


Sawmill Cove
INDUSTRIAL PARK
BOARD OF DIRECTOR'S REGULAR MEETING


THURSDAY OCTOBER 4, 2007
AGENDA

3:00 PM
SEDA Board Room

<u>Item</u>	<u>Action</u>
A. Call to Order	Acknowledge
B. Roll Call	Acknowledge
C. Review of Minutes	Motion to Approve
• SEPTEMBER 21, 2007	
D. Correspondence & Other Information	Acknowledge/Questions
E. Changes/Additions/Deletions to Agenda	Change/Add/Delete
Unfinished Business	
1. Fishing Processing Warehouse and Dock Alternatives	Discussion
2.	
G. New Business	
1. Silver Bay Seafoods offer to purchase	Discussion/Recommendation
2.	
3.	
H. Other Business	
1.	
I. Reports	
1. Sawmill Cove Management Report	
J. Adjournment	

The Mission

It is the mission of the Sawmill Cove Industrial Park board and management, by direction of the Sitka Assembly, to strategically develop the park in a fiscally responsible manner that maximizes its economic benefit to the community through creation of meaningful jobs in conformance with established community plans and policies.



**Sawmill Cove Industrial Park
Board of Directors Meeting
September 21, 2007 – 2:00 PM
Sawmill Cove Industrial Park Board Room
4600 Sawmill Creek Road, Sitka AK 99835**

A. CALL TO ORDER

The Chair called the meeting to order at 2:00 pm.

B. ROLL CALL

Board Members Present: Nancy Davis Chris Fondell
 Grant Miller Trevor Harang
 Charles Horan

Others Present: Hugh Bevan Maria Finkenbinder
 John Florry Rich Riggs
 Troy Denkinger Nicchia Leamer

City Staff: Theresa Hillhouse Joe Castro
 Well Williams Scott Brylinsky
 Mary Larsen

C. REVIEW OF MINUTES – Sept. 6th, 2007 meeting

MOTION: **M/S Miller/Harang** moved to approve the minutes from the Sept. 6th, 2007 meeting.

ACTION: Motion **PASSED unanimously** on a voice vote.

D. CORRESPONDENCE & OTHER INFORMATION

The Chair mentioned Mr. Riggs' letter to Mr. Castro citing the need to get together to review current and future uses of the pulp dock. This was discussed further as part of item no. 1 under unfinished business.

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA

F. UNFINISHED BUSINESS

1. Fish Processing Warehouse and Dock

Mr. Castro introduced Mary Larsen, City Project Engineer who will be handling Sawmill Cove projects. He explained how the spreadsheet survey works and how to rank the various PND design concepts according to the criteria listed. He recommended that the Board do the evaluation independently and come back as a group to make its recommendation to the Assembly. He requested that the Board submit their evaluation to Public Works and the latter will give the results back in two weeks.

Mr. Bevan presented his recommendations to the Board. To wit:

1. Do nothing is not an option.
2. Proceed on two fronts simultaneously:
 - Front #1 – The Board should recommend to the Assembly that within two years, CBS complete a minimal project such as PND Concept 7 that achieves two goals:

- a. The project will remove the old dock and eliminate the hazard it presents.
- b. The project is affordable for CBS using revenues generated by the facility including fish tax, rent, and wharfage.
- Front #2 – The Board recommends to the Assembly that CBS work with State and Federal legislators to fund a renovation project that provides full utilization of the facility such as PND Concept 5.

Mr. Riggs told the Board that Silver Bay Seafoods also needs a high dock component which will allow the use of the hoist crane. He also said that the 16-foot corridor space is important to their operations but all concepts presented so far would bring everything to the A-line which will adversely impact the way they are operating. He thought that Concept 7 has pitfalls and won't work well with their needs. He said Silver Bay's preference would be "Concept 17" i.e. Silver Bay will present an offer to purchase the facility with specific elements and conditions.

Mr. Horan proposed adding concept 13 – sell the building – as another option. He explained that they seek the minimum bid with the City's prescribed parameters and at the same time be responsible for the safety of the building and keep the City's commitment to the tenants.

Mr. Miller preferred to pursue Mr. Bevan's front #1 and to consider issuing revenue bonds or taking out loans to fund the project. He thought that the pulp dock has tremendous potential and will be good for the City in the long run. He also asked if the sale of the property will take away the option of doing the multipurpose dock to which Mr. Castro replied that the City can still pursue phase II of the master plan.

MOTION: M/S Horan/Miller moved to request City staff to do the following:

1. Estimate the value of the property;
2. Assess the net revenue from the property and the resulting probable bonding capacity;
3. Develop the parameters to pursue direct sale as is, e.g. what are the lease provisions for first right of refusal;
4. Meet with tenants and develop interim fix options that would lead to least losses or give most value for a permanent fix and comply with tenants' needs.

