

2004 Kingston/Seattle Commuter Ferry Surveys

Question	# of Responses	
1. How many days per week do you commute on the ferry?		165/178 Responses
a.) 1	46	28%
b.) 2 to 3	30	18%
c.) 4 to 5	75	45%
d.) Over 5	14	8%
2. Are you a foot passenger or driver on the ferry?		173/178 Responses
a.) Drive On	45	26%
b.) Foot Passenger	84	49%
c.) Both	44	25%
3. If foot passenger, how do you get to the ferry dock?		138/178 Responses
a.) Bus	32	23%
b.) D & P Car Pool	15	11%
c.) D & P Single	59	43%
d.) Dropped Off	13	9%
e.) Walk	19	14%
4. If foot passenger where do you park?		135/178 Responses
In Kingston		
a.) Ferry Terminal	9	7%
b.) Take Bus	10	7%
c.) Paid Parking Lot	40	30%
d.) Park and Ride	16	12%
e.) Home	8	6%
In Seattle		
a.) Ferry Terminal	3	2%
b.) Take Bus	15	11%
c.) Paid Parking Lot	33	24%
d.) Park and Ride	2	1%
5. How much do you pay at the paid parking lot		51/178 Responses
Kingston		
\$4.00 to \$5.00 per day	15	29%
\$8.00 per day	2	4%
Diamond		
\$80.00 to \$95.00 per month	3	6%
Edmonds		
\$25.00 to \$35.00 per month	3	6%
Seattle		
\$10.00 per day	4	8%
Bainbridge		
\$7.00 to \$8.00 per day	20	39%
Ferry Terminal		
\$80.00 to \$90.00 per month	4	8%
6. How many passengers in vehicle when driving to the ferry?		82/178 Responses
a.) 2	70	85%
b.) 3	8	10%
c.) 4	0	0%
d.) 5	3	4%
e.) 5+	1	1%

Question

of Responses

7. What is your final destination?

175/178 Responses

a.) Downtown Seattle	135	77%
b.) Bellevue/Eastside	10	6%
c.) South Seattle	10	6%
d.) North Seattle	20	11%

8. Do you need to connect to public transportation in Seattle?

171/178 Responses

a.) Yes	63	37%
b.) No	108	63%

9. How far do you drive to the ferry?

163/178 Responses

a.) Less than 5 miles	65	40%
b.) 5 to 10 miles	40	25%
c.) 10 to 15 miles	25	15%
d.) More than 15 miles	33	20%

10. How much will you pay for Kingston/Seattle passenger ferry service?

169/178 Responses

a.) \$ 8.00 to \$ 9.00	78	46%
b.) \$10.00 to \$11.00	71	42%
c.) \$12.00 to \$15.00	20	12%

**11. Preferred departure times?
from Kingston**

(Many multiple responses)

5:30 AM	13	7%
6:00 AM	38	21%
6:30 AM	50	28%
7:00 AM	49	28%
7:30 AM	35	20%
8:00 AM	64	36%
from Seattle		
3:30 PM	18	10%
4:00 PM	25	14%
4:30 PM	49	28%
5:00 PM	50	28%
5:30 PM	58	33%
6:00 PM	56	31%

12. Acceptable transit time between Seattle and Kingston?

163/178 Responses

30 minutes	30	18%
40 minutes	85	52%
50 minutes	13	8%
Anything < 60 minutes	35	21%

13. Would you regularly use this service?

171/178 Responses

a.) Yes	154	90%
b.) No	17	10%

14. What changes to become walk on passenger?

110/178 Responses

a.) Affordable Parking at Kingston Ferry	44	40%
b.) Available Parking at Kingston Ferry	27	25%
c.) Kingston Bus Schedule or Route Improvement	22	20%
d.) Seattle Bus Schedule or Route Improvement	17	15%

15. Consider becoming foot passenger if fares and schedules were suitable?

107/178 Responses

a.) Yes	98	92%
b.) No	9	8%

2000 Kingston/Seattle Commuter Ferry Surveys

Question	# of Responses	
1. Are you a current ferry commuter?		366 Responses
a.) Yes	323	88%
b.) No	43	12%
2. If yes, how?		373 Responses
a.) Foot Pasengern	234	63%
b.) Bus	51	14%
c.) Carpool	21	6%
d.) Other	67	18%
3. Where do you park in Kingston?		303 Responses
a.) Terminal	76	25%
b.) Take the Bus	80	26%
c.) Pay Lot	85	28%
d.) Other	62	20%
4. Where to you park in Seattle?		123 Responses
a.) Terminal	11	9%
b.) Take the Bus	55	45%
c.) Pay Lot	39	32%
d.) Other	18	15%
5. Where is your final destination?		361 Responses
a.) Downtown	293	81%
b.) Bellevue/Eastside	15	4%
c.) South Seattle	12	3%
d.) North Seattle	41	11%
6. How far do you drive to the ferry?		343 Responses
a.) Less than 5 miles	140	41%
b.) 5 to 10 miles	85	25%
c.) 10 to 15 miles	58	17%
d.) More than 15 miles	60	17%
7. How much would you pay for passenger-only ferry service?		291 Responses
a.) \$8.00 to \$10.00	196	67%
b.) \$10.00 to \$12.00	70	24%
c.) \$12.00 to \$15.00	18	6%
d.) Other	7	2%

