

MARCH 2002
orig lease

98

ISLES OF SHOALS
LEASE AGREEMENT

This Agreement, by and between the State of New Hampshire, acting through its Port Authority, 555 Market St., Portsmouth, New Hampshire 03801 (the "Lessor"), on the one hand, and Isles of Shoals Steamship Company, Inc., 315 Market St., Portsmouth, New Hampshire, 03801, (the "Lessee"), on the other hand, supercedes the Agreement made between the parties dated June 01, 1987, which is hereby terminated pursuant to paragraph 16.

WHEREAS: The State of New Hampshire desires to promote the prosperity of the State and the flow of commerce through the Port of New Hampshire; and

WHEREAS: Isles of Shoals Steamship Company, Inc., desires a place to berth its vessels and to embark, disembark and service passengers thereon;

NOW, THEREFORE, in consideration of the covenants herein contained the parties to hereby mutually agree as follows:

1.0 Premises Conveyed and Nature of Use

1.1. Premises:

The premises described herein consist of, the Authority's (Barker) Wharf and Parcel A1 and A2 hereto located in Portsmouth, New Hampshire. These premises are leased subject to any and all uses, liens, easements, or other encumbrances rather of record or not.

1.2 Permitted Uses:

1.2.1. The Lessee shall use said property only for the purpose of operating a tour/ferry boat service and other support services, providing services to the public, to embark, disembark and service passengers therefore in order to foster the flow of

tour/ferry boat service and other support services, providing services to the public, to embark, disembark and service passengers therefore in order to foster the flow of commerce through the Port of Portsmouth which is in furtherance of the Port Authority's development plans.

1.2.2. In performing its duties and responsibilities under this agreement the Lessee shall be exempt from all local zoning, planning or building ordinances or authority.

1.2.3. Allowable Uses not expressly authorized in paragraph 1.2 shall be forbidden absent an express written amendment to this Agreement.

2.0 Effective Date of Agreement:

2.1 Effective Date: This Agreement, and all obligations of the parties hereunder, shall become effective on the date the Governor and Council of the State of New Hampshire approve this Agreement, but upon such approval, the terms of this agreement shall be retroactively applied to begin on January 1, 1999.

2.2 Term: Unless sooner terminated in accordance with paragraph 16, this agreement has a term of ten years from effective date, with a review of the rent and other financial arrangements after the two (2) year date, which is on or about January 1, 2001.

3.0 Rent Payment Computation

3.1 Improvements: Lessee agrees to repair or replace the float system, commonly called the Oceanic Float, during the first year of this contract, at the cost of the Lessee, the design of which will be approved of the Lessor.

3.2 Payment Schedule: Rent payments shall be made in equal monthly installments of Three thousand three hundred and thirty three dollars

(\$3,333.00) beginning on January 1, 1999, total amount of Forty thousand dollars (\$40,000.00) for the first year, in lieu of improvements to the property and beginning February 1, 2000 in the total amount of Fifty thousand dollars (\$50,000.00) payments of Four thousand five hundred forty five dollars and forty five cents (\$4,545.45) beginning on the first day of each month thereafter.

3.3 Maintenance Fund established: On or about the end of the first month of each year of the term, beginning January 1, 2000, the Lessee shall pay to the Port Authority the sum of Five Thousand Dollars (\$5,000) to be used by the Port Authority as a maintenance fund to make the necessary repairs and up keep to the property. It is understood that the fund will be administered in the Port Authority's sole discretion. Such trust account shall be established at a local Portsmouth, New Hampshire Bank under Port Authority Maintenance Fund.

3.4 Records: Access: Audits: Within sixty (60) days of the years end, December 31, Lessee shall provide an annual accounting of activities.

4. Compliance by Lessee with Laws and Regulations

This Agreement and use, enjoyment and possession of the premises hereunder, are subject to all laws, and all rules and regulations promulgated pursuant those laws, of the State of New Hampshire. The Lessee hereby covenants and agrees that, in connection with the use, enjoyment and possession of the premises hereunder, the Lessee shall comply with all laws, regulations, orders and statutes of the State of New Hampshire which shall impose any obligation or duty upon the Lessee with respect to this lease.