DISCUSSION: Mr. Horan said that the Board will be able to make a cogent recommendation to the Assembly with the information from City Staff.

Asked by the Board if the City needs to put the property out to competitive bid, Ms. Hillhouse replied in the negative. She also pointed out that there may be a purchase option in the lease with Stikine and the Assembly can convey the property by resolution.

ACTION: Motion **PASSED** unanimously on a voice vote.

2. SCIP Subdivision No. 2 – plat concepts

Mr. Bevan updated the Board on the status of the Sawmill Cove subdivision plat no. 2 which has gone to the Planning Commission as a concept plat but faces difficulties in meeting Code standards due to the unique situations of existing buildings, utilities, and easements. He explained the concept of Planned Unit Development (PUD) as an alternative method to a standard plat. It allows more flexibility in the initial platting process but less flexibility in future changes to the plat.

He proposed the following lot line changes:

- (1) A 10-foot setback on the industrial park side of the administration and stores building;
- (2) Combining three lots from the concept plat into one lot that encompasses the dock warehouse, pulp dock tidelands, and frontage land for parking. The access easement for the sewer plant is moved a few feet west, so it is adjacent to the Sawmill Creek Road right of way.

Mr. Williams recommended zoning text change as a solution to substandard parcels. To wit:

- (1) Go with zero setbacks for existing choke points, and
- (2) Make it absolutely clear in the form of a note within the body of the Code that it is not the intent of the Board to voluntarily create these choke points.

He added that the Planning Commission can make specific findings to support the text change. He said that with this approach, they would still end up with PUD elements without having to pursue a PUD.

Mr. Brylinsky, speaking as the Building Official/Fire Marshall, stated that under the Building and Fire Code, what is being proposed is okay.

Mr. Miller liked the idea of zero setbacks for the existing choke points and thought that a covenant can be entered into among tenants or future lot owners agreeing to maintain a certain distance between buildings.

Mr. Horan said that the PUD concept is excellent for some of the properties. He cited that the lack of parking space for the administration and stores buildings diminishes the value of these properties. He agreed that it is important to put a 10-foot easement to allow loading and unloading for this building. He likewise threw in some ideas for the Board to think about such as (1) getting some of the TAB land back which can be used to support other properties as additional parking or storage, and (2) making a separate lease for Baranof Frozen Foods' bunkhouse with the idea that the bunkhouse will eventually be relocated.

On Mr. Horan's query about the access and utility easement in the dock support area, Mr. Bevan said that it is identified on the plat as a utility easement with access by special permit.

MOTION: **M/S Horan/Miller** moved to authorize Mr. Bevan to negotiate with the Planning Department specific dimensional recommendations such as minimum lot width and building height for zoning text change.

ACTION: Motion **PASSED unanimously** on a voice vote.

Baranof Frozen Foods Bunkhouse

Mr. Horan suggested adding a plat note that pertains to the Baranof Frozen Foods bunkhouse or renegotiating their lease to include an option to relocate the bunkhouse in the future.

Mr. Bevan thought that the City can sell the pulp dock warehouse parcel with the condition that the bunkhouse will be removed within 10 years with the intent to widen the easement to 40 feet.

Ms. Hillhouse said that they need to look at the lease agreement, specifically the provisions regarding the bunkhouse.

TAB's purchase option

Responding to Mr. Horan's query about TAB's option to purchase the additional 3.1 acres, Ms. Hillhouse said that TAB's option has expired and they have to give another notice if they are still interested to buy the additional acreage.

Mr. Horan suggested granting TAB an extension to exercise their option but with the condition to take back some of their lease area.

MOTION: **M/S Harang/Miller** moved to direct Mr. Bevan to finalize the subdivision plat with the Planning Department based on the following points:
(1) The plat will identify areas with non-standard setbacks and state that the Board is not voluntarily creating hardship;
(2) Support code changes to 5-foot setbacks;

- (3) Establish a 10-foot rear setback for the administration and stores buildings; and,
- (4) Lot lines within the pulp dock parcel be removed to combine three lots into one lot.

ACTION: Motion **PASSED unanimously** on a voice vote.

Mr. Bevan said the final plat will come back before the Board in the next meeting before it goes back to the Planning Commission.

G. NEW BUSINESS

1. Baranof Frozen Foods Sublease Assignment

Ms. Hillhouse explained that the document is similar to the previous lease assignments that came before the Board recently and this time, it is for Omega Sea's lease area which is being subleased by Baranof Frozen Foods. She added that the Board might consider adding a caveat that Baranof Frozen Foods has to be current with their obligations to the City. She said Baranof can enter into a payment arrangement approved by the Finance Director.

Asked by the Board what happens to the assignment if the City is no longer the lessor, Ms. Hillhouse said that there is a provision in the lease that requires giving notice to the lessee and the buyer assumes the lease assignment.

Ms. Leamer told the Board that the lease assignment becomes part of the deed.

