



CITY AND BOROUGH OF SITKA

ASSEMBLY CHAMBERS
330 Harbor Drive
Sitka, AK
(907)747-1811

Meeting Agenda City and Borough Assembly

*Mayor Mim McConnell
Deputy Mayor Matt Hunter
Vice-Deputy Mayor Phyllis Hackett, Pete Esquiro, Mike Reif,
Benjamin Miyasato and Aaron Swanson*

*Municipal Administrator: Mark Gorman
Municipal Attorney: Robin L. Koutchak
Municipal Clerk: Colleen Ingman, MMC*

Tuesday, February 11, 2014

6:00 PM

Assembly Chambers

WORKSESSION: 5:00PM to 5:50PM

Community Land Trust Consultant Mike Brown

[14-033](#)

Community Land Trust Presentation

Attachments: [Community Land Trust Presentation](#)

REGULAR MEETING

I. CALL TO ORDER

II. FLAG SALUTE

III. ROLL CALL

IV. CORRESPONDENCE/AGENDA CHANGES

[14-032](#)

Correspondence Materials

Attachments: [Reminder and Calendars](#)

[Public Works Update](#)

[Blue Lake Expansion Project Schedule](#)

[Blue Lake Expansion Project Monthly Update](#)

V. CEREMONIAL MATTERS

None anticipated.

VI. SPECIAL REPORTS: Government to Government, Municipal Boards/Commissions/Committees, Municipal Departments, School District, Students and Guests (time limits apply)

- 1) Representative Jonathan Kreiss-Tomkins - under 10 minutes
- 2) Tonia Rioux, Director of the Sitka Convention and Visitors Bureau - under 10 minutes

VII. PERSONS TO BE HEARD

Public participation on any item off the agenda. Not to exceed 3 minutes for any individual.

VIII. REPORTS

a. Mayor, b. Administrator, c. Attorney, d. Liaison Representatives, e. Clerk, f. Other 3 minutes each

IX. CONSENT AGENDA

All matters under Item IX Consent Agenda are considered to be routine and will be enacted by one motion. There will be no separate discussion of these items. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.

X. UNFINISHED BUSINESS:

- A** [ORD 14-03A](#) Amending Sitka General Code Sections 3.16.030 entitled "Open Market Procedures", 3.16.060 entitled "Exceptions to Competitive Bidding Requirements", and adding Section 3.16.080 entitled "Procurement Monitoring"

Attachments: [Ordinance 2014-03A](#)

XI. NEW BUSINESS:

New Business First Reading

- B** [ORD 14-04](#) Authorizing renewal of sublease of space by Nugget Restaurant at the Sitka Rocky Gutierrez Airport Terminal Building

Attachments: [Ordinance 2014-04](#)

Additional New Business Items

- C** [14-026](#) Discussion/Direction/Decision on inclusion of up to \$25,000 for the RIDE's fixed route public transit service in the FY15 budget

Attachments: [Discussion Decision Direction the RIDE](#)
[the RIDE maps](#)

- D** [14-027](#) Approve a loan in the amount of \$350,000 to the Baranof Island Brewing Company from the Southeast Alaska Economic Development Revolving Loan Fund
- Attachments:** [Memos from CBS and BIBCO](#)
[Promissory Note May 2011](#)
[Promissory Note April 2012](#)
[Promissory Note October 2012](#)
[BIBCO Pro Forma Financial Plan and Forecast](#)
- E** [14-028](#) Approve a special emergency grant submitted by the Sitka Community Development Corporation in the amount of \$7500
- Attachments:** [SCDC grant request](#)
- F** [14-029](#) Authorize the Municipal Administrator to execute a lease between S&S General Contractors and CBS for Block 4 Lots 3 and 6 of the Sawmill Cove Industrial Park
- Attachments:** [S&S Lease Block 4 Lots 3 and 6](#)
- G** [14-030](#) Authorize the Municipal Administrator to execute Amendment No. 2 to the lease agreement between CBS and S&S General Contractors & Equipment Rentals Inc. to extend the lease for approximately 38,000 square feet of property located at the Granite Creek Industrial area "Pit Run" site for approximately 6 months
- Attachments:** [Amendment No.2 Granite Creek Pit Run Site](#)
- H** [14-025](#) Authorize the Municipal Administrator to execute a contract with Shaw Environmental, Inc; a Chicago Bridge & Iron Company to complete a not to exceed time and materials contract for the City and Borough of Sitka Municipal Solid Waste Management Plan and transfer up to \$250,000 from the Solid Waste Fund available working capital to project #90764 to create a budget for this work
- Attachments:** [Solid Waste Management Master Plan](#)

XII. PERSONS TO BE HEARD:

Public participation on any item on or off the agenda. Not to exceed 3 minutes for any individual.