Question**# of Responses****8. Preferred departure times - Kingston****521 Responses**

a.) 5:30 a.m.	36	7%
b.) 6:00 a.m.	83	16%
c.) 6:30 a.m.	100	19%
d.) 7:00 a.m.	163	31%
e.) 7:30 a.m.	82	16%
f.) 8:00 a.m.	57	11%

9. Preferred departure times - Seattle**492 Responses**

a.) 3:30 p.m.	29	6%
b.) 4:00 p.m.	66	13%
c.) 4:30 p.m.	79	16%
d.) 5:00 p.m.	108	22%
e.) 5:30 p.m.	121	25%
f.) 6:00 p.m.	89	18%

10. Acceptable transit time?**368 Responses**

a.) 30 minutes	139	38%
b.) 40 minutes	164	45%
c.) 50 minutes	39	11%
d.) 60 minutes or longer	26	7%

11. Would you use the service regularly?**341 Responses**

a.) Yes	323	95%
b.) No	18	5%

AQUA EXPRESS L.L.C.
KINGSTON / SEATTLE FERRY DIVISION
 Break-Even Cash Flow Analysis

	<u>Fares Only</u>	<u>Fares & Cash on hand</u>	<u>Fares & Cash to 9/1</u>	<u>Fares, Cash & Leasing</u>	<u>Ridership Projection</u>
Total Cost of Goods Sold	\$ 826,443	826,443	826,443	826,443	
Total SG & A Expenses	414,960	414,960	414,960	414,960	
Total Year 1 Operating (Cash) Costs	1,241,403	1,241,403	1,241,403	1,241,403	
Less:					
Cash on hand as of 6/15/04		181,900	181,900	181,900	
Charter payments due thru 9/1/04			90,000	90,000	
20 days of leasing during 1st year				27,900	
Net Cash From Fares Required in Year 1	\$ 1,241,403	1,059,503	969,503	941,603	
Average Fare Per Passenger	\$ 5.125	5.125	5.125	5.125	
Required Annual Passengers	242,225	206,732	189,171	183,727	257,580
Average passengers per leg	95	81	74	72	101
Load factor	38%	33%	30%	29%	41%
Load factor, commuter legs (assuming 0% load factor on return legs)	63%	54%	50%	48%	68%

OPERATING AGREEMENT
of
AQUA EXPRESS, LLC

THIS OPERATING AGREEMENT ("Agreement") is dated as of June 1, 2004 and entered into by and among the undersigned.

ARTICLE I
GENERAL PROVISIONS

1.1 **Name.** AQUA EXPRESS, LLC ("Company") was formed when the certificate of formation was filed with the Secretary of State in accordance with and pursuant to law.

1.2 **Principal Place of Business.** The principal place of business of the Company shall be located at 1101 Alaskan Way Ste 201, Seattle, Washington 98101, and at such other or additional places as the Members may from time to time determine.

1.3 **Purpose.** The purpose of the Company is to own and charter passenger vessels and engage in any other business allowed under the law.

1.4 **Property.** The property of the Company shall be owned by and in the name of the Company as an entity. Such property and the credit of the Company shall be used solely for the benefit of the Company and not for the benefit of any individual Member. Insofar as permitted by the law, no Member shall have any ownership interest in such property in the Member's individual capacity. Each Member's interest in the Company shall be personal property.

1.5 **Term.** The life of the Company shall be perpetual unless it is terminated pursuant to the terms hereof.

ARTICLE II
CAPITAL CONTRIBUTIONS

2.1 **Original Contributions.** Upon the execution of this Agreement, the Members shall make original contributions as set forth in Exhibit A. A Member's signature on this Agreement constitutes the Member's written promise to contribute cash or property to the Company as required by this Article.

2.2 Members' Interests. The interests of the Members in the Company shall be:

Clipper Navigation, Inc.	25%
Nichols Bros. Boat Builders, Inc.	25%
Argosy, LP	25%
Four Seasons Marine Services, Corp.	25%

(individually and collectively "Members")

2.3 Additional Contributions. The Members shall make such additional contributions to the capital of the Company at such time and in such amounts as from time to time shall be determined is appropriate by the Members holding more than fifty percent (50%) on the interest in the Company. Any such additional capital contribution shall be payable by the Members in proportion to their interest in the Company on the date fixed for the making of the contribution.

2.4 Failure to Contribute. If any Member ("Defaulting Member") fails to make a capital contribution as required by Section 2.3 hereof at the time and in the amount specified, the right of the Defaulting Member to vote shall be suspended and the Defaulting Member's share in the profits of the Company shall be allocated to the Defaulting Member's capital account until the capital account is made current. The other Members may, but are not required to, make the contribution owed by such Defaulting Member in such ratio among them as they shall agree, and having made such contribution shall be entitled to a voting interest proportional to the contribution made. Any such contribution of the share of a Defaulting Member by any of the Members shall be considered a loan by the contributing Member(s) to the Defaulting Member and shall bear interest at the rate of twelve percent (12%) per annum, or if the highest rate permitted by law is lower than 12%, then at the highest rate permitted by law, such interest to be paid by the Company and charged to the Defaulting Member's share of profit or loss. If the amount owed is not paid within eighteen (18) months, then the Member(s) who made the contribution on behalf of the Defaulting Member may elect to take ownership of an amount of the Defaulting Member's interest in the Company equal in value to the amount outstanding. The Members shall use the fair market value of the Company to determine the amount of interest in the Company that is equivalent to the amount owed. If the Members cannot agree on the fair market value, they shall choose an independent arbitrator. If the Members cannot agree on an independent arbitrator, each Member shall choose one arbitrator and the arbitrators shall choose a third. Should a Member(s) take ownership of another Member's interest, the general allocation of profit and losses as well as the distribution of Proceeds under paragraph 5 shall be adjusted to reflect the ownership change.