MOTION: **M/S Miller/Horan** moved to recommend to the Assembly approval of the Baranof Frozen Foods Sublease Assignment on the condition that Baranof Frozen Foods enters into an arrangement to pay their financial obligations to the City to the satisfaction of the Finance Director.

DISCUSSION: Mr. Miller explained that Mr. Wolff is in a better position to specify the terms of payments.

Ms. Hillhouse pointed out that Baranof Frozen Foods has been given the 45-day default notice.

ACTION: Motion **PASSED unanimously** on a voice vote.

2. SCIP Board – Vice Chair Election

MOTION: **M/S Horan/Fondell** moved to nominate Mr. Harang as the Board's Vice Chair.

ACTION: Motion **PASSED unanimously** on a voice vote.

3. Stores Building Potential Tenants

Mr. Bevan gave the physical description of the Stores Building and summarized its operating costs and appraised value. He said there are two prospective tenants for the Stores Building and as such, the Board needs to develop lease rates for quotations. Silver Bay Seafoods is interested to lease 1,600 square feet of the north end for general storage of equipment while Recycle Sitka/City Public Works Department is interested in 5,000 square feet of the south end of the building for the purpose of a plastics recycling area.

Mr. Brylinsky outlined how Recycle Sitka will utilize the space, explaining that they will be bringing in equipment to bale plastics with 2 employees working 4 ½ days per month. He pointed out however that the sprinkler system and operational strength of the building has not yet been determined.

Mr. Horan said that they need to be cognizant of the condition of the building, the tenants' expectations, operating costs to maintain the building, etc. He added that they should look at the building as a leasable building, assess it, and explore the possibility of making it as a multi-tenant building.

Mr. Miller brought up liability issues which he thought would be factor in determining the lease rates.

Mr. Bevan said that the Board may agree to lease a space in the building if insurance is adequate and the lease should state that the City is not responsible if any issue arise.

By consensus, the Board agreed to move forward and to recommend to SEDA Staff to begin to:

- (1) Identify the amount of land to make it an effective lease area;
- (2) Assess the value and conditions of the building;
- (3) Develop operating costs for the building;
- (4) Draw up a layout of the building as a single tenant vs. multi-tenant structure

H. OTHER BUSINESS

1. Tenant Account Update

1. Monthly Aging Report

The Chair reiterated the need to get a monthly report from the City Finance Department regarding accounts receivables from Sawmill Cove tenants so the Board may know how to interact with tenants in arrears.

Mr. Bevan said that Mr. Stein wrote a memo to Mr. Wolff to prepare a monthly aging report, a copy of which will be provided to the Board.

2. TAB

Mr. Horan requested that the Board get a regular update on TAB's operations including its bulk water contract. He also wanted to know if TAB is on track in meeting its performance clauses.

Mr. Bevan said that the Board is not a party to all external business that TAB does. He said he has outlined TAB's performance clauses and determined the time when these clauses kick in. He pointed out that TAB has until June 2008 to meet the first reverter clause which includes fixing their building, cleaning up loose rubble and removing non-essential debris.

I. REPORTS – None

J. ADJOURNMENT

The members agreed to meet on Thursday, October 4th, 3:00 pm in the SEDA Board Room.

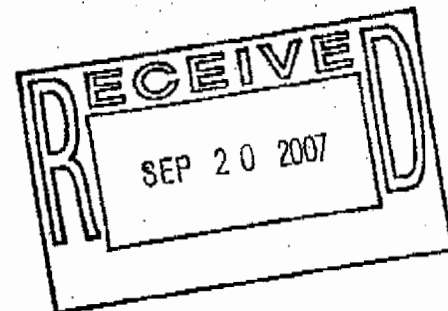
MOTION: M/S Miller/Harang moved to adjourn the meeting.

The meeting adjourned at 4:45 pm.

**FISH PROCESSING
WAREHOUSE AND DOCK**

SILVER BAY SEAFOODS, LLC

4400 Sawmill Creek Road, Suite B
Sitka, Alaska 99835



Thursday, September 20, 2007

Mr. Joe Castro PE, Director of Public Works
City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835

Subject: SCIP Warehouse and Dock Structure

Dear Mr. Castro:

PND Engineers has presented dock concepts at three different meetings over the last 3 months. The most recent presentation was on September 6, 2007 and included concepts 7, 8, and 9.

Subsequent to the last two meetings, it was my understanding that Silver Bay Seafoods would be approached by CBS staff and/or PND to discuss both current and proposed operations and how those operations might dovetail into a preferred concept or the proposed concepts. SBS has not been consulted on the subject since the June 28th meeting, other than at the SCIP Board meetings wherein we are being asked to comment on concepts we are seeing for the first time.

It was my understanding from the last Board meeting that interaction with the tenants prior to the September 21st meeting was encouraged / requested by the Board. Regardless, since that interaction has not taken place, I wanted to be sure it was clearly understood that concepts 7, 8, and 9 as presented will not work for SBS as they will each have an adverse impact to our current and proposed operations, even over the limited design life of those improvements.