XIII. EXECUTIVE SESSION**XIV. ADJOURNMENT**

*Colleen Ingman, MMC
Municipal Clerk
Publish: February 7*



Legislation Details

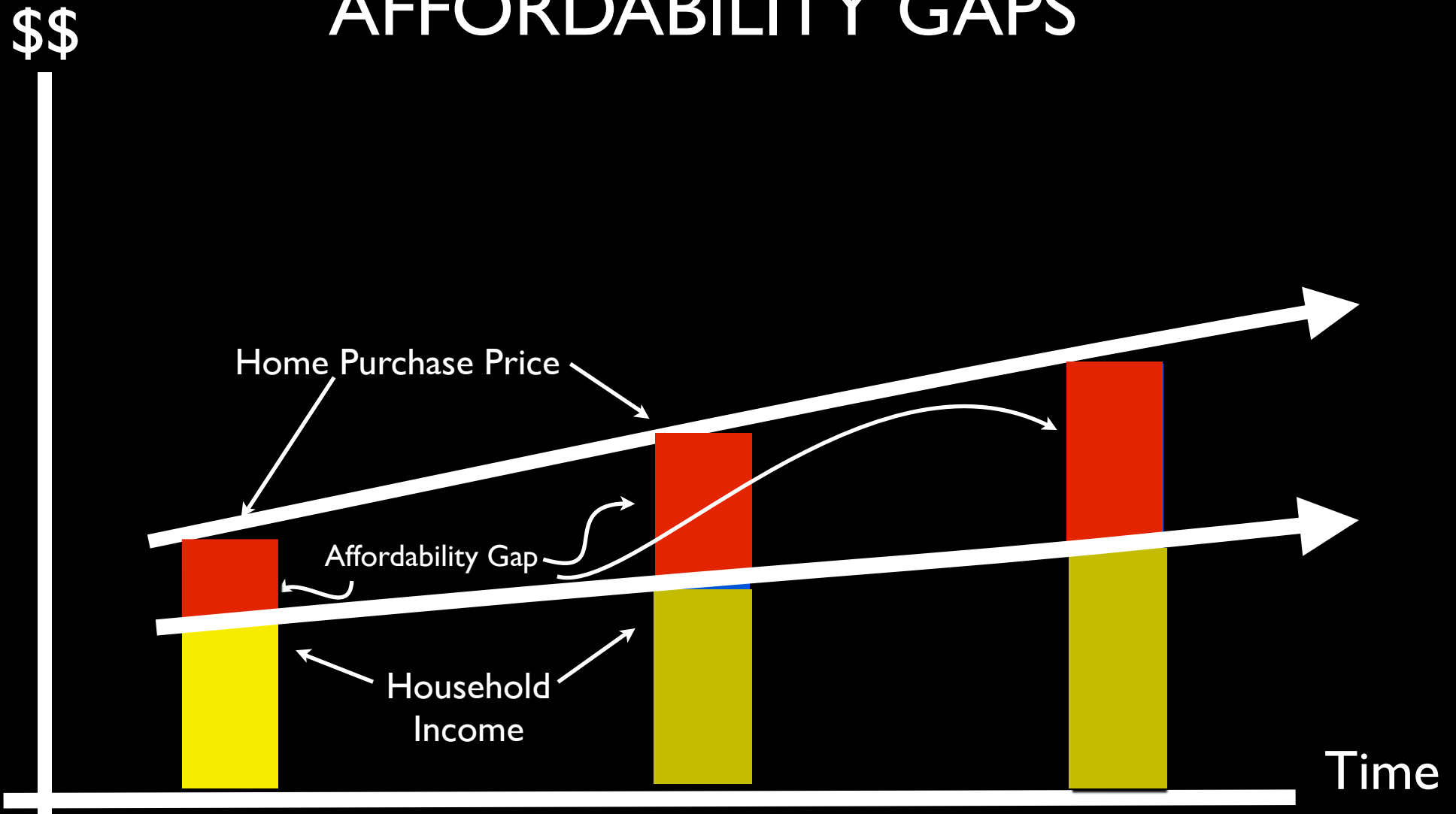
File #: 14-033 **Version:** 1 **Name:**
Type: Item **Status:** AGENDA READY
File created: 2/6/2014 **In control:** City and Borough Assembly
On agenda: 2/11/2014 **Final action:**
Title: Community Land Trust Presentation
Sponsors:
Indexes:
Code sections:
Attachments: [Community Land Trust Presentation](#)

Date	Ver.	Action By	Action	Result
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COMMUNITY LAND TRUSTS

EQUITABLE & SUSTAINABLE
SOLUTIONS
FOR OUR COMMUNITIES

HOMEOWNERSHIP AFFORDABILITY GAPS



COMMUNITY LAND TRUSTS

- Take a unique and long-term approach to affordable homeownership - by altering:
 - How homeownership is structured
 - How affordability subsidy is applied
 - How long-term relationships with homeowners are nurtured and maintained

COMMUNITY CONTROL & DECISION-MAKING

• Typically, a local CLT is a nonprofit, community-based, 501(c)(3) corporation



• Variations:

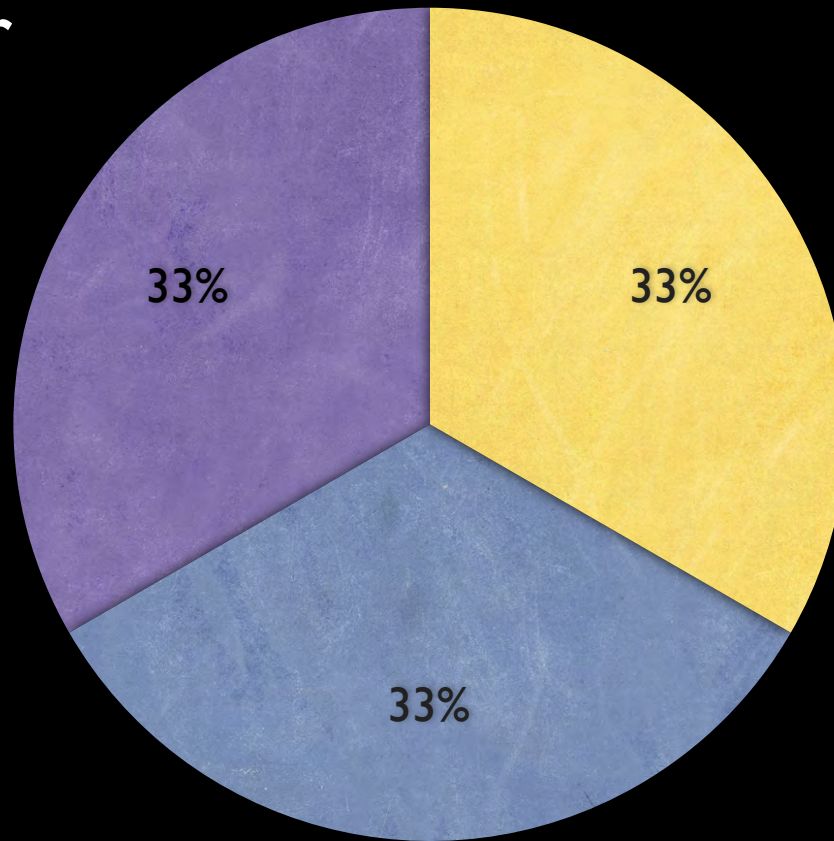
• Program of existing housing nonprofit

• Regional collaboration

COMMUNITY GOVERNANCE

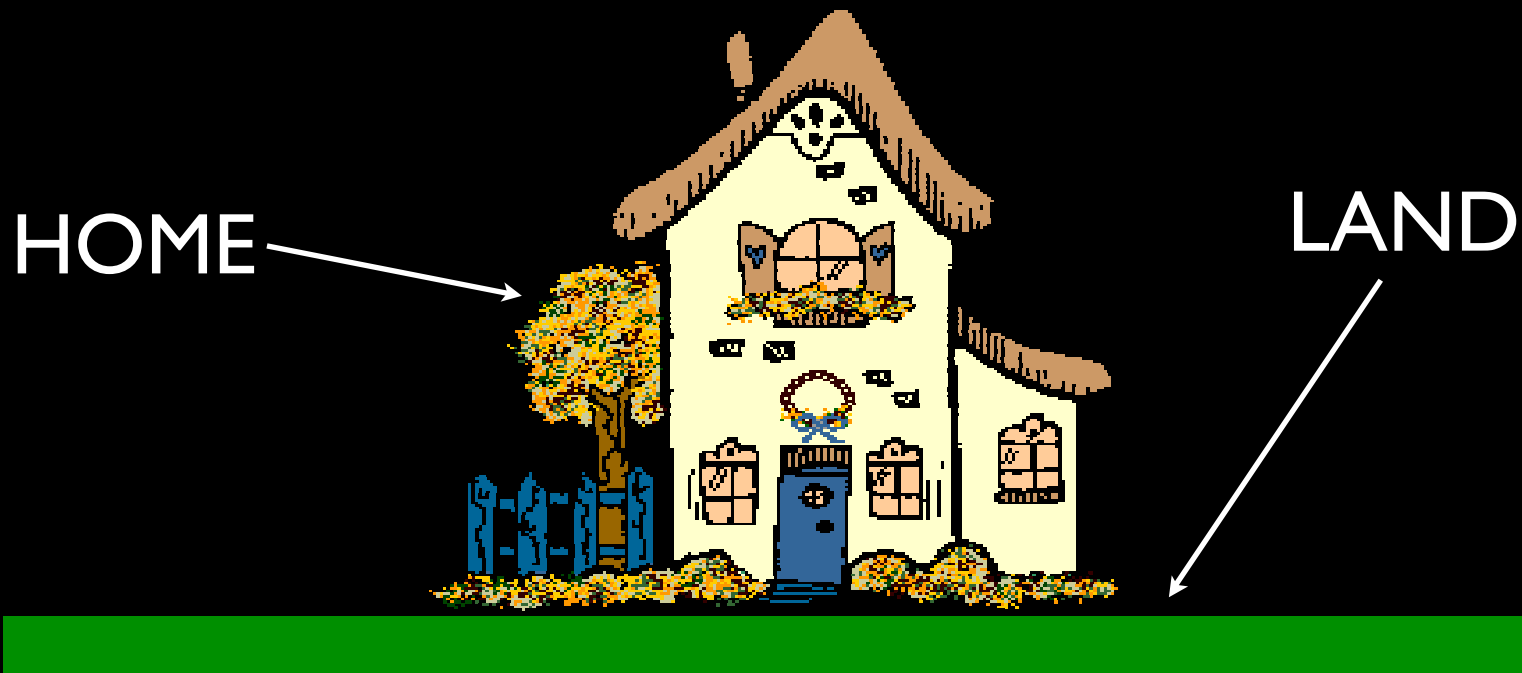
Homeowner
Directors

Community
Directors



Public Directors

DUAL OWNERSHIP



CLT separates ownership of land from home

Homebuyer buys - and owns - the affordable home

CLT leases land to homeowner

CLT GROUND LEASE

Twofold function:

1. Conveys exclusive, legally binding right to homeowner to use and occupy the land on which his/her home is located.
2. Stipulates specific expectations regarding homeowner's use, occupancy and transfer of home they own and land they lease - e.g., owner-occupancy required, no subletting, etc.

PERMANENT AFFORDABILITY

- Subsidy is used to write down the sales price of the home to an affordable *purchase* price
- CLT homeowners, by signing the ground lease:
 - Agree to share with future homebuyers the affordability that was initially created for them
 - Agree to resale formula that will be used to determine the price at which they can sell their homes

RESALE FORMULA - EXAMPLE

Original Value (by appraisal) = \$120,000

Minus Subsidy: (\$40,000)

Original Purchase Price = \$80,000

Owner's Share of Appreciation = 25%

Resale

Value at Resale (by appraisal) = \$140,000

Increase in Value (\$140,000 - \$120,000) = \$20,000

Owner's share (\$20,000 × 25%) = \$5,000

Resale Price = \$85,000

(\$80,000 + \$5,000)

PERMANENT AFFORDABILITY

- The community - rather than the marketplace - determines the future use and disposition of these community assets
- Quality homes made initially affordable remain affordable from one homeowner to the next - without requiring additional subsidy investments
- The benefits of limited and precious public and private subsidies used to create the initial affordability of these homes is preserved for generations to come

STEWARDSHIP

PERMANENT ACCOUNTABILITY

- CLTs enter into long-term, mutually accountable relationships with their homeowners
- Ground lease lays out clear expectations - and CLT monitors and enforces homeowner compliance
- CLTs stand behind - and 'backstop' - their homeowners help ensure the prospects their success



COMMUNITY LAND TRUST
--TANGIBLE OUTCOMES --

STEWARDSHIP OUTCOMES

HOMEOWNER SECURITY

- Over 90% of CLT homeowners remain in their homes at least five (5) years
- Historically, the average tenure of CLT homeowners is seven (7) years
- Over 70% of CLT homeowners, when they sell their CLT homes, purchase an unrestricted, market-rate home

