

BULK WATER – Summary Report
From Hugh Bevan, June 10, 2008

Sitka has permits to export 26.1 MGD (millions of gallons per day). The water is run through a hydro plant before it is exported so the electric power potential is not wasted.

Breakdown.

1.1 MGD is tied to the water bottling plant property

8.0 MGD is tied to the TAB bulk water contract. This contract expires Dec 7, 2008 unless TAB buys at least 20 MG by that date.

17.0 MGD is unencumbered except for the TAB contract referral clause.

TAB's contract has a clause that requires Sitka to refer all third party inquiries for bulk water to TAB. TAB has 90 days in which to come to terms with the third party or the third party is free to negotiate directly with Sitka. The TAB contract does not define the meaning of good faith

negotiations between TAB and a third party. It is possible, that after 90 days, TAB will simply say that no good faith negotiations occurred and Sitka should be barred from negotiating with a third party. We will just have to cross that bridge when it comes.

There are two active third parties.

Freddy Fuller, a Canadian, wants to ship bulk water in bladder-lined containers. His 90 day period with TAB has expired. Freddy is a middle man who has contacts in Saudi Arabia and Korea. I have talked to both of his contacts and they seem real, but not real interested. Freddy made a proposal where Sitka builds a port and he agrees to buy a certain amount of bulk water. I told him his proposal was way too soft so he is working on it.

Wendell Adams is a US citizen from Florida. He has a patent called Waterbrick. Wendell was involved with Sitka in 2006. At that time he lost interest because TAB told him he must buy the SCIP bottling plant in order to get Sitka's bulk water. Adams is negotiating with TAB and his 90 day period ends July 21, 2008. They are not making any progress that I have heard about.

As soon as the 90 days is up, I expect Adams to come to Sitka and make a proposal to build a mooring buoy loading system.

As I have mentioned to the SEDA Board, Sitka should spend some money with PND to get a budget figure for such a loading system so you have something in your pocket to negotiate with. Also, you can have generic conversations with permitting agencies to find out the issues associated with building an offshore system rather than finding out later that there are permit issues or issues with Coast Guard for example.