ARTICLE III OPERATIONS

3.1 Books and Records. The Company books and records required by statute shall be maintained at its principal place of business, and each Member shall at all times have access to and may inspect and copy any of them. Copies of these documents, as well as the accounting, books and records of the Company shall be kept with and by a mutually acceptable bookkeeper and shall be kept on a calendar year basis and shall be closed and balanced at the end of each fiscal year. The Company will furnish monthly and annual financial statements to the Members and prepare tax returns in a timely manner, furnishing copies to all Members prior to filing. Records kept of the principal place of business shall include:

3.1.2 A copy of the Company's Certificate of Formation and all amendments thereto; and

3.1.3 A copy of this Agreement and any amendments hereto.

3.2 Accounting. The accounting period of the Company shall be the calendar year. The Company shall keep its accounting records and shall report its income for income tax purposes on the cash method of accounting in accordance with the laws, rules and regulations applicable to federal taxation of partnerships.

3.2.1 The Members shall agree on and appoint an independent accountant to prepare annual tax returns for the Company.

3.2.2 Any of the Members shall have the right to audit or review the Company's books of account and records and make copies thereof. All cost and expense for such audit or review shall be borne by the Member causing such audit or review to be conducted. Any audit or review required by a bank or other third party, for the Company's benefit, shall be borne by the Company.

3.3 Tax Matters Member. The Members hereby designate Four Seasons Marine Services, Corp., Tom Tougas, CEO as the Member who will be named on the Company tax return or on a statement filed with the Internal Revenue Service as the "Tax Matters Member" or its equivalent, as required by the Internal Revenue Code ("Code"). References to specific Code sections herein shall not limit the Company's right to make elections as appropriate under provisions of the Code. Notwithstanding reference to specific Code sections in other sections of this Agreement, the Tax Matters Member shall at all times handle tax matters in accordance with the provisions of the Code as amended from time to time.

3.4 Overall Management. The Company shall be managed by the Manager who shall be responsible for the day to day operations. The initial Manager shall be John Blackman until a permanent manager has been selected.

3.4.1 The Manager shall serve for one (1) year terms and shall be elected at the Company's annual meeting. Should the Members fail to elect a new Manager, the existing

Manager shall continue to hold that office and perform the associated duties until a replacement is elected.

3.4.2 The Manager's powers shall include:

- (a) Enter into contracts;
- (b) Purchase insurance to protect the Company's properties and business;
- (c) Enter into any kind of activity necessary to, in connection with, or incidental to the accomplishment of the purposes of the Company; and
- (d) Employ accountants, legal counsel, agents and other experts to perform services for the Company.

3.4.3 Annually, the Manager shall generate a business plan.

(a) No later than thirty (30) days prior to the commencement of each calendar year, the Manager shall prepare and submit a business plan and budget for the upcoming year to the Members ("Proposed Plan"). The Proposed plan shall outline the Company's business objectives, capital expenditure budget, operating budget, and such other matters as the Manager deems relevant.

(b) If any Member wishes to modify the Proposed Plan, such proposals must be delivered in writing to all of the Members and the Manager no later than fifteen (15) days prior to the commencement of the calendar year.

(c) The Proposed Plan together with any suggested modifications shall be voted on at a meeting of the Members called and held in accordance with this Article III. The approved version of the Proposed Plan and modifications shall become the business plan for the following fiscal year ("Business Plan"). If a Business Plan is not approved within thirty (30) days after the commencement of the fiscal year to which it applies, then the Manager shall operate the Company pursuant to the Business Plan approved for the immediately preceding fiscal year.

3.4.4 Quarterly, the Manager shall provide the Members with a report on the state of the Company. This report shall be in writing or at a Member meeting.

The rights and powers outlined in this section are subject to the limitations imposed in **Section 3.5**.

3.5 **Actions Requiring Majority Member Approval.** The following actions shall require the approval of the Members holding more than fifty percent (50%) on the interest in the Company through either a vote pursuant to this Agreement or by unanimous written consent without a meeting:

- (a) Approve the Business Plan;
- (b) Except as otherwise provided for in the Business Plan, borrow or lend on behalf of the Company in an amount greater than \$10,000;

- (c) Except as otherwise provided for in the Business Plan execute any mortgage, bond, pledge of assets, lease, sale or transfer of Company property in an amount greater than \$10,000;
- (d) Except as otherwise provided for in the Business Plan assign, transfer or pledge debts due the Company, or release such debts except on payment in full thereof;
- (e) Compromise any claim due to the Company in an amount greater than \$10,000;
- (f) Determine the reasonable reserves for the purpose of establishing Surplus Cash pursuant to Section 4.2;
- (g) Approve distributions of Surplus Cash pursuant to paragraph 4.2;
- (h) Admit new Members;
- (i) Amend this Agreement;
- (j) Amend the certificate of formation;
- (k) Except as otherwise provided for in the Business Plan, enter into any other transaction for greater than \$10,000;
- (l) Elect a Manager; and
- (m) Terminate a Manager.

