including loss of use of property) and personal injury arising out of the operation, use or occupancy of the Premises. Tenant shall name Landlord as an additional insured under such policy. The initial amount of such insurance shall be no less than $5,000,000 per occurrence and shall be subject to periodic increases based upon inflation, increased liability awards, recommendation of Landlord's professional insurance advisers and other relevant factors. The liability insurance obtained by Tenant under this Section 4.5(a) shall (i) be primary and noncontributing; (ii) contain cross-liability endorsements; and (iii) insure Landlord against Tenant's performance under Section 5.3, if the matters giving rise to the indemnity under Section 5.3 result from the negligence of Tenant. The amount and coverage of such insurance shall not limit Tenant's liability nor relieve Tenant of any other obligation under this Lease. Landlord may also obtain comprehensive public liability insurance in an amount and with coverage determined by Landlord insuring Landlord against liability arising out of ownership, operation, use or occupancy of the Premises. The policy obtained by Landlord shall not be contributory and shall not provide primary insurance.

(b) ***Property and Rental Income Insurance.*** During the Lease Term, Landlord shall maintain policies of insurance covering loss of or damage to the Premises in the full amount of at least its actual cash value. Such policy shall provide protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extend perils (all risk), sprinkler leakage and any other perils which Landlord deems reasonably necessary. In its discretion, Landlord shall have the right to obtain flood and earthquake insurance. Landlord shall not obtain insurance for Tenant's fixtures or equipment or building improvements installed by Tenant on the Premises. Tenant shall not do or permit anything to be done which invalidates any such insurance policies.

(c) ***Payments of Premiums.*** Tenant shall pay all premiums for the insurance policies described in Sections 4.5(a) and 4.5(b) (whether obtained by Landlord or Tenant) within 15 days after Tenant's receipt of a copy of the premium statement or other evidence of the amount due. If the Lease Term expires before the expiration of an insurance policy maintained by Landlord, Tenant shall be liable for Tenant's prorated share of the

that the insurance that Tenant is required to maintain under this Section 4.5 is in full force and effect.

(d) ***General Insurance Provisions.***

(i) Any insurance which Tenant is required to maintain under this Lease shall include a provision which requires the insurance carrier to give Landlord not less than 30 days' written notice prior to any cancellation or modification of such coverage.

(ii) If policy is cancelled or modified during the Lease Term without Landlord's consent, Landlord may obtain such insurance, in which case Tenant shall reimburse Landlord for the cost of such insurance within 15 days after receipt of a statement that indicates the cost of such insurance.

(iii) Tenant shall maintain all insurance required under this Lease with companies holding a "General Policy Rating" of A-12 or better, as set forth in the most current issue of "Best Key Rating Guide." Landlord and Tenant acknowledge the insurance markets are rapidly changing and that insurance in the form and amounts described in this Section 4.5 may not be available in the future. Tenant acknowledges that the insurance described in this Section 4.5 is for the primary benefit of Landlord. If at any time during the Lease Term, Tenant is unable to maintain the insurance required under the Lease, Tenant shall nevertheless maintain insurance coverage which is customary and commercially reasonable in the insurance industry for Tenant's type of business, as that coverage may change from time to time. Landlord makes no representation as to the adequacy of such insurance to protect Landlord's or Tenant's interests. Therefore, Tenant shall obtain any such additional property or liability insurance which Tenant deems necessary to protect Landlord and Tenant.

(iv) Unless prohibited under any applicable insurance policies maintained, Landlord and Tenant each hereby waive any and all rights of recovery against the other, or against the officers, employees, agents or representatives of the other, for loss of or damage to its property or the property of others under its control, if such loss or damage is covered by any insurance policy in force (whether or not described in this Lease) or required to be in force at the time of such loss or damage. Upon obtaining the required policies of insurance, Landlord and Tenant shall give notice to the insurance carriers of this mutual waiver of subrogation.

4.6 ***Late Charges.*** Tenant's failure to pay Rent promptly may cause Landlord to incur unanticipated costs. The exact amount of such costs are impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by any ground lease, mortgage or trust deed encumbering the Premises. Therefore, if Landlord does not receive any Rent payment within 15 days after it becomes due, Tenant shall pay Landlord a late charge equal to five percent of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment. The collection of such late charge shall not be in lieu of any other remedies of Landlord under this Lease and such collection shall not waive the breach covered by the late payment.

5. *Use of Premises*

5.1 ***Permitted Uses.*** Tenant may use the Premises for the Permitted Uses set forth in Section 1.6 above and for no other use without Landlord's prior written consent, which consent shall not be unreasonably withheld so long as such use is consistent with the Use Restrictions (as that term is defined in Section 5.2 below).

5.2 ***Manner of Use.*** Tenant shall not cause or permit the Premises to be used in any way which constitutes a violation of any law, ordinance or governmental regulation or order, or which constitutes a nuisance or waste. Tenant shall obtain and pay for all permits, including a Certificate of Occupancy, required for Tenant's occupancy of the Premises and shall promptly take all actions necessary to comply with all applicable statues, ordinances, rules, regulations, orders and requirements regulating the use by Tenant of the Premises, including, but not limited to, the Occupational Safety and Health Act and the Americans with Disabilities Act. Without limiting the generality of the foregoing, Tenant shall (i) use the Premises in compliance with all the terms and conditions of the use restrictions set forth in Sections 1.3 and 1.4 of the Sale Agreement, including, without limitation, the restrictions on the Bond Financed Facilities (the "Use Restrictions"), and (ii) be responsible for payment of all Common Area Assessments described in the Bargain and Sale Deed attached as Exhibit L to the Sale Agreement.

5.3 ***Indemnity.*** Tenant shall indemnify Landlord against and hold Landlord harmless from any and all costs, claims or liability arising from: (a) Tenant's use of the Premises; (b) the conduct of Tenant's business or anything else done or permitted by Tenant to be done in or about the Premises, including any contamination of the Premises or any other property resulting from the presence or use of Hazardous Materials caused by Tenant; (c) any breach or default in the performance of Tenant's obligations under this Lease; (d) any misrepresentation or breach of warranty by Tenant under this Lease; or (e) other acts or omissions of Tenant. Tenant shall defend Landlord against any such cost, claim or liability at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs incurred by Landlord in connection with any such claim. As a material part of the consideration to Landlord, Tenant assumes all risk of damage to property or injury to person in or about the Premises arising from any cause and Tenant hereby waives all claims in respect thereof against Landlord, except for any claim arising out of Landlord's gross negligence or willful misconduct. As used in this section, the term "Tenant" shall include Tenant's employees, agents, contractors and invitees, if applicable. The obligations of Tenant under this Section 5.3 shall survive the expiration or earlier termination of this Lease.

5.4 ***Landlord's Access.*** Landlord, its agents or the Port (if such access is authorized by the Sale Agreement) may enter the Premises at all reasonable times to show the Premises to potential buyers, investors or tenants or other parties; to do any other act or to inspect and conduct tests in order to monitor Tenant's compliance with all applicable environmental laws and all laws governing the presence and use of Hazardous Material; or for any other purpose Landlord deems necessary.

5.5 ***Quiet Possession.*** If Tenant pays the rent and complies with all other terms of this Lease, Tenant may occupy and enjoy the Premises for the full Lease Term, subject to the provisions of this Lease.

6. Hazardous Materials.

6.1 ***Definitions***. As used in this Lease, the term "Hazardous Materials" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any applicable federal, state or local laws or regulations, including without limitation petroleum based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons.

6.2 ***Use, Indemnity***. Tenant shall cause all Hazardous Materials brought upon, kept on, in or about the Premises to be used in compliance with all legal requirements. Notwithstanding the foregoing, Tenant shall only bring such Hazardous Materials on the Premises that are directly related to Tenant's use of the Premises. If Tenant breaches the obligations stated in the foregoing sentence or if, at any time during the term of the Lease or upon the expiration date hereof, the presence of Hazardous Materials on the Premises caused by Tenant results in contamination of the Premises, Tenant will indemnify, defend and hold Landlord harmless from and against any and all liabilities, claims, damages, costs and expenses of any kind and nature, including, without limitation, legal, accounting, consulting, engineering or other expenses which may be posed upon Landlord by any other party (including a governmental entity) which arise as a result of such contamination. The obligations of Tenant under this Section 6 shall survive the expiration or earlier termination of the Lease.