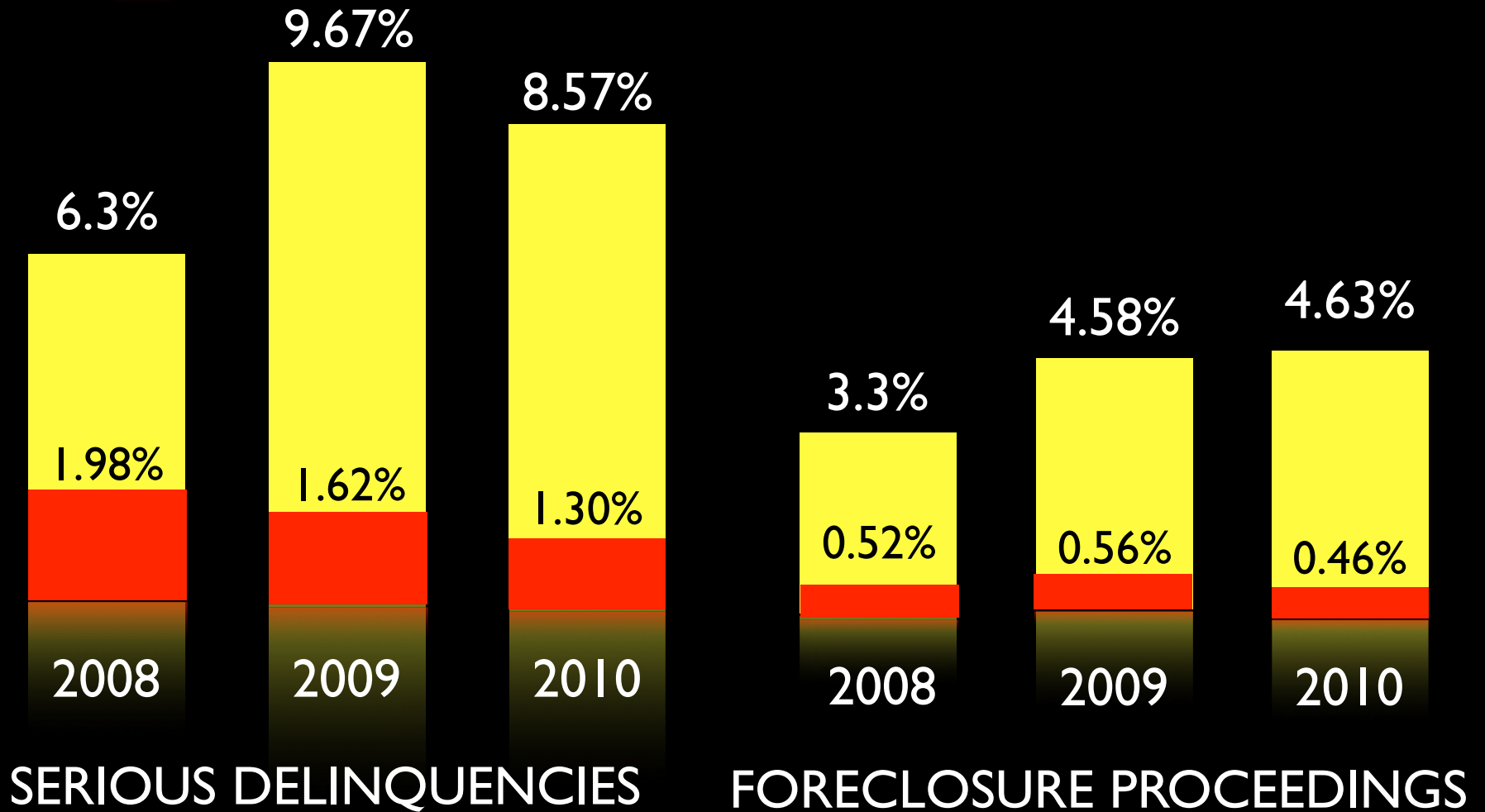
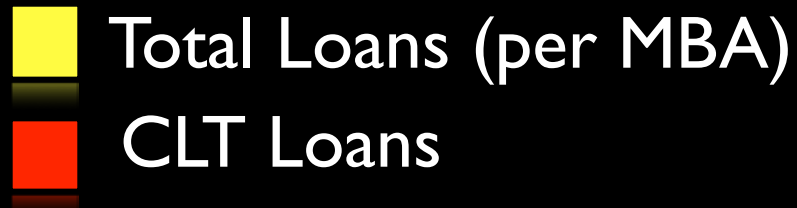
STEWARDSHIP OUTCOMES

SUBSIDY LEVERAGE

- CLT homes remain affordable over time, from homeowner to homeowner, without requiring additional subsidy investment.
- Public and private resources invested to create initial housing affordability is preserved and leveraged over time.

STEWARDSHIP OUTCOMES

MORTGAGE PERFORMANCE



OUTCOMES

- Housing affordability and quality is preserved
- Public and private investment is leveraged
- CLT homeowners are successful and stable
- Communities benefit: impact on local work force; housing quality; housing values
- Mortgage financing is secure
- Flexible strategy for multiple community uses

QUESTIONS?
COMMENTS?
OBSERVATIONS?

SITKA CDC
COMMUNITY LAND TRUST
PROGRAM

TECHNICAL ASSISTANCE SCOPE OF SERVICES

- Phase 1: Planning

- Assess feasibility of CLT in Sitka
- Outreach and education
- Develop business plan for CLT

- Phase 2: Implementation

- Design CLT homeownership program
- Implement and build support/partnerships

FEASIBILITY ASSESSMENT

- Sitka Single-Family Home Prices (Sept. 2013)
 - Average list price = \$445,422
 - Median list price = \$380,500
- 2013 median household income = \$75,300

BUSINESS PLANNING ASSUMPTIONS

- Organizational framework:
 - Service area: City and Borough of Sitka
 - Organizational structure: CLT will be operated as a program under corporate structure and governance of SCDC
 - Board of directors: to include CLT homeowners

BUSINESS PLANNING ASSUMPTIONS

- Program eligibility:
 - Maximum income: 120% AMI
 - Priority targeting: <80% AMI

BUSINESS PLANNING ASSUMPTIONS

- Housing development:
 - SCDC will not be the primary developer of its CLT homes
 - SCDC will partner with public and private (for-profit and nonprofit) housing development companies

BUSINESS PLANNING ASSUMPTIONS

- Portfolio development projections:
 - 2014-2015: 1 home each year
 - 2015-2023: at least 13 more homes

BUSINESS PLANNING ASSUMPTIONS

- Preliminary staffing projections:
 - Boost Executive Director staffing to manage CLT program, beginning 2014
 - Add stewardship staffing as portfolio of homes and homeowners expands
 - Additional annual admin/overhead costs

BUSINESS PLANNING ASSUMPTIONS

- Revenue projections:
 - Portfolio revenue
 - Earned fee revenue
 - External fundraising
- Like all nonprofits, SCDC will rely on external fundraising as its portfolio grows