3.6 Meetings. Company meetings shall be held at such places and times as are determined by Members holding a majority of the interest in the Company. Members may attend meetings in person or by telephone. A Member may give a proxy to any other Member to vote at a meeting or execute a consent to action in lieu of a meeting. The proxy must be in writing and must specify the matters or the meetings to which it applies, may be limited to a period of time and may be revoked at any time by communicating the fact of revocation to the other Members. Notice of any meeting must be given to the Members via U.S. mail, facsimile, electronic mail or telephone at least two days prior to the meeting taking place. Notice mailed shall be deemed received three days after mailing. Attendance at a meeting shall constitute waiver of the notice requirement. Notwithstanding the foregoing, the Company shall have a semi-annual meetings on or about April 1, and November 1, of each year in Seattle, Washington or at such other place as the Members shall designate.

3.7 Voting. Voting shall be according to percentage of ownership. Except as otherwise provided in this Agreement, the affirmative vote of Members holding greater than fifty percent (50%) of the interest then held by Members shall be required to approve any matter coming before the Members. Approval by the Members of any action or decision required by this Agreement shall be either by a vote taken at a duly convened meeting of the Members or by unanimous consent without a meeting.

3.8 Compensation and Out-of-Pocket Expenses. The Company shall reimburse the Manager for out-of-pocket expenses incurred with respect to any assignment or special project approved by the Company. The Manager shall submit documentation of such expenses to the Company within fifteen (15) days of completion of the assignment or special project. The Company may hire and pay the Members for services rendered on such terms as are approved by the Company and the Member, the Member who proposes to provide services not having the right to vote on the proposed arrangement for services.

3.9 Actions Without a Meeting. Any action required or permitted to be taken at a Company meeting may be taken without a meeting if all Members consent to such action in a writing signed by all Members. A copy of such writings shall be distributed to all Members in a timely fashion, and a copy shall be maintained by the Company.

3.10 Accounts. Company Funds shall be maintained in a bank account set up in the Company's name. Only the Manager shall have the authority to write checks on the Company's account.

ARTICLE IV MEMBERS' ACCOUNTS

4.1 Capital Accounts. An individual capital account shall be maintained for each Member which (a) shall be credited with such Member's (1) original contribution, (2) additional contributions, and (3) allocations to such Member of Company profits, and (4) the amount of any Company liability assumed by such Member or that is secured by any Company asset distributed to such Member; and (b) shall be charged with (1) any distributions to such Member in reduction of Company capital, (2) allocation to such Member of Company losses, and (3) the amount of any liabilities of such Member assumed by the Company or that are secured by any asset contributed to the Company by such Member. Each Member's separate capital account shall be maintained throughout the term of the Company in accordance with the requirements of the Code and any of the Treasury Regulations (the 'regulations') promulgated from time to time thereunder. No Member shall make any withdrawals from capital without prior approval of the Company.

4.2 Distributions. From time to time, the Members shall review the financial condition of the Company and may distribute any Surplus Cash to the Members, upon unanimous approval of Members. Any such distribution shall be made among the Members in accordance with the percentage of interest in the Company owned by each Member. For purposes hereof, Surplus Cash means the sum of cash on hand at the beginning of the year, plus cash proceeds from Company operations, sales and financing less the cash used to pay or establish reserves for all Company expenses, debt payments and prepayments, capital improvements, replacements and contingencies for the reasonable needs of the business of the Company. The appropriate amount of reserves shall be determined by unanimous vote of the Members.

ARTICLE V PROFITS AND LOSSES

Except as otherwise specifically provided in this Article V, the net profits or losses and each item of income, gain, loss, deduction, or credit of the Company shall be credited or charged to the Members in proportion to the amount of interest in the Company each particular Member possesses.

Such interests are subject to adjustment upon the admission of new members or the transfer of part or all of a Member's interest in the Company in accordance with the terms of this Agreement.

ARTICLE VI ADMINISTRATIVE PROVISIONS

Any Member may engage in or possess an interest in other business ventures of every nature and description, independently or with others, including, without limitation, the ownership, financing, management, employment by, lending or otherwise participating in businesses that are similar to the business of the Company, and neither the Company nor the other Members shall have any right by virtue of this Agreement in and to such independent ventures as to the income or profits therefrom and shall not be liable for a breach of duty of loyalty or any other duty.

ARTICLE VII LIMITATION OF LIABILITY

No Member of the Company shall be personally liable for the debts, obligations or liabilities of the Company, except as provided by law. No Member of the Company shall be personally liable to the Company or its Members for monetary damages for conduct as a Member performed in a manner reasonably believed by such Member to be within the scope of the authority granted to such Member and in the best interest of the Company; provided that such act or omission did not constitute fraud, intentional misconduct, bad faith, gross negligence, or a knowing violation of law, or from which such Member personally received a benefit in money, property, or services to which such Member is not legally entitled. Any amendment to or repeal of this **Article VII** shall not adversely affect any right or protection of a Member of the Company for or with respect to any acts or omissions of such Member occurring prior to such amendment or repeal.