6.3 ***Sale Agreement***. Except as specifically set forth herein, nothing in this Lease shall modify, alter or limit the obligations of Landlord or Tenant under Section 10 of the Sale Agreement.

7. Condition of Premises; Maintenance, Repairs and Alterations

7.1 ***Existing Conditions***. Tenant accepts the Premises in its condition as of the execution of the Lease, "AS-IS" subject to all recorded matters, laws, ordinances and governmental regulations and orders. Except as provided herein, Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation as to the condition of the Premises or the suitability of the Premises for Tenant's intended use. Tenant represents that Tenant has made its own inspection of and inquiry regarding the condition of the Premises and is not relying on any representations of Landlord with respect thereto.

7.2 ***Exemption of Landlord from Liability***. Landlord shall not be liable for any damage or injury to person, business (or any loss of income therefrom), goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers or any other person in or about the Premises, whether such damage or injury is caused by or results from: (a) fire, steam, electricity, water, gas or rain; (b) the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures or any other cause; (c) conditions arising in or about the Premises, or from other sources or places; or (d) any act or omission of any other tenant or subtenant of the Premises. Landlord shall not be liable for any such damage or injury even though the cause of or the means of repairing such

damage or injury are not accessible to Tenant. The provisions of this Section 7.2 shall not, however, exempt Landlord from liability for Landlord's gross negligence or willful misconduct.

7.3 ***Landlord's Obligations***. Subject to the provisions of Section 8 and Section 9, Landlord shall have absolutely no responsibility to repair, maintain or replace any portion of the Premises at any time. Tenant waives the benefit of any present or future law which might give Tenant the right to repair the Premises at Landlord's expense or to terminate the Lease due to the condition of the Premises.

7.4 ***Tenant's Obligations***.

(a) Except as provided in Section 8 and Section 9, Tenant shall keep all portions of the Premises (including structural, nonstructural, interior, exterior and landscaped areas, portions, systems and equipment) in good order, condition and repair (including interior repainting and refinishing, as needed). If any portion of the Premises or any system or equipment in the Premises which Tenant is obligated to repair cannot be fully repaired or restored, Tenant shall promptly replace such portion of the Premises or system or equipment in the Premises. If any part of the Premises is damaged by any act or omission of Tenant, Tenant shall pay Landlord the cost of repairing or replacing such damaged property, whether or not Landlord would otherwise be obligated to pay the cost of maintaining or repairing such property. It is the intention of Landlord and Tenant that at all times Tenant shall maintain the portions of the Premises which Tenant is obligated to maintain in a fully operative condition.

(b) Tenant shall fulfill all of Tenant's obligations under this Section 7.4 at Tenant's sole expense. If Tenant fails to maintain, repair or replace the Premises as required by this Section 7.4, Landlord may, upon ten days' prior notice to Tenant (except that no notice shall be required in the case of an emergency), enter the Premises and perform such maintenance or repair (including replacement, as needed) on behalf of Tenant. In such case, Tenant shall reimburse Landlord for all costs incurred in performing such maintenance or repair immediately upon demand.

7.5 ***Alterations, Additions and Improvements.***

(a) Tenant may make any alterations, additions or improvements to the Premises without Landlord's prior written consent so long as such alterations are consistent with (i) the operation of the Premises for the Permitted Uses, (ii) the Use Restrictions and (iii) the Swan Island Industrial Park Standards for Development dated September 24, 1976 as revised in April 1994 (the "Development Standards"). All alterations, additions and improvements shall be done in a good and workmanlike manner, in conformity with all applicable laws and regulations.

(b) Tenant shall pay when due all claims for labor and material furnished to the Premises. Landlord may elect to record and post notices of non-responsibility on the Premises.

7.6 ***Condition upon Termination***. Upon the termination of the Lease, Tenant shall surrender the Premises to Landlord, in the same condition as received except for ordinary wear and tear which Tenant was not otherwise obligated to remedy under any provision of this Lease. However, Tenant shall not be obligated to repair any damage which Landlord is required to repair under Section 8. All alterations, additions and improvements shall become Landlord's

property and shall be surrendered to Landlord upon the expiration or earlier termination of the Lease, except that Tenant may remove any machinery or equipment owned by Tenant which can be removed without material damage to the Premises. Tenant shall repair, at Tenant's expense, any damage to the Premises caused by the removal of any such machinery or equipment. In no event, however, shall Tenant remove any of the following materials or equipment (which shall be deemed Landlord's property) without Landlord's prior written consent (i) the equipment listed on Exhibit B attached hereto; (ii) any power wiring or power panels; (iii) lighting or lighting fixtures; (iv) wall coverages, drapes, blinds or other window coverings; (v) carpets or other floor coverings; (vi) heaters, air conditioners or any other heating or air conditioning equipment; (vii) fencing or security gates; or (viii) other similar building operating equipment and decorations.

8. Damage or Destruction

8.1 *Partial Damage to Premises.*

(a) If the Premises is only partially damaged (i.e., less than 50 percent of the Premises is untenantable as a result of such damage or less than 50 percent of Tenant's operations are materially impaired) and if the proceeds received by Landlord from the insurance policies described in Section 4.5(b) are sufficient to pay for the necessary repairs, this Lease shall remain in effect and Landlord shall repair the damage to the Premises, but not to Tenant's fixtures, equipment or improvements.

(b) If the insurance proceeds received by Landlord are not sufficient to pay the entire cost of repair, or if the cause of the damage is not covered by the insurance policies which Landlord maintains under Section 4.5(b), Landlord may elect either to (i) repair the damage as soon as reasonably possible, in which case this Lease shall remain in full force and effect, or (ii) terminate this Lease as of the date the damage occurred. Landlord shall notify Tenant within 30 days after receipt of notice of the occurrence of the damage whether Landlord elects to repair the damage or terminate the Lease. If Landlord elects to repair the damage, Tenant shall pay Landlord the "deductible amount" (if any) under Landlord's insurance policies and, if the damage was due to an act or omission of Tenant, or Tenant's employees, agents, contractors or invitees, the difference between the actual cost of repair any insurance proceeds received by Landlord. If Landlord elects to terminate the Lease, Tenant may elect to continue this Lease in full force and effect, in which case Tenant shall repair any damage to the Premises and any building in which the Premises is located. Tenant shall pay the cost of such repairs, except that upon satisfactory completion of such repairs, Landlord shall deliver to Tenant any insurance proceeds received by Landlord for the damage repaired by Tenant. Tenant shall give landlord written notice of such election within ten days after receiving Landlord's termination notice.

(c) If the damage to the Premises occurs during the last six months of the Lease Term and such damage will require more than 30 days to repair, either Landlord or Tenant may elect to terminate this Lease as of the date the damage occurred, regardless of the sufficiency of any insurance proceeds. The party electing to terminate this Lease shall give written notification to the other party of such election within 30 days after Tenant's notice to Landlord of the occurrence of the damage.

8.2 ***Substantial or Total Destruction.*** If the Premises is substantially or totally destroyed by any cause whatsoever (i.e., the damage to the Premises is greater than partial damage as described in Section 8.1) and regardless of whether Landlord receives any insurance proceeds, this Lease shall terminate as of the date the destruction occurred. Notwithstanding the preceding sentence, if the Premises can be rebuilt within one year after the date of destruction, Landlord may elect to rebuild the Premises at Landlord's own expense, in which case this Lease shall remain in full force and effect. Landlord shall notify Tenant of such election within 30 days after Tenant's notice of the occurrence of total or substantial destruction. If the damage was caused by an act or omission of Tenant, Tenant shall pay Landlord the difference between the actual cost of rebuilding and any insurance proceeds received by Landlord.

8.3 ***No Abatement of Rent.*** There shall be no abatement of Rent or any other obligation of Tenant hereunder by reason of any damage or destruction of the Premises. .

8.4 ***Waiver.*** Tenant waives the protection of any statute, code or judicial decision which grants a tenant the right to terminate a lease in the event of the substantial or total destruction of the leased property. Tenant agrees that the provisions of this Section 8 shall govern the rights and obligations of Landlord and Tenant in the event of any substantial or total destruction of Premises.