5. Personnel

5.1. Lessee's Representative: The Lessee's representative hereunder shall be Robin Whittaker, President.

5.2. Lessor's Representative: The Director of the Port Authority shall be Lessor's representative under this Agreement.

6. Taxes

6.1. Payment: Said property shall be exempt from local taxes by virtue of the ownership by the State.

7. Use

7.1. Limitation: The Lessee shall use the premises and docking facility only for the purposes of berthing and servicing the vessels "Oceanic" and "Thomas Loughton", or any other vessels substituted of like kind and character, any other substitution or addition of vessels will require written approval of Lessor, which approval will not unreasonably be withheld, and for parking of the vehicles of travelling passengers on said vessels and parking vehicles servicing the vessels.

7.2. Failure to Use: In the event the Lessee, for any reason, fails to use the premises for such purpose, this Agreement, and the rent due hereunder, shall remain in full force and effect. This subparagraph shall not limit the provision of paragraph 11 of this Agreement.

7.3. Use of Docking Floats: The docking floats attached to parcel A-2 are the property of the Lessor and shall not be used by the Lessee without the express written approval of the Lessor. The Lessee shall receive copies of other approved users and the Lessor shall in no way use the floats to compete with the Lessee. The Lessor shall not

deal directly with Star Island Corporation or Shoals Marine Laboratory. All such negotiations shall be directed to the Lessee. Any resulting proposed agreement between Star Island Corporation or Shoals Marine Laboratory with the Lessee shall be subject to approval by the Lessor.

8. Condition of Premises

8.1. Acceptance: The Lessee hereby accepts the premises in the condition in which they now are.

8.2. Care: The Lessee shall, at its sole risk and expense, maintain the premises in good repair at all times and shall not suffer or commit any waste thereon, providing however the Lessor shall be responsible for capital improvements, with in the state's capital process.

8.3. Equipment: In addition to the general duty of care provided in paragraph 8.2. above, the Lessee shall be solely responsible for the care and maintenance of the premises, including, but not limited to, any ancillary equipment; and the Lessor shall not be liable for any damage, or whatever nature and cause, to such premises and equipment.

8.4. Entry: The Lessor may enter the premises at any time for any purpose, including, but not limited to, ascertaining compliance with this Agreement, by Lessee shall have exclusive use of the premises.

9. Improvement and Construction

9.1. Except as provided in paragraph 9.4. below, notwithstanding anything herein to the contrary, all improvements and construction to or on the premises shall be at the sole risk and expense of the Lessee.

9.2. Other than ordinary maintenance in accordance with the usual and customary standards of the craft involved, no construction on or improvements to the premises shall be commenced without the prior written approval of the Lessor. During the performance of any construction or improvement the Lessee shall comply with all state and local requirements.

9.3. Except as provided in paragraph 9.4. below, no capital improvement shall be made to the premises without the prior written approval of the Lessor and the Governor and Council of New Hampshire.

9.4. Notwithstanding anything contained herein to the contrary, the Lessor reserves the right to improve the premises, including a change in the character of the premises, at the expense of the Lessor; provided, however, that no such change shall materially effect Lessee's authorized operation as described in Paragraph 7.1.

10. Holdover

Any retention to the premises by the Lessee, beyond the term of this Agreement, shall be a tenancy at the will of the Lessor, without any requirement of notice to quit, but with all other provisions and conditions and covenants hereof remaining in full force and effect.

11. Event of Default; Remedies

11.1. Events of Default: Any one of the following acts or omissions shall constitute an Event of Default hereunder (hereinafter referred to as "Event of Default").

11.1.1. Failure of the Lessee to deliver any rent installment on the date due.

11.1.2. Failure of the Lessee to perform any of the other covenants and conditions of this Agreement.

11.2. Remedies: Upon the occurrence of any Event of Default, the Lessor may:

11.2.1. give the Lessee a written notice specifying the Event of Default, and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and

11.2.2. if the Event of Default is not timely remedied, terminate this Agreement, effective two (2) days after giving the Lessee notice of termination; and

11.2.3. if the Event of Default is a failure to deliver a rent installment when due, consider the entire balance of the rent to be then due and take such action as it deems desirable to recover that amount; and

11.2.4. if the Event of Default is a failure to comply with paragraph 9, above, require the Lessee, at its sole risk and expense, to restore the premises to the condition they were in prior to the Event of Default, and if the Lessee shall fail to do so, restore the premises itself, also at the sole risk and expense of the Lessee; and

11.2.5. reenter and take possession of the premises; and

11.2.6. treat the Agreement as breached and pursue any of its remedies at law and in equity.

11.3. Cumulative Nature: The remedies described in 11.2. above are cumulative, and the selection of the one such remedy by the Lessor shall not be a bar to the use of any other remedy, and all other remedies.

