



Monday, December 03, 2007

MEMORANDUM

To: Sawmill Cove Board of Directors
From: Hugh Bevan, Director
Subject: Bulk Water Sales
Export Agents – Mr. Fred Fuller

For the past couple of months I have been talking with Fred Fuller of Export Agents. His company is located just outside Vancouver, BC Canada.

Mr. Fuller purports to having business contacts that are interested in building a dock/port at Sawmill Cove. They are interested in purchasing bulk water also.

The City's bulk ^{water} ~~waste~~ contract with TAB is valid until December 2008. TAB has until then to purchase at least 20 million gallons of water. The contract requires the City to refer all third party inquiries for bulk water to TAB. TAB has 90 days to reach an agreement with the third party. If an agreement is not reached, the third party is free to negotiate directly with the City.

I referred Export Agents to TAB on November 7, 2007 and the 90 day period ends February 7, 2008.

Mr. Fuller makes two major requests. (See attached e mail from him received on Nov 29, 2007).

- Fuller claims he will provide a third party introduction for Sitka that will result in the third party constructing a port at Sawmill Cove. I had a brief conversation a few weeks ago with a gentleman in Saudi Arabia who was referred to me by Fuller. The Saudi was interested in port development in Sitka.

There have been no direct discussions with such a port developer. However, I did send Mr. Fuller a trial balloon proposal which is attached.

- Fuller desires a royalty payment from Sitka in perpetuity in the amount of 5% of all bulk water sales that occur through the new port. Fuller has stated he wants to be paid a commission by Sitka and not by bulk water customers.

We will have a conference call with Fuller at the Dec 5th Board meeting so you can hear directly from him.

11-19-07

Gentlemen,

I am ready to make a full presentations to my contacts and introduce them to both of you personally and get this ball rolling, except before we proceed further I need answers to two things.

As "we" ExportAgents" have already started the ball rolling with True.....and we do not see ourselves coming to an agreement with True within that ninety day period. We have asked for prices on shipping for an order into India and to date they have failed to perform.

If the city....after 90 days does approve us for a license to ship water at that time ...then is "up to us" who we enter into partnerships with under that license."correct"??

If we "ExportAgents" where to enter into a new partnership with the new funders...based on the understanding that in order for us to qualify for this license... we as this new group must then both assume the terms set out by Sitka for the funding group in order for either of us to qualify for this license.

This keeps our contacts...our contacts....and...saves us and the city an additional waiting period of 90 days and by us using the November 6, 2007 as the start date for the 90 day negotiation period it allows us to hurry the financing up by an additional 90 days.

This kills two birds with one stone gentlemen, this ensures that by doing it this way...my goal is to get the port done through my contacts, and it gets the deal done even faster.

As we have discussed also, I am also waiting for confirmation from the city that if I engineer this to the cities benefit and get this port completed and the financing placed and sales do start to occur from the development of the port...that Frederick S Fuller and his heirs would receive a 5% royalty on all the sales of all water that are created through this port development for Sitka based on the various agreed to prices Sitka needs at that time to sell the water for to various clients.

Please note gentlemen....."everything"...I have asked for is all dependent on my success of the port development and "I am not asking for anything upfront".

"Everything" I am asking for ONLY comes to fruition if I am successful in procuring the financing partners and funding for the development of the Port and getting it finished and thus creating bulk sales.

Looking forward to your comments as we are ready to go forward...now..!!

Thanks
God Bless
Freddy

November 26, 2007

Freddy Fuller
Export Agents

Pursuant to our recent conversations I am sending you a proposal for port development and bulk water export at Sitka Alaska.

Realize that any agreement between Sitka and your port developer must be approved by the elected Assembly of the Sitka Borough. You can expect substantial input from the Assembly.

As you know Sitka has a current contract with True Alaska Bottling that includes a referral clause. This clause requires Sitka to refer all third party inquiries for bulk water purchases to True. The third party and True have 90 days to conclude a purchase agreement. If an agreement is not reached in 90 days, the third party is free to negotiate directly with Sitka.

Sitka needs funds to develop a port at Sawmill Cove Industrial Park, the site of the bulk water delivery system. It is my understanding you have a port developer who will build such a port if they can have access to bulk water from Sitka.

My proposal to your developer is in two parts.

Part 1 – Bulk Water

Have your developer make a written proposal to True to purchase 25 million gallons per day of Sitka's water. The developer and True can then start the 90 day negotiations period. Your developer should not care if it obtains the water from True or from Sitka assuming the pricing is equivalent.

Part 2 – Port Development

Have your developer make a written proposal to Sitka to invest \$10 million US in the port at Sawmill Cove Industrial Park (SCIP). I am attaching for your information a recent design and cost estimate for a two-phase port development project. This is what we are looking for.

We will rebate to the developer \$ ½ cent for each gallon of bulk water (not bottled water) that is sold across the SCIP port by Sitka until the developer has realized a 50% return on its investment. (\$15 million). This rebate will expire when the developer has been paid \$15 million by sales of 3 billion gallons of export water. If no water sales occur, Sitka is not obligated to rebate the developer's costs.

Sitka will retain management control of the port when it becomes operational. Bulk water ships will receive priority berthing.

When the \$15 million has been rebated to the developer Sitka will become the owner of the port facility and the developer will not have a lien against the project.

We will require a \$1 million deposit at the time the port development agreement is signed. Sitka will refund the \$ 1 million when the port work is completed and operational. Sitka will retain the interest earned on the \$ 1 million.

Sitka will require the following milestones for the project. If the developer fails to meet a milestone, Sitka may (at Sitka's option) retain the \$1 million without obligation to refund it.

Port design and permits completed signing of an agreement	8 months from the date of
Begin port construction signing of an agreement	12 months from the date of
Port construction completed and operational signing of an agreement	30 months from the date of

If the developer is not able to ship the 3 billion gallons of bulk water necessary to recover its \$15 million by 12-31-2012, ownership of the port facility will be transferred to Sitka without further cost to Sitka.

If the port project is halted without being completed, Sitka will assume ownership of the partially constructed facility without obligation to re-pay the developer for its costs.

We look forward to seeing your thoughts on this matter.

Hugh Bevan
Sitka Economic Development Association

*cc Nancy Davis
Ken Greber
Theresa Hillhouse*