9. Condemnation

If all or any portion of the Premises is taken under the power of eminent domain or sold under the threat of that power (all of which are called "Condemnation"), this Lease shall terminate as to the part taken or sold on the date the condemning authority takes title or possession, whichever occurs first. If so much of the Premises is taken such that, in Landlord's and Tenant's reasonable judgment, the Premises are no longer suitable for the conduct of the Permitted Uses, Landlord may terminate this Lease as of the date condemning authority takes title or possession, by delivering written notice to Tenant within ten days after receipt of written notice of such taking (or in the absence of such notice, within ten days after the condemning authority takes title or possession). If Landlord does not terminate this Lease, this Lease shall remain in effect as to the portion of the Premises not taken, except that the Base Rent and Additional Rent shall be reduced in proportion to the reduction in the area of the Premises. Any Condemnation award or payment shall be distributed in the following order: (a) first, to any ground lessor, mortgagee or beneficiary under a deed of trust encumbering the Premises, the amount of its interest in the Premises; (b) second, to Tenant, only the amount of any award specifically designated for loss of or damage to Tenant's trade fixtures or removable personal property; and (c) third, to Landlord, the remainder of such award, whether as compensation for reduction in the value of the leasehold, the taking of the fee or otherwise. If this Lease is not terminated, Landlord shall repair any damage to the Premises caused by the Condemnation, except that Landlord shall not be obligated to repair any damage for which Tenant has been reimbursed by the condemning authority. If the severance damages received by Landlord are not sufficient to pay for such repair, Landlord shall have the right to either terminate this Lease or make such repair at Landlord's expense.

10. Assignment and Subletting

10.1 ***Landlord's Consent Required.*** No portion of the Premises or of Tenant's interest in this Lease may be acquired by any other person or entity, whether by sale,

assignment, mortgage, sublease, transfer, operation of law or act of Tenant, without Landlord's prior written consent. Landlord has the right to grant or withhold its consent as provided in Section 10.3 below.

10.2 ***No Release of Tenant.*** No transfer permitted by this Section 10, whether with or without Landlord's consent, shall release Tenant or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Landlord's acceptance of rent from any other person is not a waiver of any provision of this Section 10. Consent to one transfer is not a consent to any subsequent transfer. If Tenant's transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may consent to subsequent assignments or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant's liability under this Lease.

10.3 ***Landlord's Consent.*** Tenant's request for consent to any transfer described in Section 10.1 shall set forth in writing the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (e.g., the term of the rent and security deposit payment under any proposed assignment or sublease) and any other information Landlord deems relevant. Landlord shall have the right to withhold consent, if reasonable, or to grant consent, based on the following facts: (i) the business of the proposed assignee or subtenant and the proposed use of the Premises; (ii) the net worth and financial reputation of the proposed assignee or subtenant; (iii) Tenant's compliance with all of its obligations under the Lease; (iv) the reputation, character and past performance of the prospective transferee; (v) Landlord's ability to obtain the consent of the Port and Landlord's secured lender (if such consent is required); and (vi) such other factors as Landlord may reasonably deem relevant.

10.4 ***Sublease.*** Notwithstanding the provisions of this Section 10, Tenant may sublease portions of the Premises without Landlord's prior written consent so long as (i) the subleased premises as to each sublease do not exceed 150,000 square feet, (ii) the subtenant uses the Premises for a use consistent with the Permitted Uses described in Section 1.6 above, (iii) the consent of the Port and/or Landlord's secured lender is not required, and (iv) the subtenant agrees to be bound by all the terms and conditions of this Lease including, without limitation, all of those matters described in Section 5.2 above.

10.5 ***No Merger.*** No merger shall result from Tenant's sublease of the Premises under this Section 10, Tenant's surrender of this Lease or the termination of this Lease in any other manner. In any such event, Landlord may terminate any or all subtenancies or succeed to the interest as sublandlord under any or all subtenancies.

11. Defaults; Remedies

11.1 ***Covenants and Conditions.*** Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as covenant. Tenant's right to continue in possession of the Premises is conditioned upon such performance. Time is of the essence in the performance of all covenants and conditions.

11.2 ***Defaults.*** Tenant shall be in material default under this Lease:

(a) If Tenant abandons the Premises or if Tenant's vacation of the Premises results in the cancellation of any insurance described in Section 4.5;

(b) If Tenant fails to pay rent or any other charge within 15 days of when due;

(c) If Tenant fails to perform any of Tenant's nonmonetary obligations under this Lease for a period of 30 days after written notice from Landlord; provided that if more than 30 days are required to complete such performance, Tenant shall not be in default if Tenant commences such performance within the 30-day period and thereafter diligently pursues its completion. This section is intended to satisfy any and all notice requirements imposed by law on Landlord and is not in addition to any such requirement.

(d) If Tenant is in default under (i) the Promissory Note dated August 23, 2000 between Tenant as maker and Landlord, as payee or any documents securing the Promissory Note (including, without limitation, failure to comply with the Use Restrictions or the Development Standards), or (ii) any of the Assumed Contracts.

(e) (i) If Tenant makes a general assignment or general arrangement for the benefit of creditors; (ii) if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within 30 days; (iii) if a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises or if Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure which is not discharged within 30 days. If a court of competent jurisdiction determines that any of the acts described in this Section 11.2(e) is not a default under this Lease and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive as Additional Rent, the excess, if any, of the rent (or any other consideration) paid in connection with such assignment or sublease over the rent payable by Tenant under this Lease.

11.3 ***Remedies***. On the occurrence of any material default by Tenant, Landlord may, at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including (i) the worth at the time of the award of the unpaid Base Rent, Additional Rent and other charges which Landlord had earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Landlord would have earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Tenant would have paid for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform is obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or

expenses Landlord incurs in maintaining or preserving the Premises after such default, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation or alteration of the Premises, Landlord's reasonable attorney fees incurred in connection therewith and any real estate commission paid or payable. As used in subparts (i) and (ii) above, the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of 15 percent per annum, or such lesser amount as may then be the maximum lawful rate. As used in subpart (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent. If Tenant has abandoned the Premises, Landlord shall have the option of (i) retaking possession of the Premises and recovering from Tenant the amount specified in this Section 11.3(a), or (ii) proceeding under Section 11.3(b);

(b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due.

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Premises is located.

11.4 ***Cumulative Remedies***. Landlord's exercise of any right or remedy shall not prevent it from exercising any other right or remedy.

11.5 ***Loan Agreement***. In addition to the rights of Landlord set forth in this Section 11, in the event a default occurs and is continuing under the Master Loan Agreement by and among Landlord, Lender, Cammell Laird Pacific, Inc. and Tenant dated August 23, 2000, Lender (and Lender's successors and assigns) may, at its option and upon written notice to Landlord and Tenant (but subject to any notice and cure rights set forth in the Master Loan Agreement or related documents), terminate this Lease, and Lender is an intended third party beneficiary of this Lease.

12. Protection of Lenders

12.1 ***Subordination***. Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust or mortgage encumbering the Premises, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded. Tenant shall cooperate with Landlord and any lender which is acquiring a security interest in the Premises or the Lease. Tenant shall execute such further documents and assurances as such lender may require, provided that Tenant's obligations under this Lease shall not be increased in any material way (the performance of ministerial acts shall not be deemed material). If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage or the date of recording thereof.

12.2 ***Signing of Documents***. Tenant shall sign and deliver any instrument or documents necessary or appropriate to evidence any such attornment or subordination or agreement to do so. If Tenant fails to do so within ten days after written request, Tenant hereby

makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the attorney-in-fact of Tenant to execute and deliver any such instrument or document.

12.3 ***Estoppel Certificates.***

(a) Upon Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been cancelled or terminated; (iii) the last date of payment of the Base Rent and other charges and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why); and (v) such other representations or information with respect to Tenant or the Lease as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Premises may require. Tenant shall deliver such statement to Landlord within ten days after Landlord's request. Landlord may give any such statement by Tenant to any prospective purchaser or encumbrancer of the Premises. Such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

(b) If Tenant does not deliver such statement to Landlord within such ten-day period, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been cancelled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's Base Rent, Additional Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under the Lease. In such event, Tenant shall be estopped from denying the truth of such facts.