ARTICLE VIII INDEMNIFICATION

The Company shall indemnify and hold harmless any person or entity acting as a Member, Manager, employee or agent of the Company or other persons acting on behalf of the Company, to the fullest extent allowed by law including, without limitation, all expenses (including attorneys' fees), costs, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person, provided such act or omission did not constitute fraud, intentional misconduct, bad faith, gross negligence, or a knowing violation of law, or from which such Member personally received a benefit in money, property, or services to which such Member is not legally entitled. All expenses (including attorneys' fees), costs, judgments, fines and amounts paid in settlement of any action, suit or proceeding shall be paid by the Company as they are incurred by any Member in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the Member to repay the amount if it is ultimately determined by a court of competent jurisdiction that such person is not entitled to be indemnified by the Company. The provisions of this Article VIII do not affect any rights to advancement of expenses to which personnel of the Company, other than Members, or any other person may be entitled under any contract or otherwise by law.

ARTICLE IX TRANSFERS

9.1 Sale of Company Interest and Right of First Refusal. Even after Member consent has been given, no Member shall sell, transfer, or otherwise dispose of all or any part of its Interest in the Company without first giving written notice to the other Members which shall include the name of the person to whom, and the terms on which such disposition will be made. Within thirty (30) days after the receipt of such written notice, the Company may, at its option, exercisable in writing, liquidate and retire the interest of the selling Member ("Selling Member") on the same terms. If the Company does not exercise its option hereunder, the Selling Member shall then give each of the other Members the opportunity to purchase the Selling Member's Interest on the same terms. The other Members must exercise their option within thirty (30) days of the Company's failure or refusal to exercise its option. If more than one Member wishes to purchase, their right to purchase shall be pro rata among those wishing to purchase the interest.

9.2. Status of Transferee. Any and all transferees shall be admitted to the Company as a Member only on the consent of the Members holding a majority of the interest in the Company and only if the transferee becomes a party to this Agreement by signing a counterpart signature page to this Agreement and by executing such other documents as the Company reasonably determines are necessary. Consent to admit a new Member may be given or withheld in the sole and absolute discretion of each Member. A transferee who is not admitted as a Member shall be entitled only to receive allocations and distributions from the Company with respect to such interest as provided in this Agreement, be responsible for any contributions required commensurate to the amount of interest held, and shall have no right to participate in the management of the business and affairs of the Company.

9.3 Internal Sale. At any time any Member(s) ("Offeror") may offer to sell all but not part of its interest in the Company at some price per percent of interest held to all of the other Members ("Offerees"). This offer shall also constitute an offer to buy all of the Offeror's interest in the Company at the same price per percent of interest and under the same terms. The Offerees shall have thirty (30) days in which they must choose to either sell their interest or purchase the interest held by the Offeror at the designated price per percent of interest held, and under the terms given. Each Member who is an Offeree shall have the opportunity to purchase its pro-rata share of the Offeror's interest and must give notice of its intent within thirty (30) days. If one or more Member Offerees should choose to purchase their pro-rata share of the Offeror's interest ("Exercising Offeree") and the other Member Offeree(s) chooses not to purchase their pro-rata share of the Offeror's interest ("Non-Exercising Offerees") then the Exercising Offerees shall be deemed to have chosen to purchase all of the Offeror's interest. The Non-Exercising Offerees shall retain their interest in the Company. The transaction shall close pursuant to the terms contained in the original offer proposed by the Offeror.

ARTICLE X DEATH OR WITHDRAWAL

10.1 Voluntary Withdrawal. No Member may withdraw from the Company without the consent of the remaining Members.

10.2 Continuation of the Company. The remaining Members shall have the right to continue the Company business under its present name following the dissolution or withdrawal of a Member. Should any Member dissolve as an entity or withdraw, the remaining Members shall have the option to purchase all but not part of the deceased Member's interest at fair market value. If the parties cannot reach a stipulated fair market value, any party may seek a determination of value through arbitration under the rules of the American Arbitration Association as they may be modified by the parties.

ARTICLE XI DISSOLUTION AND WINDING UP

11.1 Liquidating Events. The Company shall dissolve and commence winding up and liquidating upon the first to occur of any of the following events ("Liquidating Event"):

- (a) The sale of all or of substantially all of the Property;
- (b) A vote by Members holding a majority of the Interest in the Company to dissolve, wind up, and liquidate the Company; or
- (c) The happening of an event that makes it impossible or unlawful for the Company to carry on its business.

11.2 Winding Up. Upon the happening of a Liquidating Event, the Company shall conduct no business nor engage in any activity that is not necessary or appropriate to winding up its business and liquidating, and shall proceed promptly to wind up its affairs in an orderly manner, to liquidate its assets, to satisfy the claims of its creditors and Members, and to distribute its remaining assets to its Members. The Members shall by majority vote choose a

liquidating Member. The liquidating Member shall be responsible for supervising the winding up and liquidation and shall dispose of the assets of the Company as promptly as is consistent with obtaining its fair market value. The proceeds of the disposition of the assets of the Company shall be applied in the following order of priority:

- (a) First, to the payment, in order of priority, of all Company debts to creditors other than the Members;
- (b) Next, to the payment, in the order of priority, and thereafter pro-rata, of the debts of the Company owed to Members; and
- (c) Any balance to the Members pro rata in accordance with the balances in their capital accounts.