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COMMUNITY LAND TRUSTS

EQUITABLE & SUSTAINABLE
COMMUNITY SOLUTIONS



Legislation Details

File #: 14-032 Version: 1 Name:

Type: Correspondence Status: AGENDA READY

File created: 2/6/2014 In control: City and Borough Assembly

On agenda: 2/11/2014 Final action:

Title: Correspondence Materials

Sponsors:

Indexes:

Code sections:

Attachments: [Reminder and Calendars](#)
[Public Works Update](#)
[Blue Lake Expansion Project Schedule](#)
[Blue Lake Expansion Project Monthly Update](#)

Date	Ver.	Action By	Action	Result
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REMINDERS

<u>DATE</u>	<u>EVENT</u>	<u>TIME</u>
<i>Thursday, February 6</i>	<i>Worksession with the Sitka School Board</i>	<i>6:00 PM</i>
Tuesday, February 11	Worksession: Community Land Trust Consultant – Mike Brown	5:00 PM
Tuesday, February 11	Regular Meeting	6:00 PM
Tuesday, February 25	Worksession: Sitka Convention and Visitors Bureau	5:00 PM
Tuesday, February 25	Regular Meeting	6:00 PM



Assembly Calendar

[2013](#) [Jan](#) [Feb](#) [Mar](#) [Apr](#) [May](#) [Jun](#) [Jul](#) [Aug](#) [Sep](#) [Oct](#) [Nov](#) [Dec](#) [2015](#)
February 2014

Sunday		Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	
26	Jan	27	28	29	30	31	1	Feb
Reif		Reif	Reif 1:00pm SCVB Board 5:00pm Worksession: the Ride 6:00pm <u>Regular Assembly Mtg</u>	Hackett	Hackett	Hackett	Hackett	
2		3	4	5	6	7	8	
Hackett		Hackett	Hackett 7:00pm Planning 7:00pm <u>School</u>	Hackett 6:00pm Police and Fire 7:00pm <u>Library</u>	Hackett 12:00pm <u>Parks & Rec</u> 6:00pm Budget Worksession: School Board/Assembly	Hackett	Hackett	
9		10	11	12	13	14	15	
Hackett		Hackett	Hackett 12:00pm Health Needs and Human Services Commission 5:00pm Worksession: Community Land Trust 6:00pm <u>Reg Assembly Mtg</u>	Hackett 6:00pm Historic Preservation 6:00pm Port & Harbors Commission	Hackett <u>McConnell</u> 12:00pm LEPC	Hackett	Hackett	
16		17	18	19	20	21	22	
Hackett		Hackett	Hackett <u>McConnell</u> 12:00pm <u>Tree/Landscape</u> 7:00pm <u>Planning</u> 7:00pm <u>School</u>	Hackett <u>McConnell</u> 6:30pm STA	Hackett	Hackett	Hackett	
23		24	25	26	27	28	1	Mar
Hackett		Hackett	Hackett 1:00pm SCVB Board 5:00pm Worksession: Meet with SCVB 6:00pm <u>Regular Assembly Mtg</u>	Hackett	Hackett 6:30pm <u>Hospital Board</u>	Hackett	Hackett	

Assembly Calendar

[2013](#) [Jan](#) [Feb](#) [Mar](#) [Apr](#) [May](#) [Jun](#) [Jul](#) [Aug](#) [Sep](#) [Oct](#) [Nov](#) [Dec](#) [2015](#)
March 2014

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
23 Feb Hackett	24 Hackett	25 Hackett 1:00pm SCVB Board 5:00pm Worksession: Meet with SCVB 6:00pm Regular Assembly Mtg	26 Hackett	27 Hackett 6:30pm Hospital Board	28 Hackett	1 Mar Hackett
2 Hackett McConnell	3 Hackett McConnell	4 Hackett McConnell 7:00pm Planning 7:00pm School	5 McConnell 6:00pm Police and Fire 7:00pm Library	6 McConnell 12:00pm Parks & Rec	7 McConnell	8 McConnell
9 McConnell	10 McConnell	11 McConnell 12:00pm Health Needs and Human Services Commission 5:00pm Worksession: Solid Waste Management Plan 6:00pm Reg Assembly Mtg	12 McConnell 6:00pm Historic Preservation 6:00pm Port & Harbors Commission	13 McConnell 12:00pm LEPC	14 McConnell	15 McConnell
16 McConnell	17 McConnell 12:00pm Tourism Commission Meeting	18 McConnell 12:00pm Tree/Landscape 7:00pm Planning 7:00pm School	19 McConnell 6:30pm STA	20 McConnell	21 McConnell	22
23	24	25 1:00pm SCVB Board 5:00pm Worksession: CAFR Presentation 6:00pm Regular Assembly Mtg	26	27 6:30pm Hospital Board	28	29
30	31	1 Apr 5:00pm Board of Equalization Training 7:00pm Planning 7:00pm School	2 6:00pm Police and Fire 7:00pm Library	3 12:00pm Parks & Rec	4	5

Centennial Hall Renovation:

Milestones This Period

- The Design Consultant Team is completing the 35% Schematic Design Documents, for submission to the Cost Estimator today. The cost estimate should be complete in two or three weeks.
- Focus Groups for specific areas of the design are being organized and early meetings scheduled February 18 and 19, 2014. This information will be published next week.
- FEMA has removed the existing structure from the flood zone.

Future Milestones

- Concept/Schematic Design and 35% Cost Estimate due February 2014.
- Assembly approval of 35% design and project budget March 2014.
- Design Development documents and 65% cost estimate due May 2014.
- Construction Documents and 95% cost estimate due August 2014.
- Project Bidding October 2014.
- Award construction contract December 2014.
- Begin construction winter/spring 2015.
- Complete construction summer/fall 2016.

Background

The current total estimated cost for this project is \$15.2 million including the new museum wing. Phase one estimated cost is \$11,421,000. Current grant funding allocated specifically to the project is only \$8,230,000. A \$2,000,000 FY10 Legislative Grant designated for a lightering facility visitor's center (previously planned for under the O'Connell Bridge), is eligible to be used for this project since Centennial Hall serves as a visitor center for the Crescent Harbor Lightering Facility.