13. Legal Costs

13.1 ***Legal Proceedings.*** If any action for breach of or to enforce the provisions of this Lease is commenced, the prevailing party shall be entitled to recover from the losing party the prevailing party's reasonable attorney fees and costs incurred in such action, at trial or on any appeal. Tenant shall also indemnify Landlord against and hold Landlord harmless from all costs, expenses, demands and liability Landlord may incur if Landlord becomes or is made a party to any claim or action (a) instituted by Tenant against any third party, or by any third party against Tenant, or by or against any person holding any interest under or using the Premises by license of or agreement with Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding. Tenant shall defend Landlord against any such claim or action at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs Landlord incurs in any such claim or action.

13.2 ***Landlord's Consent.*** Tenant shall pay Landlord's reasonable attorney fees incurred in connection with Tenant's request for Landlord's consent under Section 10, or in connection with any other act which Tenant proposes to do and which requires Landlord's consent.

14. Miscellaneous Provisions

14.1 ***Nondiscrimination***. Tenant promises, and it is a condition to the continuance of this Lease, that there will be no discrimination against, or segregation of, any person or group on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing, transferring, occupancy, tenure or use of the Premises or any portion thereof.

14.2 ***Landlord's Liability; Certain Duties.***

(a) As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Premises or the leasehold estate under a ground lease of the Premises at the time in question. Each Landlord is obligated to perform the obligations of Landlord under this Lease only during the time such Landlord owns such interest or title. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of transfer. However, each Landlord shall deliver to its transferee all funds that Tenant previously paid if such funds have not yet been applied under the terms of this Lease.

(b) Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor, mortgagee or beneficiary under any deed of trust encumbering the Premises whose name and address have been furnished to Tenant in writing. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee or beneficiary) fails to cure such nonperformance within 30 days after receipt of Tenant's notice. However, if such nonperformance reasonably requires more than 30 days to cure, Landlord shall not be in default if such cure is commenced within such 30-day period and thereafter diligently pursued to completion.

(c) Notwithstanding any term or provision herein to the contrary, the liability of Landlord for the performance of its duties and obligations under this Lease is limited to Landlord's interest in the Premises and neither the Landlord nor its partners, shareholders, officers or other principals shall have any personal liability under this Lease.

14.3 ***Severability***. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

14.4 ***Interpretation***. The captions of the sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms of provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Premises with Tenant's expressed or implied permission. No rule of interpretation which construes ambiguities against a party drafting a document shall apply to the interpretation of this Lease.

14.5 ***Incorporation of Prior Agreements; Modifications***. This Lease is the only agreement between the parties pertaining to the lease of the Premises and no other

agreements are effective. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

14.6 ***Notices***. All notices required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid. Notices to Tenant shall be delivered to the address specified in Section 1.3. Notices to Landlord shall be delivered to the address specified in Section 1.2 above. All notices shall be effective upon delivery if personally delivered or one day after mailing, if mailed. Either party may change its notice address upon written notice to the other party.

14.7 ***Waivers***. All waivers must be in writing and signed by the waiving party. Landlord's failure to enforce any provision of this Lease or its acceptance of rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

14.8 ***No Recordation***. Tenant shall not record this Lease without prior written consent from Landlord. However, either Landlord or Tenant may require that a "Short-Form" memorandum of this Lease executed by both parties be recorded. The party requiring such recording shall pay all transfer taxes and recording fees.

14.9 ***Binding Effect; Choice of Law***. This Lease binds any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. The laws of the state in which the Premises is located shall govern this Lease.

14.10 ***Corporate Authority; Partnership Authority***. If Tenant is a corporation, each person signing this Lease on behalf of Tenant represents and warrants that he has full authority to do so and that this Lease binds the corporation.

14.11 ***Consent of Port***. In the event any action of Tenant with respect to the Premises requires the approval of the Port under the Sale Agreement or the Use Restrictions, Tenant will (i) give written notice of such action, and (ii) obtain the consent of the Port at Tenant's sole cost and expense.

14.12 ***Force Majeure***. If Landlord or Tenant cannot perform any of their obligations due to events beyond the party's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond Landlord's or Tenant's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, government regulation or restriction and weather conditions.

14.13 ***Execution of Lease***. This Lease may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument.

14.14 ***Survival.*** All representations and warranties of Landlord and Tenant shall survive the termination of this Lease.

15. Brokers

15.1 ***Agency Disclosure; No Brokers.*** Landlord and Tenant each warrant that they have dealt with no real estate broker(s) in connection with this transaction.

LANDLORD

PORTLAND SHIPYARD LLC, an Oregon limited liability company

Signed on August 23, 2000 at Portland, Oregon.

By _____
Its President

TENANT

CASCADE GENERAL, INC., an Oregon corporation

Signed on August 23, 2000 at Portland, Oregon.

By _____
Its President

030386\00001\340242 V008

EXHIBIT A

LAND LEGAL DESCRIPTION
PORT OF PORTLAND – CASCADE GENERAL

A TRACT OF LAND SITUATED IN THE SOUTH ONE-HALF OF SECTION 17,THE SOUTHEAST ONE-QUARTER OF SECTION 18, AND THE NORTHWEST ONE-QUARTER OF SECTION 20, TOWNSHIP 1 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN, IN THE CITY OF PORTLAND, COUNTY OF MULTNOMAH AND THE STATE OF OREGON, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT WHICH IS 1,262.39 FEET WEST AND 859.49 FEET SOUTH OF THE NORTHEAST CORNER OF SAID SECTION 20 SAID POINT BEING A CENTERLINE ANGLE POINT OF N. LAGOON AVENUE; THENCE, ALONG THE CENTERLINE OF N. LAGOON AVENUE, NORTH 52°30'00" WEST, 695.12 FEET; THENCE NORTH 37°30'00" EAST, 40.00 FEET TO A POINT ON THE NORTHEASTERLY RIGHT-OF-WAY LINE OF N. LAGOON AVENUE AT THE MOST WESTERLY CORNER OF THAT TRACT OF LAND RECORDED MARCH 20, 1967 IN DEED BOOK 552, PAGE 1034, MULTNOMAH COUNTY DEED RECORDS; THENCE, CONTINUING ALONG SAID RIGHT-OF-WAY LINE, NORTH 52°30'00" WEST, 688.03 FEET TO THE **TRUE POINT OF BEGINNING**; THENCE, CONTINUING ALONG THE NORTHEASTERLY RIGHT-OF-WAY LINE OF N. LAGOON AVE., NORTH 52°30'00" WEST, 699.69 FEET TO A POINT OF INTERSECTION WITH THE NORTHEASTERLY EXTENSION OF THE NORTHWESTERLY RIGHT-OF-WAY LINE OF N. DOLPHIN ST.; THENCE, ALONG THE EXTENSION OF SAID RIGHT-OF- WAY LINE, SOUTH 37°30'00" WEST, 118.00 FEET TO A POINT-OF-NON-TANGENCY AT THE INTERSECTION OF N. DOLPHIN STREET AND THE SOUTHERLY RIGHT-OF-WAY LINE OF THAT PORTION OF N. LAGOON AVENUE VACATED IN CITY OF PORTLAND ORDINANCE NO. 153166, RECORDED JUNE 21, 1985, DEED BOOK 1832, PAGE 670-675, MULTNOMAH COUNTY DEED RECORDS; THENCE, DEPARTING SAID N. DOLPHIN STREET AND RUNNING ALONG THE SOUTHERLY RIGHT-OF-WAY LINE OF SAID VACATED N. LAGOON AVENUE THE FOLLOWING FIVE (5) COURSES: 1) THENCE 59.69 FEET ALONG THE ARC OF A 38.00-FOOT RADIUS CURVE TO THE LEFT, CONCAVE TO THE WEST, THROUGH A CENTRAL ANGLE OF 90°00'00" (THE LONG CHORD BEARS NORTH 07°30'00" WEST, 53.74 FEET); 2) THENCE NORTH 52°30'00" WEST, 654.91 FEET; 3) THENCE NORTH 37°30'00" EAST, 10.00 FEET; 4) THENCE NORTH 52°30'00" WEST, 323.19 FEET TO A POINT-OF-CURVATURE; 5) THENCE, 158.44 FEET ALONG THE ARC OF A 788.51-FOOT RADIUS CURVE TO THE LEFT, CONCAVE TO THE SOUTH, THROUGH A CENTRAL ANGLE OF 11°30'47" (THE LONG CHORD BEARS NORTH 58°15'23" WEST, 158.18 FEET) TO A POINT-OF-NON-TANGENCY; THENCE, DEPARTING SAID VACATED RIGHT-OF-WAY LINE AND RUNNING ALONG THE WESTERLY LINE OF THAT TRACT OF LAND DESCRIBED IN DEED TO NORTHWEST MARINE IRONWORKS, INC., RECORDED DECEMBER 13, 1982, DEED BOOK 1633, PAGE 543, MULTNOMAH COUNTY DEED RECORDS, SOUTH 15°32'47" WEST, 948.46 FEET TO THE NORTHERLY RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE (40.00 FEET FROM CENTERLINE); THENCE, ALONG THE RIGHT OF WAY LINE OF SAID N. CHANNEL AVENUE THE FOLLOWING FIVE (5) COURSES: 1) THENCE NORTH 75°18'23" WEST, 147.62 FEET; 2) THENCE SOUTH 14°41'37" WEST, 80.00 FEET TO A POINT-OF-NON-TANGENCY; 3) THENCE 144.21 FEET ALONG THE ARC OF A 58.00 FOOT NON-TANGENT RADIUS CURVE TO THE

