

**ALASKA & PACIFIC PACKING
TIDELANDS LEASE AGREEMENT**

The City and Borough of Sitka (“CBS” or “Lessor”) and Alaska & Pacific Packing (“APP” or “Lessee”), collectively referred to as the “Parties,” enter into this Alaska & Pacific Packing Tidelands Lease Agreement (“Lease”), based on terms and conditions set out in this “Lease,” and as approved by the City and Borough of Sitka Assembly effective _____ 2015.

WHEREAS, the Lessor is the owner of certain tidelands directly in front of Block 4, Lot 2 of the Gary Paxton Industrial Park (“GPIP) in Sitka, Alaska, comprising approximately 20,000 square feet in Alaska Tidelands Survey No. 6, and graphically represented on attached Exhibit A, hereafter referred to as the “Subject Property.”

NOW THEREFORE, based on the consideration set out below, the Lessor and Lessee agree to the following terms and conditions:

1. Lessor leases to the Lessee, for a ten year term concurrent with the lease of Block 4, Lot 8 at the GPIP, the Subject Property described as:

Approximately 20,000 square feet within the boundaries of Alaska Tidelands Survey No.6 as shown on Exhibit A (Section of Plat 2008-27, Sawmill Cove Industrial Park Subdivision No.1; US. Survey 3551,2797 and ATSN0.6)

2. Lessee, in consideration of this Lease, agrees as follows:
 - a. Lease payments shall be made monthly to the Lessor. The lease payments shall be \$150 per month (\$1,800 per year), which is the equivalent of 4.5% of the value of the Subject Property that is valued at \$40,000. Payments for the Tidelands Lease shall be submitted with monthly rent payments for Block 4, Lot 8 and this Lease shall run concurrent with the Lease of Block 4, Lot 8.
 - b. Lessee shall pay sales tax to the City and Borough of Sitka, based on the amount of each monthly lease payment.
 - c. The first month’s payment is due within 10 business days of the Lease being executed by all of the Parties to the Lease. All subsequent payments shall be made on or before the 1st day of the month for each month of the Lease term.
 - d. The Lease may not be assigned or sublet by the Lessee without the consent of the Lessor, which consent shall not be unreasonably withheld, and provided that nothing herein prevents Lessee from contracting with any third party (even through a lease) for the use of the improvements on the leased land.
 - e. If the full Lease payment is not paid on time, and Lessee fails to remedy the default within thirty (30) days after receipt of a written notice of any such lease

payment arrears, the Lessor may immediately, or at any time thereafter while such default continues, terminate the lease, repossess the Subject Property, enter on Subject Property, expel Lessee and those claiming right to possession or to be on the Subject Property based on the rights of the Lessee, and remove Lessee's effects (forcefully if necessary) without being guilty of any trespass. These rights are in addition to any other rights and remedies, without prejudice, which might otherwise be used for arrears or lease payments, proceedings on breach of agreement or collection on arrears.

- f. The Lessee agrees to pay any Local Improvement District assessments that may be levied against the Subject Property to the same extent and in the same amount as if the Lessee were the owner of the Subject Property that would be included in the Local Improvement District to be formed or contemplated. The Lessee shall share the Lessor's right as owner in all proceedings under the Local Improvement District (except for payment of assessments) in proportion that the remaining years of the lease bear to twenty (20). (For example: If the lease has five (5) years to run, the Lessee shall have the right to exercise 5/20ths of the Lessor's vote and the Lessor, 15/20ths.)
- g. Lessee agrees that within 48 months from Lease execution an access ramp and floating dock will be constructed within the Tidelands Lease area following CBS building permit process, or the CBS may terminate this Lease.