A FY14 Legislative Priority Request was submitted consisting of \$4,200,000 for the Centennial Hall building improvements and \$3,341,000 for combined Library/Centennial Hall heating system improvements; however it does not appear that either request will be funded at this time. Additionally, approximately \$2,000,000 is available in the Marine Passenger Fee Fund that could be used for this project. If additional funds are not secured, the scope of the project will need to be scaled back or phased with additional museum and meeting space expansion planned for the future when funding becomes available.

Pacific High School:

Milestones This Period

- Invitations are being sent out for the Pacific High School Dedication, which will be held February 17, 2014 from 5:00 pm to 7:00 pm at the school.
- Classes started at the improved school on January 7, 2014.

Future Milestones

- Contract closeout will require additional submittals from Sunland Development Company, LLC.

Background

The project budget is \$2,671,000.

Blatchley Middle School:

Milestones This Period

- The door correction change order work is underway and should be complete by summer.
- The one year warranty is in effect and the contractors are addressing issues as required.

Future Milestones

- Sitka School District is working on prioritizing the list of uncompleted major maintenance items that may be completed with the remaining project funding.

Background

The projects (combined Fund 704 now closed out, and Fund 706) funding including the Assembly approved accumulated interest of \$12,863,000 for major maintenance is nearly complete. There remain encumbered funds for the remodel project and remaining funds for additional major maintenance needed at the school.

Ultra Violet (UV) Disinfection Facility:

Milestones This Period

- The 95% design is underway

Future Milestones

- Submission to DEC February 2014
- The 95% design to CBS for review February 2014.
- The 100% design due April 2014.
- The project will be bid for construction in May 2014.
- The project construction will begin June 2014.

- The project construction will be complete November 2014.
- ADEC approval to operate December 2014.

Background

The Blue Lake drinking water system is a surface water system, which must comply with the EPA Enhanced Surface Water Treatment Rules (ESWTRs). The subject UV Disinfection Facility will provide the additional microbial and disinfection controls required under the ESWTRs.

The current project cost estimate is \$8,966,000. Funding for this project is provided by State of Alaska Department of Environmental Conservation (ADEC) loans and grants:

- \$4,000,000 FY 2011 ADEC Loan. Includes \$2,500,000 financed with \$1,500,000 subsidized.
 - \$2,550,000 FY 2012 ADEC Loan (pending).
 - \$3,500,000 FY 2012 ADEC Grant (30% local match requirement).
 - \$2,061,000 FY 2013 ADEC Grant (pending - 30% local match requirement).
- \$12,111,000 Total Project Funding.

The grants and loans indicated as pending are grants and loans listed on the Alaska Drinking Water Fund intended use plans, for which CBS has submitted appropriate paper work to have the grant or loan finalized.

Library Development Planning:

Milestones This Period

- The project design is moving toward completion of the 65% design phase.
- FEMA has made a final determination that the existing finish floor is outside of the flood plain.

Future Milestones

- Design completion May- June 2014.
- Advertisement for bids July 2014.
- Construction begins August 2014.
- Construction Complete August 2015.

Background

The design phase is expected to take 12 months at a minimum with the earliest advertisement for construction planned for late summer/fall 2014. The project construction may be completed in 2015, depending on the phasing plan that is developed.

The State funding of \$5.7 million awarded to CBS is a direct appropriation with no funding match requirements. A private donation of \$400,000 has also been given to the

project by the John J. and Eleanor Brust Family. \$350,000.00 of the budget was allocated to the Centennial Hall Parking Lot Project to relocate the Swan Lake storm drain, leaving a current project budget of \$5.75 million for the expansion and renovation of the Library.

Storm Water Management Plan:

Milestones This Period

- Consultation with consultant to discuss scope.

Future Milestones

- Storm Water Ordinance is currently under development and due at the end of February.
- Work session with Planning Commission and local contractors planned for March
- Work session with Assembly Planned for April
- Approval of Storm Water Ordinance by Assembly Planned for May

Background

The first phase of the Storm Water Master Plan was completed in late June 2012 with Tetra Tech Alaska, LLC gathering existing infrastructure data and condition inventory to include in our GIS system along with precipitation analysis and drainage basin delineation as part of the first phase of the project. The second year grant funding (FY13) was approved by the Alaska Department of Environmental Conservation and the grant agreement was authorized by the Assembly in July 2012. The grant amount of \$43,388 requires a forty percent CBS match of \$28,925. This phase included collecting more field data, preparing the Storm Water Management plan, Sitka specific rainfall intensities, recommended Best Management Practices, Capital Improvement Plan and an example Storm Water Ordinance.

Alternative Water Source Investigation Filtration (Blue Lake Project):

Milestones This Period

- Conditional Clean Water approval to construct has been approved by DEC.
- Conditional Drinking Water approval to construct has been approved by DEC.
- CBS, CH2MHill and the State of Alaska Department of Conservation Drinking Water team are working closely together to obtain condition approval to construct.
- Barnard Construction, McMillen, LLC and CH2MHill are working together to finalize the change order to incorporate the temporary filtration into the overall Blue Lake Dam Project.

Future Milestones

- The system is planned to be operational in July 2014.

Background

The proposed schedule has the design completed in October 2013, Alaska Department of Environmental Conservation permitting completed in March of 2014, construction of the piping and pumping completed in April 2014 and final installation of the filter units in June 2014 for operation in July 2014. The preliminary design cost estimate has a projected design and construction cost of \$3,000,000. Due to the lack of well potential in the Indian River Valley, temporary surface water filtration will need to be utilized during the Blue Lake Project outage. Award of the design contract to CH2MHILL, was approved by the Assembly on February 12, 2013.

A temporary filtration system has been designed to treat Indian River water to serve the public during the Blue Lake penstock outage in 2014. We continue working closely with CH2MHill, the designer, reviewing details for the temporary filtration system and answering specific questions about the site and old facilities.

Centennial Hall & Library Site Parking Lot Development:

Milestones This Period

- Light sensor replaced to turn off lights during the day.

Future Milestones

- Awaiting proposal from S&S to install supplemental lighting.
- Awaiting proposal from CBC to install 6-foot-square concrete squares adjacent to the planters for use by the vendors.
- Timeline for both projects is completion prior to the first scheduled cruise ship landing: May 7, 2014.