Whether it be in advance of the meeting tomorrow afternoon or a date in the near future, I suggest we all get together to review current and future uses in the field. I know everyone involved has toured and/or inspected our facilities multiple times during the operating season, but perhaps the full extent of our operations were not understood or realized.

Silver Bay continues to look forward to working with CBS and CBS's consultant on this project.

Sincerely,

Richard A. Riggs, CEO

Silver Bay Seafoods, LLC
907.747.7996 Office
907.738.7271 Cell

Cc: Hugh Bevan

SCIP Warehouse and Dock Structural Modifications--Evaluation of Alternatives

Evaluation Criteria	Maximum Points	Permanent Options								Interim Fixes			Master Plan Phase I	Master Plan Phase II	Do Nothing	
		1	2	3	4	5	6	7	8	9	10	11				12
Safety (Sooner is Better)	25															
Initial Capital Cost ²	20															
Doesn't Interfere with Long Term Plans	10															
Minimizes Sunk Costs	10															
Short Term (3-Year) Functionality of Building ³	10															
Short Term (3-year) Functionality of Dock ⁴	10															
Long Term (> 5 Years) Functionality of Building ³	15									NA	NA	NA				
Long Term (> 5 Year) Functionality of Dock ⁴	15									NA	NA	NA				
Allows Tenants to Expand	10															
Revenue Potential	10															
Funding Potential	25															
Total	160															

Notes:

- 1) Refer to PND plans & attached description
- 2) Concepts with lower design and construction costs may be more likely to receive funding sooner
- 3) Size, load capacity
- 4) Size, draft, load capacity

SCIP Warehouse and Dock Structural Modifications--Description of Alternatives		
Concept	Description	Estimated Cost
Permanent Options		
1	Dock: Demolish entire structure and replace with new dock under the bldg plus a 30' X 200' timber dock and a 10' X 400' float. Bldg: Keep same footprint.	\$10.1 Million
2	Dock: Demolish entire structure and replace with new dock 16' narrower than the existing bldg plus a 30' X 200' timber dock and a 10' X 400' float. Bldg: Remove 16' from water side.	\$9.4 Million
3	Dock: Demolish entire structure and replace with new dock under the bldg plus two 48' X80' timber docks. Bldg: Keep same footprint.	\$10 Million
4	Dock: Demolish entire structure and replace with new dock 16' narrower than the existing bldg plus two 64' X80' timber docks. Bldg: Remove 16' from water side.	\$9.8 Million
5	Dock: Demolish entire structure and replace with new dock under the bldg plus a 64' X 140' Dock and two 10' X 100' floats. Bldg: Keep same footprint.	\$9.9 Million
6	Dock: Demolish entire structure and replace with new dock 16' narrower than the existing bldg plus a 64' X 140' Dock and two 10' X 100' floats. Bldg: Remove 16' from water side.	\$9.6 Million
Interim Fixes		
7	Dock: Demolish entire structure and replace with 16' X 220' fill section and 10' X 200' floating dock. Bldg: Remove 32' from water side. Additive Alt: 30' X 60' dock.	\$3.7 Million + Additive Alt of \$0.8 Million = \$4.5 Million
8	Dock: Demolish everything outside the bldg footprint. Repair piles under bldg. Bldg: Keep same footprint, restrict loads. Expected life +/- 5 years.	\$4.9 Million
9	Dock: Repair piles, keep same footprint. Bldg: Keep same footprint. Expected life +/- 5 years.	\$3.2 Million
Major Upgrades		
Master Plan Phase I (Fisherman's Terminal and Bldg Repairs)	Dock: Construct new sheetpile bulkhead 600' X 110'. Bldg: Repair with same footprint.	\$22.3 Million
Master Plan Phase II (Marine Terminal)	Dock: Construct new sheetpile bulkhead 520' X 70' plus catwalks and dolphins to accommodate tankers.	20.2 Million
Do Nothing	Dock: Piles and deck are shot. Load limits will continue to decrease. Bldg: Could collapse if dock fails. No remaining service life of structure.	???

