

Thursday, December 10th, 2009

MEMORANDUM

To: Sawmill Cove Industrial Park (SCIP) Board of Directors
From: Garry White, Director
Subject: Theobroma Chocolate

Background

Theobroma Chocolate Company and the CBS entered into a 5 year lease agreement on 04/10/2003 until 04/30/2008. The agreement allowed for one - 5 year extension.

The Sawmill Cove Board met in July and August 2008 to consider a request from Theobroma to extend the lease for one year.

At the August 4, 2008 meeting the Board "moved to recommend to the Assembly that the lease with Theobroma Chocolate Company be extended for one year, from May 1, 2008 through April 30, 2009 with the requirement that Theobroma remain current on payments for the promissory note, utilities, and lease, and that notice of default shall be reduced from 45 days to 30 days."

On August 12, 2008, the Assembly approved the recommendation from the SCIP Board.

An amendment to the lease agreement was drawn up and presented to the lease holder. The lease holder never signed the lease amendment and still remains in lease hold over status.

Theobroma attended the May 28th, 2009 SCIP meeting to discuss the establishment of a new lease. The SCIP Board directed the SCIP Director to meet with Theobroma to discuss lease rent schedule and other lease issues.

The Director met with Ed Iwamoto, President of Theobroma on June 8th, 2009. Attached is a letter drafted from Mr. Iwamoto received 06/25/09 and a response from the Director dated July 9th, 2009.

The SCIP Board met 07/20/09 to discuss past due payments of Theobroma and directed Theobroma to bring current all promissory note, utilities, and lease payments by August 31, 2009.

The SCIP Board met 08/27/09 to discuss a request from Theobroma to extend payment deadline to 09/30/09.

Theobroma brought all known payments current on 10/01/09. A minimal amount to past due interest charges were brought to Theobroma's attention, which were taken care of on 10/24/09.

Additional Information

As of 12/9/09:

Lease payments. Theobroma has not paid Oct 1, Nov 1, or Dec 1 payments. Total due is \$8,066.24. This amount includes past due interest.

Note payments. Theobroma has not paid Oct 1, Nov 1, or Dec 1 payments. Total due is \$3,094.14. Additional interest will be added on when payment date is known.

Utility payments. Theobroma is one month in arrears in the amount of \$389.80.

Total past due to the CBS = \$11,550.18

Recommendation

1. Require Theobroma to bring all past due lease and note receivable payments current by 12/31/09.
2. Once all payments are brought current, establish a month to month lease with Theobroma with the following requirements:
 - a. Lease rental amount of \$1,713.71 per month for manufacturing space and \$990.11 per month for retail space.
 - b. Rental amount subject to CPI increases based off language in Section 2.2 of past lease.
 - c. Lease payment schedule as proposed by Mr. Iwamoto's within the letter received 06/25/09.
 - d. Theobroma is required to cure default within 30 days
3. In the event Theobroma does not fulfill requirements 1 & 2 by 12/31/09, recommend the CBS start the eviction process.

6/25/09

Theobroma Chocolate Company
PO Box 2237
Sitka, Alaska 99835



Gary White
SMIP

Hi Gary,

Here's some info on what I'd like for the new lease terms.

Payment schedule

Monthly payments

January	Payment
February	No Payment
March	No Payment
April	No Payment
May	No Payment
June	Payment
July	Payment
August	Payment
September	Payment
October	No Payment
November	No Payment
December	Payment

Rates

Request that Manufacturing space be at .50/sq ft

Request that Retail space be at .70/sq ft

Rate adjustments

Request that there be no rate adjustment for duration of lease.

Lease term

Request that lease term be no less than 1 year, no more than 2 years.

Thanks Gary,

I'll talk to you on or about the 30th when I get back to town. Out of town 21st through 29th.

Ed

Sawmill Cove

I N D U S T R I A L P A R K

329 Harbor Drive, Suite 212 * Sitka, Alaska 99835 * Phone: 907-747-2660

July 9th, 2009

Ed Iwamoto, President
Theobroma Chocolate Company
PO Box 2237
Sitka, Alaska 99835

RE: Theobroma Chocolate lease at the Sawmill Cove Industrial Park

Dear Mr. Iwamoto,

You are currently in holdover tenant status until a new lease agreement can be negotiated. I have tried to reach you numerous times since our meeting June 8th to discuss establishing a new lease. The Sawmill Cove Industrial Park Board of Directors will meet July 20th, 2009 to establish a new lease for your operation at the park.

The following are responses from our meeting on June 8th, 2009.

1. Theobroma is currently being charged the standard, established utility rate structure of the City and Borough of Sitka (CBS).
2. Theobroma is currently being charge the standard, established property tax and lease hold area tax of the CBS.
3. The CBS finance department can accommodate your non-traditional lease payment schedule requested in your June, 2009 letter.
4. I have researched the lease rate structure currently being charged by the CBS and it appears to be appropriate.

Please contact me at 907-747-2660 for further discussion of a new proposed lease before the 07/20/09 Sawmill Cove Industrial Park Board meeting.

Sincerely,

Garry White
Sawmill Cove Industrial Park Director