Background

The project includes the complete reconstruction of the Centennial Hall Parking Lot and Crescent Harbor Parking lot. The improvements include storm drain, water, sewer, curb and gutter, paving, lighting, pedestrian plaza and landscaping. The project was accepted as substantially complete on September 30, 2013. S&S General Contractors was awarded the construction contract in the amount of \$2,613,651. The total project budget is \$3,950,000. There is an unencumbered balance of \$340,000.

Edgcombe Drive Street Reconstruction:

Milestones This Period

- Further development of Request for Proposal (RFP) package.
- Decided to not require project completion by November 2014. Goal is to achieve as much value as possible from project funding, and requiring 2014 completion might not have achieved this goal.

Future Milestones

- Will issue Request for Proposal in February 2014.
- Proposals due in March 2014.
- Anticipate award of design/build contract after April 8 Assembly meeting. Contractor will be responsible for design and will propose a schedule. Construction can begin before design is complete with CBS approval.
- Construction substantially complete by August 2015.

Background

The project includes drainage, sidewalk, curb and gutter, pavement and potentially traffic calming improvements on Edgecumbe Drive from Peterson Street to Cascade Creek Road. The total project budget is \$5.46 million. Public Works will pursue a design/build contract that would allow the contractor to fit a project into our budget that will best satisfy a priority list we will provide in the bid package.

Hollywood & New Archangel design:

Milestones This Period

- Project design continuing toward 65% continuing.

Future Milestones

- 65% design drawings and cost estimate due February 2014.
- 95% design drawings and cost estimate due March 2014.
- Construction drawings and final cost estimate due April 2014.
- Bid the project during Winter 2014-2015 for Summer 2015 construction.

Background

The project includes design for water, sewer, storm drain and pavement improvements, and potentially curb and gutter and sidewalk improvements on Hollywood Way and New Archangel Street from Halibut Point Road to Marine Street. Funding for design is available from ADEC Loans (Hollywood Water \$250,000, Hollywood & New Archangel Sewer \$500,000), General Fund budget for streets (\$5,000), and Enterprise Funds (Hollywood Water \$25,000, Hollywood Sewer \$25,000, New Archangel Sewer \$25,000). Project will require a minimum additional \$20,000 contribution from the general fund to address Hollywood Way road rebuilding and drainage.

Airport Baggage and TSA Area design:

Milestones This Period

- Discussed draft scoping report for airport improvements with Alaska Airlines and Transportation Security Administration representatives. Decided to pursue modification of layout presented in draft report to better meet the needs of Airport Users.

Future Milestones

- Incorporate Airport Users Group comments into final report in March 2014.
- Upon Assembly approval of project scope, award design contract for airport improvements in April 2014.
- 65% design drawings and cost estimate due June 2014.
- 95% design drawings and cost estimate due August 2014.
- Construction drawings and final cost estimate due September 2014.

Background

The project includes design for expansion of the baggage makeup and TSA baggage screening areas. The project will also help establish a Passenger Facility Charges (PFC) program that will raise funds for the construction of the work. Funding collected from a previous PFC program amount to \$275,000 for the design project.

ANB Harbor Replacement (Project # 90674):

Milestones This Period

- All Owner-furnished material is now on site.
- Installation of the marginal float and float 1 piling are complete. Installation of float 2 piling underway.
- Rock demolition is complete.
- Bedrock depths have been encountered consistently deeper than anticipated. Splicing has been required for several piling to date. Additional splice material has been procured by PW in the event that future splices are required. All additional work to date can be paid out of contingency funds built into the contract.
- New potable water connection to water main within Katlian Street has been made. Pressure testing and chlorination pending.
- New water meter vault installed and backfilled behind new concrete abutment.

Future Milestones

- Piling and float installation will continue for the next several months with float 2 followed by floats 3 and 4.
- Substantial completion is required by March 15, 2014.

Background

CBS received a FY13 State of Alaska Municipal Harbor Facility Matching Grant, for the ANB Harbor Replacement Project, which will cover 50% of eligible construction costs not to exceed \$4,250,000 in match funding. CBS has received bond proceeds from the Alaska Municipal Bond Bank in the amount of \$4,300,000 for this project. On January 10, 2013, the Assembly awarded a Professional Services Contract to Moffatt & Nichol for the ANB Harbor Replacement Project. On June 25, 2013, the Assembly approved award of the Procurement Contract to Transpac Marinas, Inc. for \$2,698,870. On October 22, 2013, the Assembly approved award of the Installation Contract to Pacific Pile & Marine L.P. for \$3,639,319. The total project cost is currently estimated at \$7,720,000.

Sitka Community Hospital Roof Replacement (Project # 90737):

Milestones This Period

- New walkway pads were installed during the stretch of warm weather in mid-January.

Background

The Assembly approved award of a construction contract to CBC Construction, Inc. in the amount of \$784,754.16 for the Sitka Community Hospital Roof Replacement project on April 23, 2013. Due to the very competitive bid received, a change order to the contract was approved to upgrade the insulation to a better product (polyiso instead of EPS). The project is funded through a \$1,200,000 FY2013 State Legislative Grant.

Swan Lake Restoration / Dredging Project (Project # 90747):

Milestones This Period

- None.

Future Milestones

- The Contractor is planning to complete all of the dredging in 2014.
- Purchase of a refurbished aquatic weed harvester was included in the grant funding. These floating machines cut and remove the vegetation to improve recreational opportunities and water flow through the lake. The search for a suitable harvester is on-going with several suppliers.

Background

The Assembly approved award of a construction contract to Island Enterprises, Inc. in the amount of \$399,806 for the Swan Lake Restoration – Lake Dredging project on April 23, 2013. The project includes dredging prioritized selected locations to improve water flow through the lake, winter habitat for fish, access and recreation in general. The City and Borough of Sitka received \$771,236 in Federal funds through the Coastal Impact Assistance Program (CIAP) for this restoration project on Swan Lake. The grant is administered through the Wildlife and Sport Fish Restoration Program, CIAP Branch and runs through December 2015.

Federal Land Access Program (FLAP) Grant:

Milestones This Period

- Corps Permit has submitted for the review process.
- National Environmental Protection Act (NEPA) process has been initiated and sent on to Western Federal Lands for finalizing.