3. The Parties mutually agree as follows:

- a. The terms and conditions herein contained shall apply to and bind the heirs, successors, and agents of the respective Parties.
- b. Waiver by Lessor of any term or condition setout in this Lease shall not be considered a waiver of any subsequent breach of said term or condition.
- c. Other than due to negligence by CBS, lessee agrees to hold harmless, insure and indemnify the Lessor from any liability for property damage or personal injury to any person or persons on or about the Subject Property and to carry and provide proof of liability insurance in the amount of \$1 million dollars, with the Lessor as an additional named insured. APP is responsible for any damage to the CBS (and Northern Southeast Regional Aquaculture Association, (aka NSRAA) outfalls which are located close to the Tidelands lease area and any damages incurred will be rectified APP to the specifications agreed upon by CBS and NSRAA. Lessee is not responsible for negligence on the part of the Lessor.
- d. At any termination of the Lease, Lessee will be responsible for removal of any improvements including but not limited to, access ramps, floating docks, mooring buoys and anchors. If the improvements are not removed in a timely manner, Lessee shall repay the Lessor for all expenses incurred by such removal.
- e. CBS, as owner of this property of Tidelands, reserves the right to allow ingress

and egress across this property by CBS and other parties, when it will not interfere with actual operations of any APP vessels or tie up to APP buoys. Both parties agree in good faith to give as much advance notice as possible for such activity so there is no disruption of business.

- f. Each Party to the Lease represents that its representative or agent who signs and executes the Lease has been delegated and is authorized to legally bind each Party regarding this Lease.
- g. Lessee shall throughout any term of this Lease Agreement, at Lessee's sole expense, promptly comply with all the laws and ordinances and the orders, rules, regulations, and requirements of all federal, state, and municipal governments and appropriate departments, commissions, boards, and officers (whether or not the same require structural repairs or alterations) and all other legal requirements that may be applicable to the use of the Subject Property. Nothing in the foregoing sentence shall be deemed to relieve Lessor of its general obligations in its municipal capacity.
- h. Each party agrees that for purposes of this lease and any subsequent sale, CBS retains all utilities, both known and unknown, and retains a utility easement to access, protect, maintain and use said utilities. No buildings or structures shall be built over or within 10 feet of a utility. Each party understands that at GPIIP, the exact location of some underground utilities have not been identified or located. The lessee agrees to bear the sole cost of the removal or relocation of any utilities, both known or unknown, which is necessitated by Lessee's activities. Any property placed over a known utility without express permission of CBS, may be removed by CBS, with lessee to bear the sole cost of such removal.
- i. Lessee shall be responsible for obtaining all necessary permits and approvals for its activities unless otherwise specifically allowed by Lessor.
- j. CBS will allow APP to use the existing mooring dolphins (former Pulp Mill infrastructure) on the understanding that:
 - i. The Dolphins are in as-is/where-is condition.
 - ii. CBS will not warrant the condition of current mooring dolphins.
 - iii. APP will indemnify the CBS for use of the mooring dolphins and waive rights to pursue any claim against the CBS for use of the mooring dolphins.
- k. Lessee has the option to renew the lease for five (5) five-year terms, new terms can be discussed 24 months before end of the Lease term. Lessee must provide in writing their request to exercise lease extension at least 30 days prior to Lease Expiration.
- l. CPI adjustment will be applied to Lease on the 61st month after Lease execution. CPI adjustment will be based on average of the Anchorage and Seattle "all items"

figure of the “consumer price index for all urban areas.”

- m. Should the Block 4, Lot 8 lease be terminated without liability of Lessee to pay additional rent, then Lessee shall be entitled to terminate this Tidelands Lease Agreement with no obligation to make additional lease payments.
4. Nothing in this agreement supersedes, voids or modifies any previous agreements between the Parties.

ALASKA & PACIFIC PACKING

CITY AND BOROUGH OF SITKA

G. Pat Glaab

Mark Gorman, Municipal Administrator

STATE OF ALASKA)
) **ss.**
FIRST JUDICIAL DISTRICT)

On this ____ day of _____, 2015, G. Pat Glaab, whose identity is personally known to me or proved to me on the basis of satisfactory evidence, signs this Lease Agreement on behalf of Alaska & Pacific Packing and affirms by signing this document to be authorized to sign on behalf of the Alaska & Pacific Packing, and does so freely and voluntarily.

Notary Public for Alaska
My Commission Expires: _____

STATE OF ALASKA)
) **ss.**
FIRST JUDICIAL DISTRICT)

On this ____ day of _____, 2015, MARK GORMAN, MUNICIPAL ADMINISTRATOR of the City and Borough of Sitka, Alaska, a municipal corporation organized under the laws of the State of Alaska, signs this Lease Agreement on its behalf, and affirms by signing this document to be authorized to sign on its behalf, and does so freely and voluntarily.

Notary Public for Alaska
My Commission Expires: _____