12. Lessee's Relation to the State

The parties understand and agree that in the performance of this Agreement the Lessee is in all respects an independent contractor and not an agent nor an employee of the State of New Hampshire, and neither the Lessee nor any of its employees are entitled

to any benefits, workers' compensation or emoluments provided by the State to its employees.

13. Assignments, Subleases, and Licenses

The Lessee shall not assign, sublease, or otherwise transfer any interest in this Agreement, or the premises, without the prior written consent of the Lessor. Any assignment, sublease, license, or interest granted in violation of this paragraph shall, at the option of the Lessor, be void. This paragraph shall not limit the provisions of paragraph 11 of this Agreement.

14. Indemnification

14.1. General: The Lessee covenants to indemnify, hold harmless and defend the Lessor from and against any and all losses by the Lessor and any and all claims, liabilities or penalties asserted against the Lessor by or on behalf of any person on account of, based on, resulting from, arising out of (or which may be claimed to have arisen out of) the acts or omissions of the Lessee.

14.2. Vehicles and Property: By way of illustration only, and not in derogation of the generality of paragraph 14.1. above, all vehicles and other property occupying any Port Authority property, do so at the sole risk of the Lessee. The Lessor shall be indemnified, held harmless and defended by the Lessee from and against all claims regarding any damage, including, but not limited to, vandalism to such vehicles and other property.

14.3. Immunity: Notwithstanding the foregoing, nothing contained herein shall be deemed to constitute a waiver of the sovereign immunity enjoyed by the Lessor as an agency of the State of New Hampshire.

14.4. Survival: This covenant shall survive the termination of this Agreement.

15. Insurance

The Lessee, in its own name as assured, shall maintain and pay the premiums on policies of comprehensive general liability insurance used in connection with its operations hereunder and shall be effective throughout the lease period, in limits not lower than Two hundred and fifty thousand dollars (\$250,000) per claimant and One million dollars (\$1,000,000) per any single incident.

Each policy shall include the Lessor as an additional insured. As to insurance of any type whatsoever required or permitted by an provision of this Agreement, a certified copy of each of the policies or a certificate evidencing the existence thereof, or a binder, shall be delivered to the Lessor within (15) days after the commencement date of the lease.

16. Termination

Upon termination of this lease, either by expiration of the term hereof, or by reason of paragraph 11, the Lessee shall give the Lessor peaceful possession of the premises in a condition no less than the condition at the beginning of the term hereof.

17. Waiver of Breach

No failure by the Lessor to enforce any provisions hereof after any Event of Default on the part of the Lessee shall be deemed a waiver of its rights with regard to that Event, or any subsequent event, and no express waiver of an Event of Default shall be deemed a waiver of its rights to enforce each and all of the provisions hereof upon any further on other default on the part of the Lessee.

18. Notice

Any notice by a party to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in the United States Post Office addressed to the parties at the addresses first above written.

19. Amendment

This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Council.

20. Construction of Agreement and Term

This Agreement is to be construed in accordance with the laws of the State of New Hampshire and is binding upon and insures to the benefit of the parties and their respective successors and assigns. The captions are used only as a matter of convenience and are not to be considered a part of this agreement or to be used in determining the intent of the parties hereto.

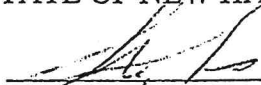
21. Entire Agreement

This Agreement, which shall be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire Agreement and understandings between the parties and supercedes all prior agreements and understandings relating hereto.

22. Removal of Vessels: It is understood that the Lessor has the right to utilize Parcels A1 and A2 during the non-operating periods of the Lessee's vessels as long as the Lessee's office remains accessible. Additionally in the event the Lessor requests the removal of Lessee's vessels during the non-operating periods of the vessels then the Lessor will bear payment of storage cost.

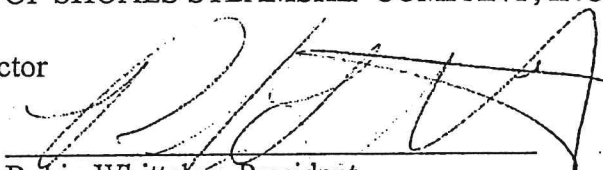
IN WITNESS WHEREOF, the parties have hereunto set their hands on the day and year first above written.

THE STATE OF NEW HAMPSHIRE

By: 
Stephen Foss, Chairman
New Hampshire State Port Authority

ISLES OF SHOALS STEAMSHIP COMPANY, INC.