LEFT, CONCAVE TO THE NORTH, THROUGH A CENTRAL ANGLE OF 142°27'26" (THE LONG CHORD BEARS SOUTH 67°58'56" EAST, 109.83 FEET) TO A POINT OF REVERSE CURVATURE; 4) THENCE 27.88 FEET ALONG THE ARC OF A 25.00-FOOT RADIUS CURVE TO THE RIGHT, CONCAVE TO THE SOUTH, THROUGH A CENTRAL ANGLE OF 63°54'10" (THE LONG CHORD BEARS NORTH 72°44'39" EAST, 26.46 FEET) TO A POINT-OF-TANGENCY; 5) THENCE SOUTH 75°18'23" EAST, 206.81 FEET TO A POINT-OF-INTERSECTION WITH THE SOUTH RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE AND THE NORTHERLY PROJECTION OF THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314; THENCE, DEPARTING SAID N. CHANNEL AVENUE RIGHT-OF-WAY LINE AND RUNNING ALONG SAID NORTHERLY PROJECTION, SOUTH 36°31'18" WEST, 271.29 FEET MORE OR LESS TO A POINT ON THE ORDINARY HIGH WATER LINE OF THE WILLAMETTE RIVER (ESTABLISHED AT NGVD 29/47 ELEVATION 17.00 FEET ABOVE MEAN SEA LEVEL); THENCE, ALONG THE ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 4.13 FEET TO THE RIVERSIDE FACE OF AN EXISTING CONCRETE RETAINING WALL; THENCE, ALONG SAID RETAINING WALL, NORTH 53°28'42" WEST, 1843.21 FEET TO THE END OF SAID RETAINING WALL; THENCE, CONTINUING ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING ELEVEN (11) COURSES, 1) THENCE NORTH 20°38'22"WEST, 30.58 FEET; 2) THENCE NORTH 27°24'49" EAST, 65.83 FEET; 3) THENCE NORTH 37°39'44" EAST, 73.19 FEET; 4) THENCE NORTH 25°27'22" EAST, 84.57 FEET; 5) THENCE NORTH 03°40'06" WEST, 80.02 FEET; 6) THENCE NORTH 03°08'50" EAST, 88.88 FEET; 7) THENCE NORTH 18°33'02" EAST, 97.19 FEET; 8) THENCE NORTH 42°50'55" EAST, 34.66 FEET; 9) THENCE NORTH 81°50'18" EAST, 53.67 FEET; 10) THENCE SOUTH 74°56'21" EAST, 414.25 FEET; 11) THENCE NORTH 45°23'27" EAST, 34.05 FEET TO A RETAINING WALL/CELL LINE; THENCE, ALONG SAID CELL LINE THE FOLLOWING ELEVEN (11) COURSES: 1) THENCE NORTH 15°21'35" EAST, 201.00 FEET; 2) THENCE SOUTH 74°38'25" EAST, 57.98 FEET; 3) THENCE NORTH 60°21'35" EAST, 38.14 FEET; 4) THENCE NORTH 15°21'35" EAST, 43.50 FEET; 5) THENCE NORTH 29°38'25" WEST, 33.27 FEET; 6) THENCE NORTH 74°38'25" WEST, 62.28 FEET; 7) THENCE NORTH 16°29'56" EAST, 409.89 FEET; 8) THENCE SOUTH 75°31'20" EAST, 200.46 FEET TO A POINT-OF-NON-TANGENCY (THE RADIAL BEARING BEING SOUTH 13°22'07" WEST) ; 9) THENCE 84.45 FEET ALONG THE ARC OF A 205.00 NON-TANGENT RADIUS CURVE TO THE RIGHT, CONCAVE TO THE SOUTHWEST, THROUGH A CENTRAL ANGLE OF 23°36'12" (THE LONG CHORD BEARS SOUTH 64°49'47" EAST, 83.85 FEET) TO A POINT OF NON-TANGENCY (THE RADIAL BEARING BEING SOUTH 36°58'19" WEST); 10) THENCE SOUTH 53°08'15" EAST, 56.69 FEET; 11) THENCE SOUTH 36°48'33"WEST, 50.81 FEET TO A POINT ON THE LAGOON SIDE FACE OF A CONCRETE RETAINING WALL; THENCE, ALONG THE FACE OF SAID RETAINING WALL, SOUTH 52°27'04" EAST, 1504.65 FEET TO THE END OF SAID RETAINING WALL; THENCE, ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING SIX (6) COURSES: 1) SOUTH 18°13'01" WEST, 9.64 FEET; 2) THENCE SOUTH 55°59'25" EAST, 228.49 FEET; 3) THENCE SOUTH 47°33'08" EAST, 207.85 FEET; 4) THENCE SOUTH 66°22'48" EAST, 69.65 FEET; 5) THENCE SOUTH 51°51'06" EAST, 329.79 FEET; 6) THENCE SOUTH 52°55'19" EAST, 606.49 FEET; THENCE, DEPARTING SAID ORDINARY HIGH WATER LINE, SOUTH 37°30'00" WEST 59.01 FEET; THENCE NORTH 52°30'00" WEST, 101.55 FEET; THENCE SOUTH 36°00'00" WEST, 108.52 FEET TO THE TRUE POINT OF BEGINNING, CONTAINING 56.61 ACRES MORE OR LESS.

SUBJECT TO THOSE EASEMENTS RECORDED IN DEED BOOK 1633, PAGE 456 AND 458, BOOK 2007, PAGE 122, BOOK 2048, PAGE 408, BOOK 2129, PAGE 524, BOOK 91, PAGE 407,

BOOK 1055, PAGE 479, BOOK 1183, PAGE 1202, BOOK 1214, PAGE 713, BOOK 1308, PAGE 792, AND BOOK 1832, PAGE 670 MULTNOMAH COUNTY DEED RECORDS.

THE BEARINGS IN THIS DESCRIPTION ARE BASED UPON PRIVATE SURVEY NO. 56596 (W.B. WELLS & ASSOCIATES, INC. SURVEY), MULTNOMAH COUNTY SURVEY RECORDS.

EXHIBIT B

SUBMERGED LANDS DESCRIPTION
PORT OF PORTLAND – CASCADE GENERAL

A TRACT OF LAND SITUATED IN THE SOUTH ONE-HALF OF SECTION 17,THE SOUTHEAST ONE-QUARTER OF SECTION 18, AND THE NORTHWEST ONE-QUARTER OF SECTION 20, TOWNSHIP 1 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN, IN THE CITY OF PORTLAND, MULTNOMAH COUNTY, OREGON, DESCRIBED AS FOLLOWS:

COMMENCING AT A 5/8-INCH DIAMETER IRON ROD WITH YELLOW PLASTIC CAP STAMPED "PORT OF PORTLAND" ON THE SOUTHERLY RIGHT-OF-WAY LINE OF N. CHANNEL AVENUE AT THE INTERSECTION WITH THE NORTHERLY PROJECTION OF THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314, FROM WHICH THE NORTHEAST CORNER OF SECTION 20 BEARS SOUTH 89°19'16" EAST, 3964.16 FEET; THENCE, ALONG SAID NORTHERLY PROJECTION, SOUTH 36°31'18" WEST, 271.29 FEET TO A POINT ON THE ORDINARY HIGH WATER LINE OF THE WILLAMETTE RIVER SITUATED IN THE NORTH ONE-HALF OF SECTION 20 AND THE WEST ONE-HALF OF SECTION 21, TOWNSHIP 1 NORTH, RANGE 1 EAST, WILLAMETTE MERIDIAN, CITY OF PORTLAND, COUNTY (ESTABLISHED AT NGVD 29/47 ELEVATION 17.0 FEET ABOVE MEAN SEA LEVEL) AND THE **TRUE POINT-OF-BEGINNING** OF THE PARCEL TO BE DESCRIBED; THENCE, ALONG SAID ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 4.13 FEET TO THE RIVERSIDE FACE OF AN EXISTING CONCRETE RETAINING WALL; THENCE, ALONG SAID RETAINING WALL, NORTH 53°28'42" WEST, 1843.21 FEET TO THE END OF SAID RETAINING WALL; THENCE, CONTINUING ALONG SAID ORDINARY HIGH WATER LINE THE FOLLOWING ELEVEN (11) COURSES, 1) THENCE NORTH 20°38'22"WEST, 30.58 FEET; 2) THENCE NORTH 27°24'49" EAST, 65.83 FEET; 3) THENCE NORTH 37°39'44" EAST, 73.19 FEET; 4) THENCE NORTH 25°27'22" EAST, 84.57 FEET; 5) THENCE NORTH 03°40'06" WEST, 80.02 FEET; 6) THENCE NORTH 03°08'50" EAST, 88.88 FEET; 7) THENCE NORTH 18°33'02" EAST, 97.19 FEET; 8) THENCE NORTH 42°50'55" EAST, 34.66 FEET; 9) THENCE NORTH 81°50'18" EAST, 53.67 FEET; 10) THENCE SOUTH 74°56'21" EAST, 414.25 FEET; 11) THENCE NORTH 45°23'27" EAST, 34.05 FEET TO A RETAINING WALL/CELL LINE; THENCE, ALONG SAID CELL LINE THE FOLLOWING SEVEN (7) COURSES: 1) THENCE NORTH 15°21'35" EAST, 201.00 FEET; 2) THENCE SOUTH 74°38'25" EAST, 57.98 FEET; 3) THENCE NORTH 60°21'35" EAST, 38.14 FEET; 4) THENCE NORTH 15°21'35" EAST, 43.50 FEET; 5) THENCE NORTH 29°38'25" WEST, 33.27 FEET; 6) THENCE NORTH 74°38'25" WEST, 62.28 FEET; 7) THENCE NORTH 16°29'56" EAST, 201.50 FEET; THENCE, DEPARTING SAID RETAINING WALL / CELL LINE, NORTH 74°38'25" WEST, 922.99 FEET TO A POINT ON THE EXISTING WILLAMETTE RIVER HARBOR LINE AS ESTABLISHED BY THE U.S. ARMY CORPS OF ENGINEERS IN A DOCUMENT DATED FEBRUARY 23, 1968; THENCE ALONG SAID HARBOR LINE SOUTH 74°24'03" WEST, 808.98 FEET TO HABOR LINE MONUMENT # 59A, WHICH IS DESCRIBED IN PORT OF PORTLAND ORDINANCE #287; THENCE SOUTH 40°00'26" WEST, 689.07 FEET TO A POINT THAT IS 350.00 FEET PARALLEL WITH AND RIVERWARD OF THE SWAN ISLAND WHARF AT BERTHS 312, 313 AND 314; THENCE, ALONG A LINE THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF SAID WHARF, SOUTH 52°54'43" EAST, 3166.59 FEET; THENCE SOUTH

36°32'33" WEST, 78.68 FEET TO A POINT THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF THE EXISTING FACE OF DOLPHINS AT LAY BERTH 315; THENCE, ALONG A LINE THAT IS PARALLEL WITH AND 350.00 FEET RIVERWARD OF SAID FACE OF DOLPHINS, SOUTH 53°27'30" EAST, 7.76 FEET TO A POINT OF INTERSECTION WITH A LINE THAT IS 4.00 FEET SOUTHERLY OF WHEN MEASURED AT RIGHT ANGLES AND PARALLEL WITH THE SOUTHEASTERLY END OF THE EXISTING CONCRETE DOCK AT BERTH 314; THENCE, ALONG SAID LINE, NORTH 36°31'18" EAST, 567.30 FEET TO A POINT ON SAID ORDINARY HIGH WATER LINE; THENCE, ALONG SAID ORDINARY HIGH WATER LINE, NORTH 12°47'00" EAST, 12.42 FEET TO THE POINT OF BEGINNING, CONTAINING 60.80 ACRES MORE OR LESS.

THE BEARINGS IN THIS DESCRIPTION ARE BASED UPON PRIVATE SURVEY NO. 56596 (W.B. WELLS & ASSOCIATES, INC. SURVEY), MULTNOMAH COUNTY SURVEY RECORDS.

EXHIBIT C

DRY DOCKS

Floating Dry Dock No. 3 - Built by Gunderson Brothers, 661 feet in length, 140 feet in width, and 61 feet in depth.

Floating Dry Dock No. 4 - Built by Ishikawajima-Harima Heavy Industries Co., Ltd., Tokyo, Japan, having hull number F103, 982 feet in length, 228 feet in width, and 73 feet in depth.

EXHIBIT D-1

Equipment - Bond-Financed, Warranted

Crane 11 - Hitachi
Crane 12 - Hitachi
Crane 14 - Hitachi
Crane 15 - Hitachi
Crane 16 - Hitachi
Crane 17 - Hitachi
SRY #11 - '78 CATERPILLAR LIFT TRUCK
SRY #12 - '79 CATERPILLAR LIFT TRUCK
T-2 50KVA LOADCENTER
T-3 50KVA LOADCENTER
T-4 50KVA LOADCENTER
T-5 50KVA LOADCENTER
T-6 50KVA LOADCENTER
T-7 50KVA LOADCENTER
T-8 50KVA LOADCENTER
T-9 50KVA LOADCENTER
T-10 50KVA LOADCENTER
T-11 50KVA LOADCENTER
T-12 50KVA LOADCENTER
T-14 50KVA LOADCENTER
T-15 50KVA LOADCENTER
T-16 50KVA LOADCENTER
T-17 50KVA LOADCENTER
T-18 50KVA LOADCENTER
12-1 1000KVA LOADCENTER
12-2 1000KVA LOADCENTER
12-4 1000KVA LOADCENTER
4-1 330KVA LOADCENTER
4-2 330KVA LOADCENTER
4-3 330KVA LOADCENTER
4-4 330KVA LOADCENTER
4-5 330KVA LOADCENTER
4-6 330KVA LOADCENTER
4-7 330KVA LOADCENTER
4-8 330KVA LOADCENTER
4-9 330KVA LOADCENTER
4-10 330KVA LOADCENTER
4-11 330KVA LOADCENTER
4-12 330KVA LOADCENTER
32-1 2500KVA LOADCENTER

32-2 1000KVA LOADCENTER
32-3 2500KVA LOADCENTER
32-4 2000KVA LOADCENTER
32-5 2000KVA LOADCENTER

EXHIBIT D-2

Equipment - Non Bond-Financed, Warranted

Quantity	Item
	Crane 1 - Washington
	Crane 2 - Washington
	Crane 3 - Washington
	Crane 4 - Washington
	Crane 5 - Washington
	Crane 6 - Washington
	Crane 7 - Washington
	Crane 8 - Washington
	Crane 9 - Clyde
	Crane 10 - American
	Crane 18 - American
	SRY #4 - 80 FT. 1980 JLG
	SRY #10 - AA IT14B CAT LOADER

EXHIBIT D-3

Equipment - Non Bond-Financed, Non Warranted

Quantities and amounts are estimates only. Items sold are limited in quantity and amount to items which are present on the Property (as defined in the Sale Agreement) as of the date of Closing (as defined in the Sale Agreement).