Notes:

Memo

To: Mayor Dapevich and Assembly Members

John Stein, Administrator

From: Joe Castro, Public Works Director

Date: 9-7-07

Re: Sawmill Cove Industrial Park (SCIP) Warehouse & Dock Structural Modifications Project Update #2 (ref: 8-24-07 Update Memo, same subject)

The following are additional concepts and costs presented by PND Engineers, Inc., at its fourth workshop on 6 Sep 2007 with the SCIP Board of Directors, CBS Staff and Silver Bay Seafoods:

Concept	Description	Estimated Cost (\$M)
7	Interim Improvements which include complete dock demolition and 32-ft of bldg interior that sits on the dock replaced with a partial 15-ft wide x 220-ft length mechanically stabilized earth (MSE) wall w/ gangways & docks; temp jersey barriers and tarps for bldg wall CONS: Cuts 32 feet of facility until permanent fix	\$3.7M (Demo/MSE/Float dock) \$0.8M (Timber dock) Total: \$4.5M
8	Demo dock to bldg line place new steel pile cap at bldg line w/ bid additive to temp repair pilings under bldg; float and timber docks CONS: 5-year use expected due to deteriorated concrete decking	\$3.9M \$1.0M (Pilings Rpr under bldg) \$4.9M
9	No demo; repair piles underneath bldg and along dock access corridors CONS: 5-year use expected due to deteriorated concrete decking; high risk of intensive repair of piles	\$3.2M
N/A	Add 20-feet seaward to existing warehouse dock w/ sheet pile bulkheads and extend sheet pile for a tanker terminal CONS: Costs	\$19.1M (Fisherman's Terminal) \$3.2M (Whse Bldg Rprs) \$20.2M (Marine Terminal) \$42.5M

City Staff will review the options presented, to include the previous 6 permanent options presented at the third workshop with costs ranging from \$9.4M to \$10.1M, discuss preferences with current tenants, and present recommendations to the SCIP Board of Directors. The recommendations will be based on the following criteria:

- Address immediate safety concerns
- Minimize initial capital costs
- Allow for design and construction to proceed immediately
- Allow for other long term initiatives to be planned concurrently w/o significant impact
- Minimize sunk costs
- Allow tenants to continue business operations
- Others TBD

Recommendations could include a combination of alternatives and a do-nothing option. A follow-up meeting is scheduled for 21 Sep, 1400 hrs, at the SCIP Admin facility.

cc. Hugh Bevan, SEDA, and SCIP Board of Directors

Memo

To: Mayor Dapevich and Assembly Members

John Stein, Administrator

From: Joe Castro, Public Works Director

Date: 8-24-07

Re: Sawmill Cove Industrial Park (SCIP) Warehouse & Dock Structural Modifications Project Update

The following are concepts and costs presented by PND Engineers, Inc., at its third workshop on 26 Jul 2007:

Concept	Description	Estimated Cost (\$M)
1	Demolish entire dock, both interior and exterior; replace with 32 ft of concrete pile-supported deck, new building section, and gangways to a 30ft x 200ft timber dock and gangway landing floats CONS: Cuts warehouse back 32 ft, unacceptable to users	\$7.1M (Demo/Whse) \$3.0M (Marine portion) Total: \$10.1M
2	Same as #1 concept but only 16 ft of interior deck CONS: Cuts warehouse interior by 16 ft; no exterior deck, only gangways to timber dock	\$6.4M \$3.0M \$9.4M
3	Same as #1 concept but 2 separated 48'x80' decks for Silver Bay Seafoods and Baranof Frozen Seafoods. CONS: Still cuts warehouse back 32 ft	\$7.1M \$2.9M \$10.0M
4	Same as #2 concept, but with 2 separated decks as in #3 concept. CONS: Still cuts warehouse interior by 16 ft	\$6.4M \$3.4M \$9.8M
5	Same as concept #1 with a single, shared 64'x140' pile supported dock and gangway landing floats CONS: Still cuts warehouse back 32 ft	\$7.1M \$2.8M \$9.9M
6	Same as concept #2 with dock and gangways as #5 concept. CONS: Still cuts warehouse by 16 ft	\$6.4M \$3.2M \$9.6M

Silver Bay Seafoods CEO, Mr Rich Riggs, stated that their existing and future plans require the use of the 32 feet of interior warehouse supported by the dock. They could not operate without the full 32 feet. As a result, the SCIP Board of Directors agreed that a

concept and estimate was needed for re-building the dock to the existing warehouse footprint.

Senator Stedman added that a couple of other Alaskan coastal communities are requesting large dock upgrades and with large amounts of state revenue expected in the future, he recommended the Board think beyond repair of the existing.

From discussion, funding would not be immediately available for a larger project so the Board requested PND to scope a 1 to 2 year interim fix to the existing dock. The Board also asked for concepts for a larger dock project that would enable additional users, besides just the 2 existing lease holders. With those additional figures, the city assessor would then be able to provide the Board with assessed future values of the existing fish processing leaseholds.