Contractor

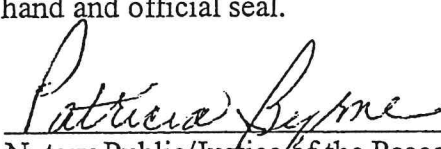
By: 
Robin Whittaker, President

STATE OF NEW HAMPSHIRE
COUNTY OF ROCKINGHAM

On this ____ day of _____, _____, before me, the undersigned officer, personally appeared Robin Whittaker who acknowledged herself and is known by me (or satisfactorily proven) to be the President of Isles of Shoals Steamship Company, Inc. and that she, as such is being authorized so to do, executed the foregoing instrument for the purpose therein contained by herself as President.

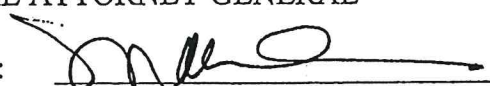
In witness thereof, I hereunto set my hand and official seal.

PATRICIA C. BYRNE, Notary Public
My Commission Expires November 6, 2002


Notary Public/Justice of the Peace

The foregoing contract, having been reviewed by this office, is approved as to form, substance and execution.

THE ATTORNEY GENERAL

By: 
Assistant Attorney General

The foregoing contract was approved by Governor and Council of New Hampshire on _____.

Signed: _____

Title: _____

BARRY LAW OFFICE
255 MAIN STREET
NASHUA, NEW HAMPSHIRE 03060
TELEPHONE: (603) 883-0474
FAX: (603) 886-8625

WILLIAM H. BARRY, III
Admitted in NH and MA

WILLIAM H. BARRY, JR.
Of Counsel

December 3, 1998

VIA FAX 436-2787

State of New Hampshire
Port Authority

Re: Isles of Shoals Steamship Company, Inc.

Attention: Thomas Orfe

Dear Mr. Orfe:

Please be advised that I am corporate counsel for the Isles of Shoals Steamship Company, Inc. This day, the corporation had a special meeting of the directors to authorize and approve the Lease Agreement between the Port Authority and the corporation. I am faxing to your attention copies of that meeting along with a copy of the corporation Certificate of Good Standing. I am forwarding the originals to my client who shall hand deliver them to you.

If you have any questions, kindly contact my office.

Very truly yours,



William H. Barry III

WHB/an
Attachments

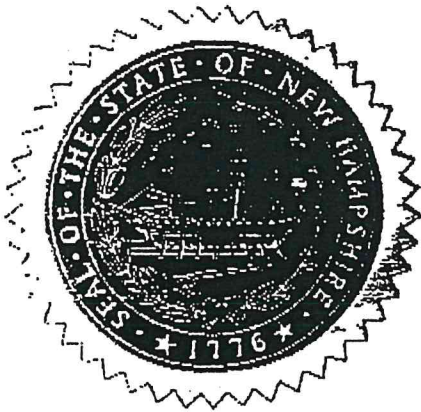
CORPORATE\shoals\
ORFE.LTR

State of New Hampshire
Department of State

CERTIFICATE OF EXISTENCE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify ISLES OF SHOALS STEAMSHIP COMPANY, INC. is a New Hampshire corporation duly incorporated under the laws of the State of New Hampshire on February 12, 1986. I further certify that all fees and annual reports required by the Secretary of State's office have been received and that articles of dissolution have not been filed.

IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed the Seal of the State of New Hampshire, this 3rd day of December, A.D. 1998



A handwritten signature in cursive script, appearing to read "Wm. Gardner".

William M. Gardner
Secretary of State

MINUTES OF A SPECIAL MEETING OF THE DIRECTORS

OF

ISLES OF SHOALS STEAMSHIP COMPANY, INC.

A special meeting of the Directors of Isles of Shoals Steamship Company, Inc., was held at Nashua, New Hampshire, on the 3rd day of December at 12:00 p.m. Formal notice of the meeting was waived.

Robin L. Whittaker was present telephonically being all of the Directors of the corporation. Also present by invitation was William H. Barry III.

Robin L. Whittaker was elected Chairman of the meeting and William H. Barry III was appointed Secretary thereof.

Robin L. Whittaker informed those present that the State of New Hampshire acting through its Port Authority had tendered a new lease to the corporation to supercede the lease between it and the corporation dated June 1, 1987.