1	Delta 8" Jointer and Base 480 Volt
1	Delta 12" disc. & 6' belt sander with base
1	Rockwell 4' jointer
1	Makita 10' slide compound saw
1	DeWalt radial arm saw
1	1 level & 3 transits
	Best locking systems
	Auto repair tools: tire changer, battery charger, tune up scope
	Solvent tanks (2), hot tank (1)
	Lab equipment
	Graco Senator Airless
	Spider climber, rope, mis. Rope grabs
9 sets	Shore power cables - 4/0 at 250' each
4 sets	Shore power cables - 4/0 at 300' each
1	Greenlee 6000 wire puller and accessories
1	Greenlee 884 Hydraulic pipe bender
1	Greenlee 1818 pipe bender
1	Greenlee 777 hydraulic pipe bender
1	Greenlee 690 blower and vacuum fish tape system
1	Greenlee 911 wire cart
5	15000 watt portable electric heaters
2	Tektronics Oscilloscopes
1	Tektronics cable tester
1	Gould brush recorder
1 set	Shore power cables - 262 KCMIL at 350' each
3 sets	Shore power cables - 262 KCMIL at 250' each
4	Other cables - 2/0 at 250'
	SRY #14 - TOPLINE ELEC. LIFT TRUCK
	ELGIN MEGAWIND SWEEPER
	SRY #44 TANK TRAILER
	SLOP HOSE TRAILER
	MAN BOX SLINGS, STRETCHERS, RIGGINGS
	PERSONAL MONITORING DEVICES
	FIRE HOSES
	RED HEAD FIRE HOSE BOXES
	CLEASBY TAR KETTLE

SRY #65 - CATERPILLAR FORKLIFT
SRY #66 - CATERPILLER FORKLIFT
SRY #67 HYSTER 8000 CHALLENGER
#3 RECTIFIER
#1 1200 AMP ADJ. AUTOTRANSF.
#2 1200 AMP ADJ. AUTOTRANSF.
#3 400 AMP ADJ. AUTOTRANSF.
#1 208 STEPDOWN TRANSF.
#2 230 STEPDOWN TRANSF.
#3 208 STEPDOWN TRANSF.
1500 KVA XFMR (9) SUB 4
2500 KVA TRANSFORMER
OIL BOOM TRAILER #0
OIL BOOM TRAILER #1
LARGE LATHE
SMALL LATHE
DRILL PRESS
LARGE HYDRAULIC PRESS
KALAMAZOO CUT-OFF SAW
KERNEY & TRECKER MILLING MACHINE
GRINDERS & SANDER
RIDGID PIPE THREADER
WELDING MACHINES
DRILL PRESS - LELAND GIFFORD
RADIAL DRILL PRESS
BUFFALO (2) CINCINNATI DRILL PRESS
SHEAR-PECK STOW
PRESS BRAKE, CHICAGO
#1 ½ IRON WORKER, BUFFALO
BANDSAW, MARVEL
BANDSAW, DOALL
CABINET, BEAD BLAST
DRILL PRESS
BENCH GRINDER
LARGE BAND SAW
SMALL BAND SAW
RADIAL ARM SAW
PLANER (SURFACE)
PLANER (THICKNESS)
12-14" TILT ARBOR TABLE SAW
10" TILT ARBOR SAW
WOOD LATHE
WOOD SHAPER
127 Dry Dock 1 Bilge Blocks
87 Dry Dock 1 Keel Blocks

105	Dry Dock 3 Bilge Blocks
6	Dry Dock 3 Saddle Blocks
96	Dry Dock 3 Keel Blocks
65	Small Metal Skiffs
25	Large Metal Skiffs
3	Large Metal Skiffs (sand only)
1	Small Metal Skiff (sand only)
10	Destroyer Bilge Frames (Double frames)
4	Destroyer Bilge Frames (Triple frames)
4	100 Ton Jacks

EXHIBIT D-4

Equipment - Bond-Financed, Non Warranted

Quantities and amounts are estimates only. Items sold are limited in quantity and amount to items which are present on the Property (as defined in the Sale Agreement) as of the date of Closing (as defined in the Sale Agreement).

Quantity	Item
136	Dry Dock 4 Bilge Blocks
3	Dry Dock 4 Bilge Block Empty Concrete Bases
175	Dry Dock 4 Keel Blocks
1	Portable Oil Containment Book 4400'

EXHIBIT D-5

Equipment - Titled Property

LANDA HOT WATER PRESSURE WASHER - 1991 trailer, plate no. E176799, title no. 9206649818

SPILL RESPONSE BOAT - 1994 Alumaweld vessel, hull no. AWB1121OF394, title no. 0400290

RESPONSE BOAT TRAILER - 1994 EZ Loader, plate no. E186905, title no. 9330192916

EXHIBIT E

Trade Names

PSY
PSRY
Portland Shipyard
Portland Ship Repair Yard
CASGEN.com

SIXTH AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Shipyard Commerce Center LLC (Landlord) and Cascade General, Inc. (Tenant), as most recently amended by a Fifth Amendment to Shipyard Lease effective December 20, 2004. This Sixth Amendment is effective August 1, 2006.

Whereas:

A. Since inception the Premises of the Shipyard Lease has included all of Landlord's real estate holdings at 5555 North Channel Avenue, Portland, Oregon.

B. Effective August 1, 2006, with the agreement of Tenant, Landlord executed a separate agreement to lease directly to US Barge LLC a portion of the real estate previously leased to Tenant, and a Gantry crane, as more fully detailed in the separate agreement.

C. Effective September 1, 2006, Tenant no longer has access to the real estate now leased directly to US Barge LLC.

D. Effective September 1, 2006, Landlord and Tenant wish to modify the Base Rent to reflect the reduction in Premises.

Landlord and Tenant agree as follows:

1. The end of Paragraph 1.4 is modified by the addition of the following sentence. "Notwithstanding the above, the Premises shall not include the real estate and Gantry crane leased by Landlord to US Barge pursuant to a lease dated August 1, 2006".

2. Paragraph 1.7(a) is replace in its entirety as follows "The rent is decreased from $100,000 per month to $75,000 per month effective September 1, 2006".

Landlord
Shipyard Commerce Center LLC

By _____
President

Tenant
Cascade General, Inc.

By _____
Secretary

FIFTH AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC (Landlord) and Cascade General, Inc. (Tenant), as most recently amended by a Fourth Amendment to Shipyard Lease effective June 1, 2003. This Fifth Amendment is effective December 20, 2004.

Whereas:

A. Prior to October 8, 2004 Drydock #1 was owned by the U.S. Navy, and Tenant leased Drydock #1 and was financially responsible for the cost of the leases during various time periods. Effective October 8, 2004 Landlord purchased Drydock #1 from the U.S. Navy. Landlord and Tenant wish for Drydock #1 to be added to Exhibit C and thereby incorporated in the Lease. Landlord and Tenant have negotiated $20,000 per month as the increase in monthly rent due to the addition of Drydock #1 to the Lease.

B. Notwithstanding that paragraph 3.2 of the Lease provides for a cost of living increase to the Lease rent effective January 1, 2005, Landlord and Tenant have mutually agreed that rent adjustments documented in previous Amendments have been adequate to adjust the rent.

C. Tenant requires surety bonds to successfully perform certain ship repair projects. Tenant required the financial assistance of Landlord to obtain adequate terms from a surety. Effective February 24, 2004 Landlord executed a Deed of Trust in favor of Arch Insurance Company, whereby Landlord pledged all of the property described on Exhibit A to assist Tenant to secure the $10,000,000 surety line from Arch Insurance Company. Landlord and Tenant have negotiated $100,000 per year as the appropriate compensation for Tenant to pay to Landlord for this accommodation.

D. On or around April 5, 2004 Landlord changed its name from Portland Shipyard LLC to Shipyard Commerce Center LLC. Landlord and Tenant wish to amend the Lease to acknowledge this name change.

Landlord and Tenant agree as follows:

1. Paragraph 1.7(a) is modified by the deletion of the phrase "to be adjusted as set forth in Section 3.2 below" and the addition of the sentence "The rent is increased from $80,000 per month to $100,000 per month effective October 8, 2004".

2. The phrase "Floating Drydock #3" is inserted on Exhibit C.

3. Paragraph 3.2 is deleted.

4. A new paragraph 16 entitled "Additional Compensation to Landlord" is added.

5. A new paragraph 16.1 entitled "Fee for Execution of Trust Deed" is added as follows "As a fee for the execution and ongoing existence of a Trust Deed in favor of Arch Insurance Company, a surety for Tenant, Tenant shall pay to Landlord $100,000 in 2004, and $100,000 during each subsequent year in which the Trust Deed is in existence".

6. Paragraph 1.2 is amended by deleting "PORTLAND SHIPYARD LLC" and in its place inserting "SHIPYARD COMMERCE CENTER LLC".