11.3 Special Provisions. Any and all distributions to members upon the liquidation of the Company shall be made in accordance with Code Section 704(b) and the Regulations promulgated thereunder. Notwithstanding the foregoing, if a Member has a deficit balance in its capital account at any time, such Member shall have no obligation to make any contribution to the capital of the Company with respect to such deficit, and such deficit shall not be considered a debt owed to the Company or to any other person or entity for any purpose whatsoever.

11.4 Members' Rights. Except as otherwise specifically provided in this Agreement, a Member has the right to look only to the assets of the Company for a return of its capital contribution, has no right to interest on any capital contribution, has no right to receive anything other than money in a distribution from the Company, and has no priority over any other member with respect to distributions, allocations, or the return of capital contributions.

11.5 Notice of Dissolution. Within thirty (30) days of the happening of a liquidating event, the liquidating Member shall give written notice thereof to each of the Members, to all creditors of the Company, to the banks and other financial institutions with which the Company normally does business, and to all other parties with whom the Company regularly conducts business.

ARTICLE XII MISCELLANEOUS

12.1 Notices. Unless otherwise provided for in this Agreement, all notices or other communications required or permitted hereunder shall be in writing and shall be deemed received by the party to whom addressed when delivered to such party, or when posted if sent by registered or certified mail with postage prepaid, or three business days after posting in the regular United States mail, in each case directed to the party for whom intended at the address of such party then on file with the Company.

12.2 Headings. Headings of Articles and sections in this Agreement are only for convenience or reference and do not define, limit, extend, or describe the scope or intent of this Agreement.

IN WITNESS WHEREOF, the Members have signed this Agreement effective as of the day first above written.

Clipper Navigation, Inc.

By: _____

Nichols Bros. Boat Builders, Inc.

By: _____

Argosy, LP

By: _____

Four Seasons Marine Services, Corp.

David E. Tougas
By: DAVID E. TOUGAS
VICE PRESIDENT & CFO

G:\4540\18894\docs\aqu express operating agreement.rtf

12.3 Number and Gender. Whenever required by the context, the singular number shall include the plural, any gender shall include all genders, and the word "person" shall include individuals, corporations, companies, and other entities.

12.4 Applicable Law, Jurisdiction, Fees and Costs. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. The Members submit to the jurisdiction and venue of the State and Federal Courts of Washington. The substantially prevailing party in any dispute arising out of this Agreement shall be entitled to reasonable attorney's fees and costs.

12.5 Counterparts/Facsimiles. This Agreement may executed in multiple counterparts which, taken together, shall constitute one agreement. Further, a facsimile signature shall be as binding as an original. If a Member should provide a facsimile signature, that Member shall send the original signature to the principal place of business.

IN WITNESS WHEREOF, the Members have signed this Agreement effective as of the day first above written.

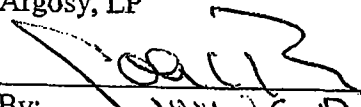
Clipper Navigation, Inc.

By: _____

Nichols Bros. Boat Builders, Inc.

By: _____

Argosy, LP

By:  _____
JOHN C. BLACKMAN

Four Seasons Marine Services, Corp.

By: _____

12.3 Number and Gender. Whenever required by the context, the singular number shall include the plural, any gender shall include all genders, and the word "person" shall include individuals, corporations, companies, and other entities.

12.4 Applicable Law, Jurisdiction, Fees and Costs. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. The Members submit to the jurisdiction and venue of the State and Federal Courts of Washington. The substantially prevailing party in any dispute arising out of this Agreement shall be entitled to reasonable attorney's fees and costs.

12.5 Counterparts/Facsimiles. This Agreement may be executed in multiple counterparts which, taken together, shall constitute one agreement. Further, a facsimile signature shall be as binding as an original. If a Member should provide a facsimile signature, that Member shall send the original signature to the principal place of business.

IN WITNESS WHEREOF, the Members have signed this Agreement effective as of the day first above written.

Clipper Navigation, Inc.

By: _____

Nichols Bros Boat Builders, Inc.

By: Matthew J. Nichols

Argosy, LP

By: _____

Four Seasons Marine Services, Corp.

By: _____

12.3 Number and Gender. Whenever required by the context, the singular number shall include the plural, any gender shall include all genders, and the word "person" shall include individuals, corporations, companies, and other entities.

12.4 Applicable Law, Jurisdiction, Fees and Costs. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. The Members submit to the jurisdiction and venue of the State and Federal Courts of Washington. The substantially prevailing party in any dispute arising out of this Agreement shall be entitled to reasonable attorney's fees and costs.

12.5 Counterparts/Facsimiles. This Agreement may be executed in multiple counterparts which, taken together, shall constitute one agreement. Further, a facsimile signature shall be as binding as an original. If a Member should provide a facsimile signature, that Member shall send the original signature to the principal place of business.