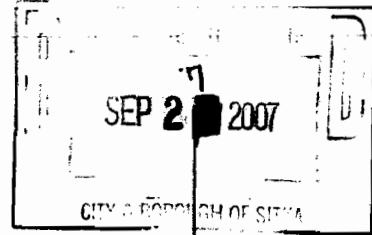
The fourth workshop is scheduled for 6 Sept 2007, at 1500-1700 hrs. When the Administration, the Sawmill Cove Board and the tenants have reached consensus on the best course of action, the Board will make its presentation to the Assembly.

cc. Hugh Bevan, SEDA

**SILVER BAY SEAFOODS
OFFER TO PURCHASE**

SILVER BAY SEAFOODS, LLC

4400 Sawmill Creek Road, Suite B
Sitka, Alaska 99835



Thursday, September 27, 2007

Mr. John Stein, Administrator
City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835

Subject: Lease dated November 2, 2007 between the City and Borough of Sitka ("CBS") and Stikine Holdings, LLC/assignee, Silver Bay Seafoods, LLC ("SBS")

Re: Purchase Option

Dear Mr. Stein:

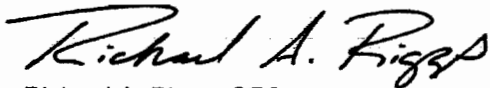
SBS seeks to purchase the leased premises and other land and structures, including the entire warehouse, dock structure parcel and housing parcels with such boundaries as generally set forth in the attached drawings. The purchase terms would provide the following:

1. SBS would pay CBS the sum of one million dollars (\$1,000,000) in cash at the time of closing.
2. The parties would equally share all closing costs, including title insurance. CBS shall pay all surveying, recording, and platting costs as work has already commenced on this scope as a subset of a larger project for CBS.
3. For a period of five (5) years from the closing date, CBS shall reimburse SBS for all capital improvements, maintenance and other expenditures relating to the repair or reconstruction of the dock, warehouse and/or sprinkler system. The CBS reimbursement obligation shall not exceed the \$1,000,000 purchase price plus accrued interest.
4. Any reimbursable expense incurred by SBS shall be solely related to stabilizing or improving the condition of the dock structure, warehouse, and/or sprinkler system; items which are currently the responsibility of CBS under the subject lease. Repairs to the warehouse may include, but not necessarily be limited to, those outlined in the 2007 BBFM Engineers Inc. report prepared for CBS.
5. Reimbursable expenses to be reimbursed by CBS include, but are not limited to, contracted labor and services, SBS labor and services, materials, and equipment. SBS labor shall be reimbursed at SBS published rates and materials shall be marked up at SBS published markup percentages.
6. CBS shall take no action under Sitka General Code Title 19.06 or otherwise limit or restrict SBS business activities within the parameters set forth in the PND engineering report, dated June 30, 2004, which was incorporated within the subject lease. Both parties recognize that future reconstruction or repairs to the dock will improve its general condition and likely allow increased load bearing capacity beyond that identified in the PND report dated June 30, 2004. Thus, CBS shall authorize SBS work to the extent that it is generally consistent with industry standards, including those repair standards initiated by the Alaska Pulp Corporation. CBS shall waive building permit and plan review fees associated with the subject work.
7. Subsequent to the purchase, SBS shall continue to have perpetual use of all CBS utilities, including the CBS seafood waste outfall pipeline.

8. CBS shall remain responsible for all requirements identified in the Prospective Purchaser Agreement between the State of Alaska and the City and Borough of Sitka for the Former Alaska Pulp Corporation Pulp Mill Property and the associated Memorandum of Understanding, including but not limited to Section 5, which describes the obligations of CBS for future monitoring.
9. Upon closing SBS shall assume all rights and liabilities with respect to the existing leases between CBS and Baranof Frozen Foods and Omega Sea.

We believe this proposal is of mutual benefit to both parties and we anticipate your response as we proceed with planning of our 2008 operations.

Sincerely,



Richard A. Riggs, CEO
Silver Bay Seafoods, LLC

907.747.7996 Office
907.738.7271 Cell

Cc: SCIP Board Thru Hugh Bevan, PE

SC CHORD -
S 10°55'19" W
9.51' 252.71'

CHD. = 44.91'
CHD. ERG. = N 4°10'42" E
51.50'

R = 315.97'
L = 8.54'
CHD = 8.54'
CHD. ERG. = N 4°24'11" W
25.00'

10187.5 50 FT.
0.23 AC.
51.45'

ACCESS & UTILITY CORRIDOR

TREATMENT PLANT
24" DITFALL
6" DITFALL
APPROX. 10' UP ST. BANK
7 PS

LOT 1
25,006 SQ. FT.
0.59 ACRES

USHL
6,839 SQ. FT.

VAN LOADING AREA

REF COMPRESSORS
400 SQ. FT.

OMEGA SEA
(REF. SUBLEASE)
12,040 S.F.

LOT 10
92,956 SQ. FT.
WAREHOUSE

9.96
1.19
S 77°47'31" E
STRIKING HOLDINGS, LLC (SHL)
31,109 S.F.

REF OPERATOR
1091 S.F.

BARBER OF FROZEN FOODS (BFF)
17,088 S.F.

LOT 25
48,182 SQ. FT.

