

Thursday, February 19, 2009

MEMORANDUM

To: Sawmill Cove Industrial Park Board of Directors (SCIP Board)

From: Garry White, Director

Subject: ADF&G Lease Area

At the Jan. 22, 2009 SCIP Board meeting a 4,000 SF lease area was approved for ADF&G adjacent to the Fortress of the Bear lease area. It was suggested at the meeting, that Fortress of the Bear be contacted to determine their thoughts on the use of this area. Per Section 3.4, Fortress of the Bear has a "Right-of-First-Refusal" to lease the subject area. Fortress of the Bear is pending their decision to lease the area at their next board meeting.

Would the SCIP Board consider another site to locate ADF&G in the spirit of expediting the request?

Section 3.4 Additional Conditions of Leasing. Lessee recognizes—and shall cause all beneficiaries of Lessee and all permitted successors in interest in or to any part of the Subject Property to recognize—that:

(a) The use of the site upon which the Subject Property is located, is subject to Appendix C, the "Prospective Purchaser Agreement Between the State of Alaska and the City-Borough of Sitka for the Former Alaska Pulp Corporation Pulp Mill Property" dated April 28, 1999 (hereinafter "the Prospective Purchaser Agreement"), including all attachments, which specifically includes "Memorandum of Understanding between the State of Alaska and the City and Borough of Sitka Management Plan for Sawmill Cove Property (Former APC Property)" dated April 28, 1999 (hereinafter "the Management Plan"). The Prospective Purchaser Agreement and all its attachments—specifically including the Management Plan—are hereby incorporated into this Lease Agreement and attached to it. Lessee shall abide by and fully comply with all requirements of the Prospective Purchaser Agreement and the Management Plan applicable to Lessee's activities, use, and occupancy of the site upon which the Subject Property sits. Kootznahoo agrees not to increase or exacerbate contamination or pollution at Sawmill Cove Industrial Park. Kootznahoo also agrees not violate any restrictions in Appendix C as to human habitation or vessel movement.

(b) The use of the site is subject to the terms of the Agreement to Convey between Alaska Pulp Corporation and the City and Borough of Sitka ("the Conveyance Agreement"), a copy of which is attached hereto as Appendix C, including preferential use for T & C Barge Lines, Inc. of the existing utility dock and the existing mooring buoy on the Subject Property in accordance with the Conveyance Agreement. Kootznahoo further acknowledges that a summary of the requirements imposed by the Prospective Purchasers Agreement, the Management Plan, and the Conveyance Agreement is included in Appendix D. Kootznahoo acknowledges receipt of Appedices C, D, and E.

(c) The charges and fees paid by Lessee to Lessor must be separated according to The City and Borough of Sitka accounting standards.

(d) The City and Borough of Sitka may form a Port Authority or similar entity, in the future and all agreements regarding the Subject Property, including this Lease Agreement, between Lessee and Lessor shall be completely transferable to said Port Authority. A transfer of the property to any such entity shall not create any restrictions upon use of the Subject Property or the dock in addition to those hereunder.

(e) Kootznahoo shall have the Right-of-First-Refusal to lease land contiguous to the north and south boundary of the leasehold except for that land the City and Borough of Sitka deems it requires for either the operation of the Park or the operation of the City and Borough business.

(f) The City and Borough of Sitka may sell the land in the future and all agreements regarding the Subject Property, including this Lease Agreement, between Lessee and Lessor shall be completely transferable to said owner. In this case, Kootznahoo will have the Right-of-First-Refusal to purchase their leasehold. A transfer of the property to any such entity shall not create any restrictions upon use of the Subject Property in addition to those hereunder.

(g) Lessor may, upon at least 10 days prior notice to Lessee, temporarily suspend the supply of water, the supply of electric power, the use of pipelines, the use of waterfront structures or the

Filter

Aeration Tank

2nd'y Clarifier

Primary Clarifier

Sawmill Creek Road
(State Highway)

lower station

Lake Road

Proposed Lease Area

Approximate Area of Proposed Lease Lot = 107,220 sq. ft. (2.46 Acres)

Exhibit "A"

Proposed L

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