IN WITNESS WHEREOF, the Members have signed this Agreement effective as of the day first above written.

Clipper Navigation, Inc.

[Handwritten Signature]
By: DARRELL E. BRYAN
EXEC. V. P. & GEN. MGR

Nichols Bros. Boat Builders, Inc.

By: _____

Argosy, LP

By: _____

Four Seasons Marine Services, Corp.

By: _____

2003 Legislative Session Transportation Results

2003 Funding Package*

Projected Ten-Year Proceeds

New Funding Restricted to Highway Use (18th Amendment)

<i>Five Cent Gas Tax Increase</i>	\$1,747	
<i>15% Increase to Weight Fees</i>	118	
<i>Title Fee Transfer to Nickel Account</i>	58	
Total Cash Revenue		\$1,923
Proceeds from Bond Issuance		2,600
Less Debt Service on New Bonds		(950)
Total 18th Amendment Restricted Funds		\$3,573 m

New Funding Available for Any Transportation Investment

<i>Sales Tax on Motor Vehicles</i>	\$347	
<i>Plate Retention Fee</i>	35	
Total Cash Revenue		\$382
Proceeds from Bond Issuance		350
Less Debt Service		(132)
Total Multimodal Funds		\$600 m

Total Ten-Year Funds Available **\$4,173 m****

Funding for aviation was also increased by the Legislature. SB 6056 adjusts fees, taxes and penalties for pilots and aircraft resulting in \$1.1 million additional funds each biennium.

Projected Ten-Year Transportation Investments***

Highway Improvement Projects (Including HOV)	\$3,252 m
Highway Preservation Projects	145
Ferry Projects	298
Local Roads Projects	12
Rail Projects	226
Public Transportation Programs and Grants	236

Total Ten-Year Funds Available **\$4,169 m**

* Projected ten-year proceeds are based on March 2003 Transportation Revenue Forecast Council assumptions. The Legislature did not match proceeds to investments.

** Funds available are shown in nominal dollars, i.e. they represent the tax collections and bond proceeds available each year through the ten-year period and have not been adjusted to a base year.

*** Over the ten-year period WSDOT total capital investments are projected to be \$10 billion.



What Does This Mean for WSDOT Funding in 2003-2005?

WSDOT's 2003-05 Operating and Capital Budget			
	Operating	Capital	Total
Pre-existing Funding Sources	\$ 994 m	\$1,984 m	\$2,978 m
New Funding Package	37	621	658
Total Funding	\$1,031 m*	\$2,605 m**	\$3,636 m**

* In addition, \$4.5 million is authorized for Business and Occupation tax credits for the Commute Trip Reduction Program in the 2003-05 biennium.

** Includes approximately \$613.3 million for the Tacoma Narrows Bridge.
The capital program will be partially financed by bond proceeds: R-49 bonds \$767.7 m, Special Category C Bonds \$44.0 m, Emergency Emergent Bond \$2.85 m, New Bond Authorization Nickel Account \$280.0 m, New Bond Authorization Multimodal Account \$47.77m. Of the \$767.7 m in R-49 bonds, \$567.0 m will be issued for the Tacoma Narrows Bridge.

Over the Next Ten Years?

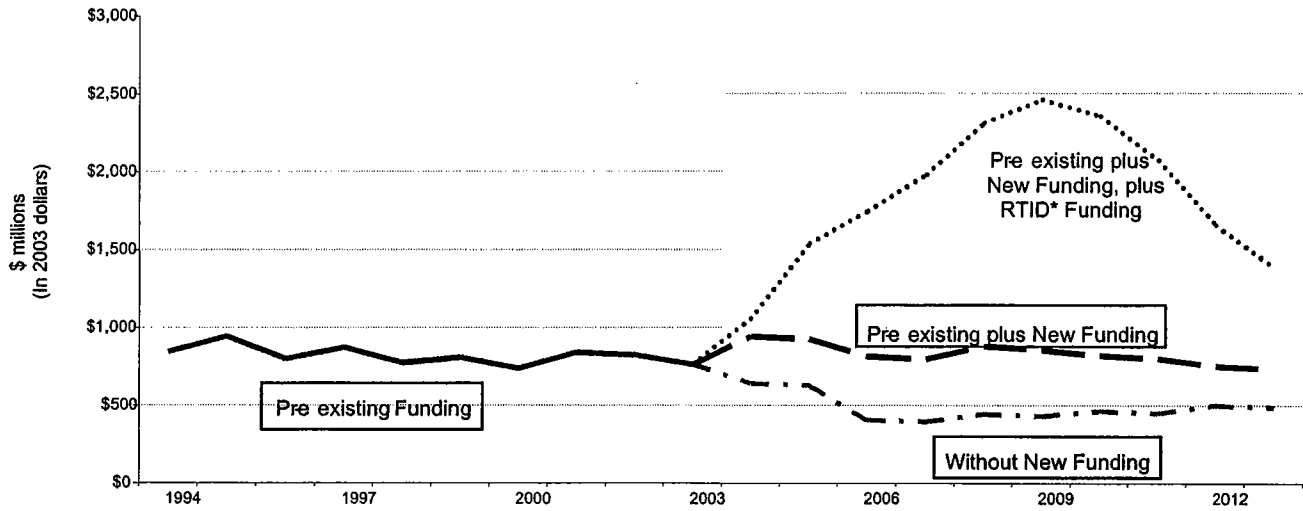
Projected WSDOT Operating and Capital Budgets and Legislative Ten-Year Financial Plan (as currently projected) *			
	Operating	Capital	Total
Pre-existing Funding Sources	\$ 5.1 b	\$ 6.2 b	\$11.3 b
New Funding Package	0.3	3.9	4.2
Total Funding	\$ 5.4 b**	\$10.1 b***	\$15.5 b

* As displayed in TEIS Fund Balance 'STS0305' including adjustments enacted in SSB 5401. Discussions are still underway between department and legislative staff to finalize the out-biennia estimates.