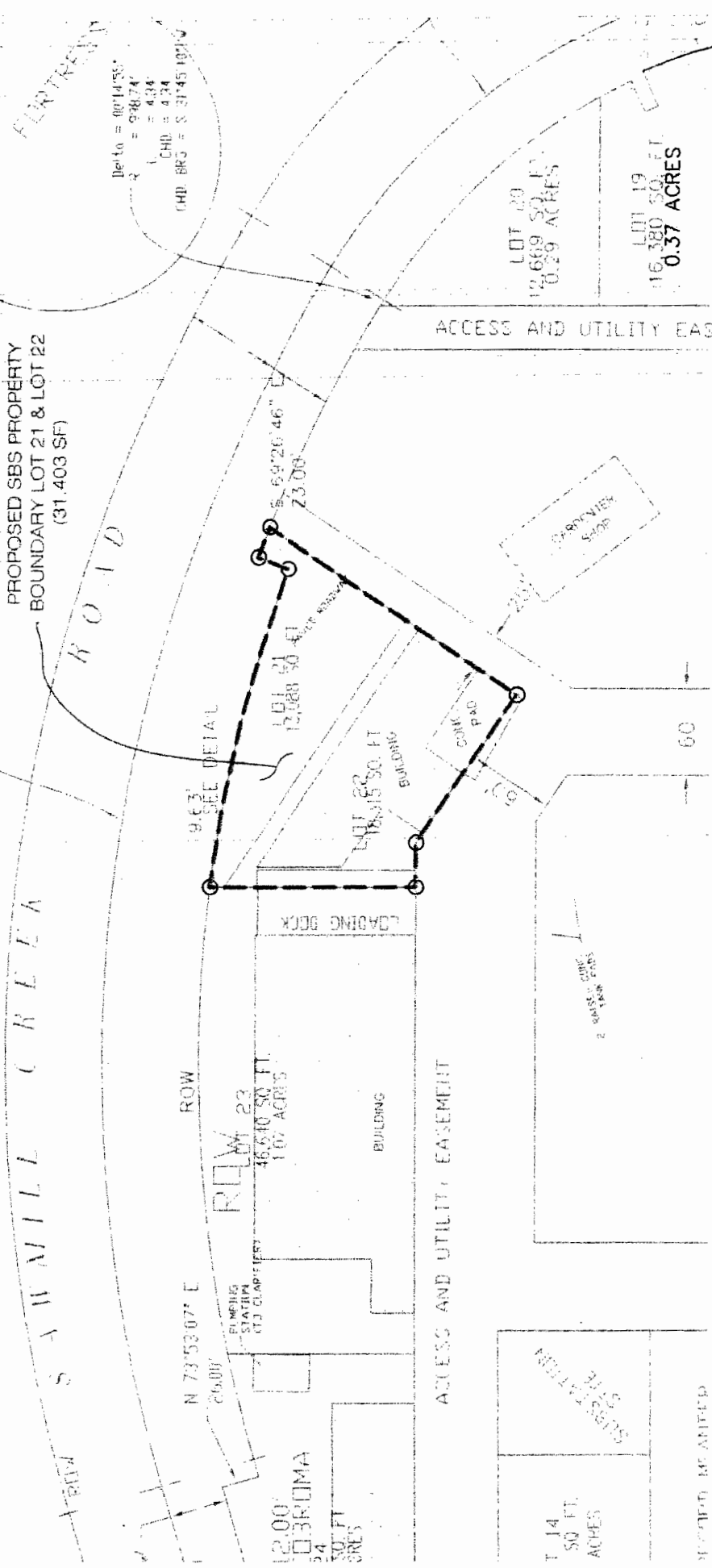
PROPOSED SBS PROPERTY
BOUNDARY (202,000 SF)

UCS&GS
STA.
"DOCK"

23.21" W
87.19'

WE





Delta = 0014.55°
 R = 938.74'
 L CHD = 4.34'
 L CHD = 4.34'
 CHD BRG = S 31°45' 18" W

ACCESS AND UTILITY EAS

PROPOSED SBS PROPERTY BOUNDARY LOT 21 & LOT 22 (31,403 SF)

ROAD

SAWMILL CREEK

ROW

ROW 23

ROW 22

ROW 21

ROW 20

ROW 19

ROW 18

ROW 17

ROW 16

ROW 15

ROW 14

ROW 13

ROW 12

ROW 11

ROW 10

ROW 9

ROW 8

ROW 7

ROW 6

ROW 5

ROW 4

ROW 3

ROW 2

ROW 1

ROW 0

ROW -1

ROW -2

ROW -3

ROW -4

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Section 1.5 Lessee's Option to Purchase Subject Property.

Subject to approval by the Assembly of a subsequent negotiated Purchase and Sales Contract, Lessee shall have an option to purchase some or all of the Subject Property including potentially the land beneath the Subject Property. Approval of the Purchase and Sales Contract, including approval of each of the terms and conditions of the negotiated Purchase and Sales Contract and the determination as to which property will be sold, shall be at the sole discretion of the Assembly reviewing the negotiated Purchase and Sales Contract. Lessee understands that the Assembly may not approve the Purchase and Sale Agreement for any reason.