Upon motion duly made and seconded, it was unanimously

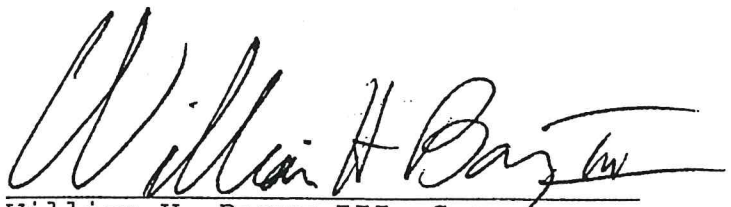
VOTED: To approve the attached lease with the State of New Hampshire.

Upon motion duly made and seconded, it was unanimously

VOTED: To authorize Robin L. Whittaker, President, to sign the Agreement between the State of New Hampshire and the Isles of Shoals Steamship Company, Inc., to lease the Port Authority's new (Barker) Wharf and Parcel A1 and A2 as illustrated in Exhibit "A" to the Lease for the leased premises located in Portsmouth, New Hampshire.

There being no further business to come before the meeting, upon motion duly made and seconded, the meeting adjourned.

Date: December 3, 1998


William H. Barry III, Secretary

CORPORATE\SHOALS\
MINUTES.DIR

 = Proposed Lease Land + Wharf



| NO. | DESCRIPTION | REVISIONS |
|-----|------------------|-----------|
| 1 | Bearings changed | |
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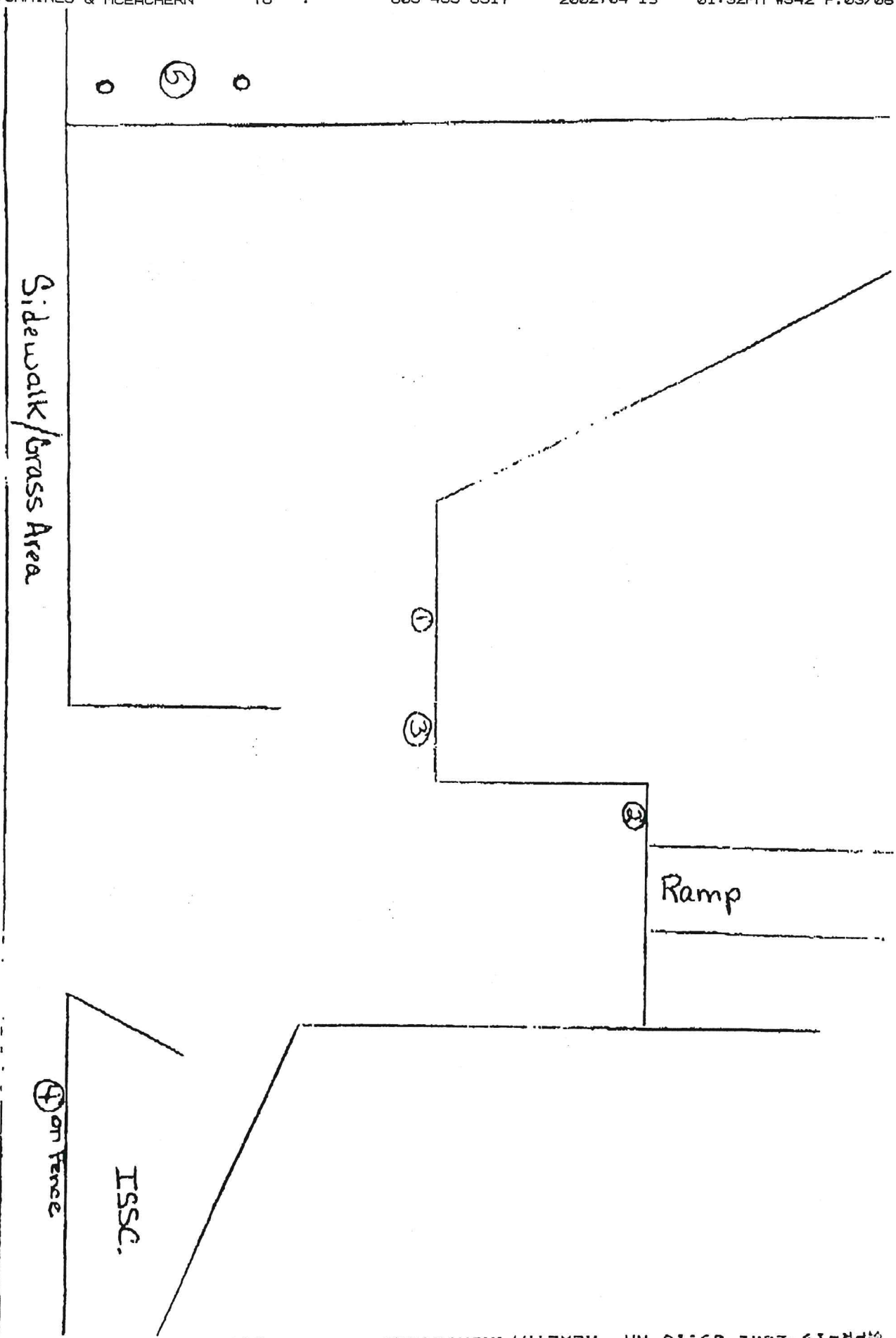
STATE OF NEW HAMPSHIRE
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
SPECIAL SERVICES DIVISION