7. The signature page of the Lease is amended by deleting "PORTLAND SHIPYARD LLC" and in its place inserting "SHIPYARD COMMERCE CENTER LLC".

Landlord
Shipyard Commerce Center LLC

By _____
President

Tenant
Cascade General, Inc.

By _____
Secretary

FOURTH

~~THIRD~~ AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC (Landlord) and Cascade General, Inc. (Tenant), as most recently amended ~~effective June 1, 2002~~ September 1, 2002. This ~~Third~~ Fourth Amendment is effective January 1, 2003.

Whereas:

A. Landlord and Tenant had negotiated a lower Base Rent in the Second Amendment to Shipyard Lease. This lower Base Rent was largely in recognition of Tenant's deteriorated financial condition and inability to continue to pay a larger Base Rent given its reduced business volume.

B. Tenant's financial condition has improved, and Landlord and Tenant have negotiated the conditions under which Tenant will pay a larger total Rent for years in which it has larger business volumes.

Landlord and Tenant agree as follows:

The following is inserted into the Lease as paragraph 1.7 (c): **Annual Volume-Based Rent:** Tenant shall owe, in addition to Base Rent, an additional annual volume-based rent for any calendar year in which Tenant's revenues (as reported in its audited financial statements) exceed $50,000,000. The additional annual volume-based rent shall equal $75,000 if Tenant's revenues exceed $50,000,000 but do not exceed $55,000,000. The additional annual volume-based rent shall equal $150,000 if Tenant's revenues exceed $55,000,000 but do not exceed $60,000,000. Similarly, the annual volume-based rent shall increase by $75,000 for each additional $5,000,000 of Tenant revenues (example – the annual volume-based rent shall be $525,000 if Tenant revenues are $84,999,000). By December 31 of each year, Tenant shall make an estimated good-faith payment of its annual volume-based rent. By April 1 of the succeeding year, Tenant shall make an additional payment (or receive a refund from Landlord) to reconcile the obligation to the Tenant's final audited revenues.

Landlord
Portland Shipyard LLC

By _____
President

Tenant
Cascade General, Inc.

By _____
Secretary

THIRD AMENDMENT TO SHIPYARD LEASE

This Third Amendment to Shipyard Lease ("Amendment") pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC ("Landlord") and Cascade General, Inc. ("Tenant") (as amended to date, the "Shipyard Lease") and is executed this 1st day of September 2002 to be effective as of August 29, 2000, regardless of the date of execution.

Recitals:

Whereas:

A. In Section 10 of the Sale Agreement Portland Shipyard dated August 29, 2000 among The Port of Portland (the "Port"), Landlord, and Tenant (the "Sale Agreement"), responsibility for "Subsequent Contamination," (as defined in the Sale Agreement and relating to environmental contamination of the properties which are the subject of the Shipyard Lease) was allocated to Landlord as the purchaser of the property.

B. As consideration for the environmental responsibilities and obligations the Port undertakes under Section 10, including responsibility for cleanup of "Pre-existing Contamination" (as defined in the Sales Agreement), the Sale Agreement also requires that Landlord make an "Environmental Payment" (as defined in the Sale Agreement) to the Port under the terms and conditions set forth in the Sale Agreement. The Environmental Payment of $2,500,000 plus accrued interest is due and payable on April 15, 2009.

C. Credits against the Environmental Payment may be received for certain actions, such as dredging.

D. Section 10 of the Sale Agreement specifically states that Section 10 is not intended to govern allocation of responsibilities between Landlord and Tenant.

E. Tenant has, without interruption, leased the premises ("Premises") that are the subject of the Shipyard Lease from the Port prior to Landlord's purchase of the shipyard, and from Landlord after Landlord's purchase of the property.

F. As between Landlord and Tenant, any environmental contamination would have been caused by Tenant or by activities related to Tenant's business activities, and not by Landlord.

G. The parties agree that it has always been the intent of the parties that any liability for Subsequent Contamination (as defined in Section 10 of the Sale Agreement) and the Environmental Payment (as defined in Section of the Sale Agreement) be the responsibility of Tenant under the Shipyard Lease, and actions taken by the parties since August 29, 2000 have reflected that understanding.

H. The parties wish to clarify the language of the Shipyard Lease to ensure that the environmental obligations of Tenant and Landlord are clearly set forth in the text of the Shipyard Lease.

AGREEMENT

Therefore, Landlord and Tenant agree as follows:

1. Tenant shall be responsible for cleanup of any Subsequent Contamination which occurs while Tenant leases the premises that are the subject of the Shipyard Lease from Landlord (at least through the April 30, 2009 lease term of the Shipyard Lease and for any extended term contained in any amendment or modification to the Shipyard Lease or any new lease agreement for the Premises between the parties and/or their successors). Tenant shall reimburse Landlord for any cleanup of Subsequent Contamination performed by Landlord.

2. Tenant shall be responsible for the Environmental Payment to the Port, as set forth in the Sale Agreement. Tenant shall make the Environmental Payment to the Landlord, and Landlord will make the Environmental Payment to the Port. Any charges incurred because of a late payment are the obligation of the party responsible for the late payment. (For example, if Tenant has paid Landlord on time, but Landlord makes a late payment to the Port, any late charges are the responsibility of Landlord. If Landlord makes a late payment to the Port because Tenant's payment to the Landlord is late, late charges are the responsibility of Tenant.)

3. If the Port gives Landlord any credit against the Environmental Payment, Landlord shall give Tenant that same credit. If Tenant performs any action that entitles a credit to be taken against the Environmental Payment, Tenant will provide any necessary supporting documentation for that action to Landlord, and Landlord will claim a credit against the Environmental Payment from the Port.

4. Landlord and Tenant will cooperate with and assist one another in any negotiations with the Port or any other person or entity regarding environmental issues concerning the Premises, including but not limited to issues of contamination, cleanup, dredging, Subsequent Contamination or the Environmental Payment (and credits against the Environmental Payment).

5. Except as specifically set forth in this Amendment, the Shipyard Lease and each of its terms and conditions remain unchanged and continue in full force and effect.

LANDLORD	TENANT
Portland Shipyard LLC	Cascade General, Inc.
By: _____	By: _____
Its: President	Its: Sr VP & Treas.

SECOND AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC (Landlord) and Cascade General, Inc (Tenant), as amended effective July 1, 2000. This Second Amendment is effective June 1, 2002

Whereas:

A. Tenant is severely under-utilizing the facility, has recently vacated certain portions of the facility, and has openly expressed its intention to further consolidate its operations to a smaller portion of the facility.

B. Tenant and Landlord have become more aware of the tenant occupancy costs in other special-purpose shipyard facilities.

C. Tenant's financial condition and operating results have deteriorated, and, in conjunction with other cost-cutting measures, seeks a reduction to its monthly rent to enhance its viability as a long-term tenant under the Lease.

Landlord and Tenant agree as follows:

Paragraph 1.7(a) is modified by replacing "$130,000" with "$80,000".

Landlord
Portland Shipyard LLC

By _____

Its President

Tenant
Cascade General, Inc

By _____

Its Secretary

AMENDMENT TO SHIPYARD LEASE

This Amendment pertains to the August 29, 2000 Shipyard Lease between Portland Shipyard LLC (Landlord) and Cascade General, Inc (Tenant), and is effective July 1, 2001.

Whereas:

A. On or around June 27, 2001, Landlord removed from the leased premises and sold Drydock #4 and related equipment, and Landlord and Tenant have agreed to reduce the Base Rent accordingly.

B. Based upon data received from Multnomah County for the initial property tax assessment on the leased premises, Tenant's annual property tax obligation would be dramatically larger than what was anticipated when the lease was negotiated. Landlord and Tenant have agreed to modify the lease to make Landlord responsible for the costs associated with the process of contesting the July 1, 2001 property tax assessment.

Landlord and Tenant agree as follows:

1. Paragraph 1.7(a) is modified by replacing "$261,000" with "$130,000".

2. Paragraph 4.2(d) is modified by inserting, after the existing third sentence, "Notwithstanding the above, Landlord shall pay any costs required to contest the initial property tax assessment for the July 1, 2001 tax year".

Landlord
Portland Shipyard LLC

By _____

Its President

Tenant
Cascade General, Inc

By _____

Its Secretary