** In addition, \$22.5 million is authorized for Business and Occupation tax credits for the Commute Trip Reduction Program over the ten year period.

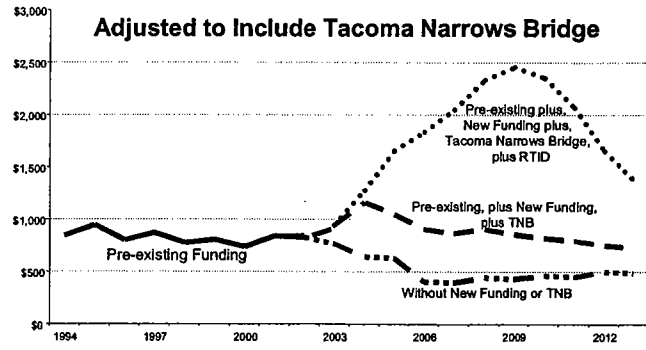
*** The capital program will be partially financed by bond proceeds: R-49 bonds \$805.7 m, Special Category C bonds \$44.0 m, Emergency Emergent bonds \$2.85 m, New Bond Authorization Nickel Account \$2.6 b, New Bond Authorization Multimodal Account \$349.5 m. Of the \$805.7 m in R-49 bonds, \$567.0 will be used for the Tacoma Narrows Bridge.

Overall Level of Capital Investment Continues to Depend on the RTID (in 2003 constant dollars)



* RTID funding is based on "RTID Option 3": 0.5% Sales Tax, \$75 License Fee and 0.2% MVET
RTID amounts assume bonding authorization provided by the Legislature plus additional state bonding yet to be authorized by the Legislature.

The above investment levels exclude the Tacoma Narrows Bridge. The investments levels including the Tacoma Narrows Bridge are shown in the chart to the right.



Significant Legislation Pertaining to RTID Enacted by the Legislature in 2003

- County Equity • SHB 2033
Tax dollars raised in a county build projects within that county
- Bonding • SB 5769
\$4.5 billion bonding authority for RTID
- Local Option Gas Tax • ESSB 5247
Allow 10% of state rate (2.8¢) for RTID or county

WSDOT's Pro Forma Capital Budget Overview

(Dollars in millions)

	2001-03 Budget*	2003-05 Proposed Budget**	2003-05 Enacted Budget	2003-2013 Plan***
Highway Construction	\$1,533.0	\$1,679.6	\$2,258.8	\$8,014.2
Ferry System Construction	177.4	165.7	182.6	1,339.6
Capital Facilities	12.3	22.7	17.3	49.0
Traffic Operations	24.2	28.6	29.2	135.7
Rail	21.4	22.6	45.3	437.0
Local Programs	111.3	56.2	77.2	84.1
Transportation Economic Partnerships	1.4	0.0	0.0	0.0
Total	\$1,881.0	\$1,975.4	\$2,605.4	\$10,059.6

* Includes 2003-05 program structure changes, 2003 Supplemental Budget adjustments, and projected expenditures for the Tacoma Narrows Bridge.

** Reflects the Commission's proposal and included the reappropriation request.

*** As displayed in TEIS Fund Balance 'STS0305' including adjustments enacted in SSB 5401.

WSDOT's Pro Forma Operating Budget Overview

(Dollars in millions)

	2001-03 Budget*	2003-05 Proposed Budget**	2003-05 Enacted Budget	2003-2013 Plan***
Highway Maintenance and Traffic Operations	\$316.6	\$332.9	\$328.0	\$1,719.1
Ferry System Maintenance and Operations	318.2	327.8	314.7	1,649.2
Public Transportation and Rail	47.3	49.2	64.3	487.3
Aviation	5.1	4.9	6.0	32.7
Transportation Partnerships	11.1	10.9	10.6	55.7
Facilities Maintenance and Operations	30.3	31.8	31.0	162.7
Program Delivery Management and Support	33.5	31.8	49.4	272.8
Transportation Management and Support	27.0	27.1	27.6	144.4
Information Technology	68.3	72.1	70.8	324.2
Transportation Planning, Data, and Research	32.6	32.5	47.9	202.1
Charges from Other Agencies	48.4	62.2	61.1	345.6
Total	\$938.4	\$983.2	\$1,031.4	\$5,395.8

* Includes 2003-05 program structure changes, 2003 Supplemental Budget adjustments, and projected expenditures for the Tacoma Narrows Bridge.

** Reflects the Commission's proposal and included the reappropriation request.

*** As displayed in TEIS Fund Balance 'STS0305'.