TOWN Portsmouth
FEDERAL PROJECT _____ STATE PROJECT _____
LOCATION N.H. Port Authority

| 10-6C | | Site Plan 1979 | | BY | DATE | SPECIAL SHEET |
|-------------|-----|----------------|------|-----------|------|---------------|
| DESIGNED | | | | | | OF |
| DRAWN | HDA | | 3-79 | | | FILE |
| DATE TRACED | | | | | | |
| QUANTITIES | | | | | | |
| REVIEWED BY | | | | PROJ. NO. | | SHEET NO. TOT |

EXHIBIT C

SIZE, TYPE AND LOCATION OF SIGNS



FROM SHAINES & MCERCHERN TO : 603 433 6317 2002, 04-19 01:32PM #542 P. 04/06

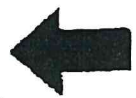
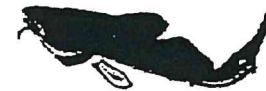


Welcome To Portsmouth's
Deep Sea Fishing
Scuba Diving & Sightseeing

The Seacoast's Largest Fleet



Daily Trips
Full Day • Half Day



Bring The Entire Family!

Locations 4 and 5

Sizes dependent on location
and approvals

Northeast Captains Assoc.,

APR-19-2002 09:10 AM HEALTHY.ACHIEVERS

603.749.7310

M.03

Charterboat Passengers

**Please Park In Designated
Charterboat Parking
Areas Only !**

**All Others Are
Subject To Towing**

Parking Sign 12 x 18
Northeast Captains Assoc. Inc.

Location #1

Charterboat INFORMATION

Welcome

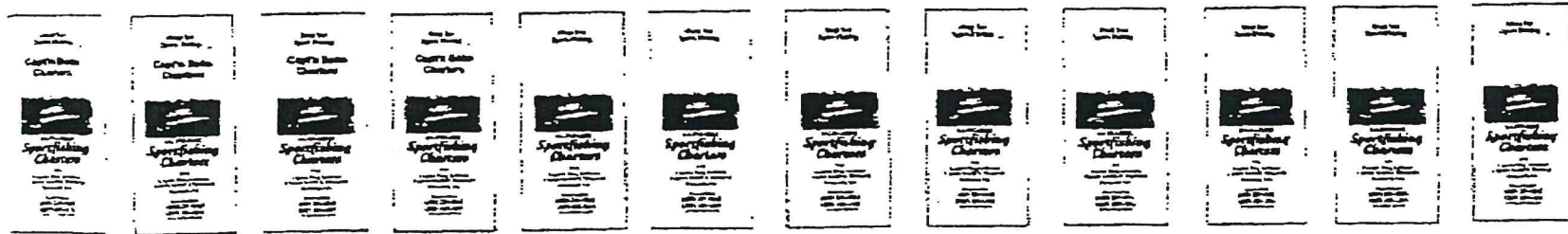
TO THE
NORTHEAST CAPTAIN'S ASSOCIATION



PORTSMOUTH CHARTERBOAT FLEET

PLEASE HELP YOURSELF TO THE INFORMATION BELOW

CONTACT VESSELS DIRECTLY, PHONE NUMBERS ARE ON BROCHURES



Location #3

EXHIBIT D

AUTHORIZED USERS

1. **Captain William Lussier**
M/V Sushi Seeker
2. **Captain Debbie Jordon**
M/V Branch Office
3. **Captain Doug Anderson**
M/V Sushi Hunter
4. **Captain Bill Wagner**
M/V Lady Patricia