Further, the property subject to purchase shall not include any property upon which there is an encumbrance due to a grant and/or loan that would require the Lessor to have to pay back monies to the funding source related to the grant and/or loan if the property is sold. The Option to Purchase does not include the 15,000 square feet for Lessee employee housing shown on Exhibit A2.

The purchase price shall be based upon a fee simple "as was" appraisal at the time of the execution date of this Lease, except for improvements to the Subject Property which occur after the date of this Lease, which shall be based on an "as is" appraisal. The value of Lessee's leasehold interest in the Subject Property shall not be considered for the purchase price. The appraisal shall be paid for by Lessee at the time of purchase. Lessee option to purchase property shall expire on December 31, 2010 unless extended by mutual consent of the parties.

ARTICLE II: RENT

Section 2.1 Calculation & Method of Payment of Rent During the Initial Seven-Year Term of the Lease.

Lessee shall pay the lease payments for each month in advance upon the first day of each and every month for which Rent is due throughout the Term of the Lease Agreement without the necessity of any billing by Lessor. The following table shows the amount of lease payments due each month during the initial 6-year Term of the Lease Agreement.

REPORTS



Saturday, September 29, 2007

MEMORANDUM

To: Sawmill Cove Board of Directors
From: Hugh Bevan, Director
Subject: Sawmill Cove Management Report

1. Baranof Frozen Foods is leasing 43,357 square feet including 37,516 SF of warehouse and 5,841 SF of outside areas for bunkhouses.

BFF employed nearly 30 people this past season. BFF had a difficult season due to low returns in some species of fish. BFF fell behind in their payments to the City but have agreed to a payment plan that will bring their accounts current.

2. Silver Bay Seafoods has leased 34,500 SF of dock warehouse space, 6,900 SF of outside land for a van loading facility and 15,000 SF of outside space for employee housing.

Silver Bay has about 140 employees living in their bunkhouse at Sawmill Cove.

Silver Bay has processed over 21 million pounds of fish during their first season in business.

Silver Bay has tendered an offer to purchase the dock warehouse and adjoining uplands and tidelands.

3. Last spring TAB purchased 3.0 acres of land and the bottling building for about \$750,000. TAB continues to lease about 7.5 acres of its original leasehold. TAB has exercised its option to purchase an additional 3.1 acres of lease land at the same purchase price as the original 3 acres. The purchase price for the option land is about \$546,000.

As of last week the option agreement had not been finalized and it is unlikely the City will still honor the purchase price if TAB does come forward with funds.

4. The Sawmill Cove Board met with the Assembly on July 24, 2007. The Board presented its 3 Year Plan. The Assembly seemed receptive to this effort by the Board.
5. The State Dept of Fish and Game has issued the final NSRAA hatchery permit. Construction on the project has begun and the hatchery should be operational next year.

6. The bulk water pipeline project is nearly complete. True Alaska Bottling is working on a contract that would result in substantial bulk water shipments, but progress on that contract appears to have stalled.
7. The Sawmill Cove Board has approved a 2,300 square foot lease with the City of Sitka in the Administration Building for use as a Municipal Records Storage Center. The Sitka Police Department has requested a lease for storage of their records as well.
8. Bike and Hike has been sold to another Sitka company. The Sawmill Cove Board has met with the new owners and agreed to extend the present lease terms for 12 months.
9. For the past several months City staff and PND Engineers of Juneau have been meeting with the tenants of the dock warehouse to discuss the dock renovation project.

The general design opportunities and limitations are now known. Two macro-level concepts are clear:

- a. The building can not be scaled down in size without negatively impacting the tenants' operations.
- b. The cost of the project exceeds available municipal funds.

The next meeting is October 4, 2007 with the Sawmill Cove Board. At that meeting the Board will select a preferred design alternative and discuss the offer from Silver Bay Seafoods.

The goal is to present the recommended alternative to the Assembly in late October.

10. On September 4, 2007 the Sitka Planning Commission discussed a major subdivision plat for the Industrial Park. The subdivision provides lot and block identification of parcels, establishes road and utility easements, correlates specific parcels of land with individual buildings that exist on site.

The plat will facilitate the sale and leasing of property, the writing of legal descriptions and the layout of construction.

The Sawmill Cove Board has discussed the plat and SEDA staff is working with the City and O'Neill Engineering to finalize it for Planning Commission approval.

11. Fortress of the Bear has received their Fish and Game permit to house and display up to two bears. Fortress received their first bear cub, a male brown bear from Angoon in July. His name is Kilsnoo.

In mid September Fish and Game was able to capture a second cub from the same litter and it (also a male) has been transferred to Fortress. His name is Chiak.

With the unexpected and rapid acquisition of two bears Fortress has been able to generate some cash flow and plan to construct restrooms and other visitor facilities over the winter.