Future Milestones

- Completed review of the Corps permit February 1, 2014
- Completed NEPA report from Western Federal Lands March 1, 2014
- Compensatory Mitigation negotiated with a restrictive covenant (conservation easement) on a tract of City land located near the cross trail project April 1, 2014
- Start Construction of first section of Cross trail from Indian River to end of Yaw Drive May 1, 2014

Background

The City and Borough of Sitka has been awarded a \$916,897 MAP-21 Federal Lands Access Program (FLAP) Grant for Phase 5 Cross Trail multimodal pathway (Cross TMP), Baranof Street and Yaw Drive connectors, by Western Federal Lands (WFL). The Assembly approved submission of the grant in Resolution 2013 - 03 in February 2013.

Phase 4 of the project, a \$926,000 STIP Grant for a multimodal pathway reconstruction and re-routing from Yaw Drive to the CBS property was funded by the Department of Transportation in the 2009 STIP. DOT planners, with the concurrence of Western Federal Lands (WFL) and CBS, initiated action to combine the two projects as a single \$1.8 million grant and have the project managed by Western Federal Lands for greater efficiency and cost savings.

Solid Waste Management Plan:

Milestones This Period

- A Request for Qualifications (RFQ) for a consultant to develop a Solid Waste Management Plan began advertisement September 16, 2013 with submittals due October 14, 2013. Three proposals were received and are under review with the Municipal Solid Waste (MSW) team.
- Received three Request for Qualification submittals. The Municipal Solid Waste Team met and selected CB&I unanimously. In the process of negotiating a contract and securing a scope and schedule. Once this has been completed, the contract will come back to the Assembly for approval to move forward with the project.

Future Milestones

- Submit Memo to Assembly for the approval to move forward on a contract award to hire CB&I to develop a Municipal Solid Waste Management Plan February 11, 2014

Background

The City and Borough of Sitka (CBS) currently does not have a Solid Waste Management Plan to address the current or future needs of the Solid Waste Fund and general operations. As we approach the end of the current collection and off-island disposal contracts in 2015, we believe it is in the best interest of the CBS to be better prepared with a plan that details the goals and direction of our solid waste management backed with data and a financial plan.

At the June 6, 2013 Assembly Meeting, the Assembly approved advertising for a Request of Qualifications and select a consultant to assist Public Works in developing a Solid Waste Management Plan.

The funding for a Solid Waste Management Plan would come from the working capital of the Solid Waste Fund which is approximately \$1.5 million. It is projected that a Solid Waste Management Plan would cost between \$150,000 to \$250,000 depending on the complexity of future goals and the amount of public process exploring options. This cost estimate is based from other master planning we have accomplished for Water, Wastewater, and Harbors.

Sawmill Cove Industrial Park DOCK (Project #90748):

Milestones this period:

- The City & Borough of Sitka, Department of Public Works, has added a temporary Project Manager to staff. This employee is now handling the Project Management duties for the SCIP Dock project, along with other projects and tasks related to the SCIP.
- A Request for Statements of Qualifications (RFQ) for Engineering Services has been published. This initiates the process of selection a professional engineering firm to work with the CBS on the planning, permitting, engineering design and preparation of construction documents for a Bulkhead-type Docking Facility at SCIP.

Future Milestones:

- The due date for submittal of Statements of Qualifications is Tuesday, February 4, 2014, at 2:00 PM. During the next two weeks following that, selected Staff from CBS/DPW will review, evaluate and rank the submittals. Top-scoring firms will be interviewed before a final selection is made.

Background

The project is funded by a Designated Legislative Grant, administered by the State of Alaska, Department of Commerce, Community & Economic Development, Division of

Community & Regional Affairs. The total amount of the Grant is \$7.5 MM. On the local level, the project is administered by Public Works and the Sawmill Cove Industrial Park Director (Mr. Garry White).

This Project was designated the “Highest Priority” in the FY2011 CBS Legislative Capital Project Request.

Water Service Calls; Leaks/Locates/Routine Repairs & Maintenance:

- During the last month, the Water Division responded to 18 callouts; eight for locates, two for turning water on/off, three leak investigations – all were ground water (as determined by testing for fluoride), three inspections and two dirty water complaints.
- Water operators repaired two fire hydrants during January.
- Water operators inspected the hot tap (connection to existing main done without turning off the water in the main) and installation of new service line to ANB Harbor. Additionally, a new vault is being installed that will house a new back flow preventer and water meter for the harbor. A backflow preventer only allows flow in one direction even during a negative pressure situation; this device will ensure that water from the harbor system cannot be back siphoned into out municipal system. Installation of the vault components should be complete in early February.
- The rainstorm of January 14, 2014 washed some glacial silt into Blue Lake. That afternoon the turbidity – a measure of the cloudiness of the water – began to rise. Since that time the turbidity has been higher than normal; remaining over one of our “trigger values” of 1.5 NTUs. Regulations require us to sample the raw and treated water for coliform bacteria every day the water is 1.5 NTU or above. We normally sample three days per week. So operators have been working a couple hours a day to collect and test these samples. Bacteria concentrations in the raw water remain low and normal. This glacial flour (finely ground-up rock) is so small it settles very slowly, it is inorganic in nature causing no additional demand for chlorine disinfectant.

Wastewater (WW) Operations:

- Other than the high flows caused by the downpour on January 14, 2014, WWTP operations have been smooth. That day we recorded seven inches of rain at our Old Sitka Rocks Lift Station (LS) rain gauge! Two operators were called in between 4-5 o'clock am for high levels in various LSs. When the streets flood, flows from rain water enter the system through the older manhole covers and any other place there's a way into the sanitary sewer. These higher than normal flows often move foreign objects that have been sitting in the pipes or wet wells into the pumps causing pumping problems right when you need the pumps the most. This flood did we did not see many instances of pump plugging; perhaps since we had just completed our semi-annual wet well cleaning.

- Number 2 pump at the Granite Creek LS plugged 3 times last month; each time operators pulled the pump and cleaned the rag like material from the impeller. This pump is scheduled to be replaced in this FY. Over the years this LS has been notorious for rags in pumps. Number 1 was replaced a few years ago with a new vortex style impeller that is less susceptible to plugging. Unfortunately, this same pump that has operated great for several years is no longer manufactured
- Number 3 clarifier was drained, cleaned and inspected during January. Annually, we remove each clarifier from service to inspect the underwater workings. Things looked good – the only maintenance activity was to replace three of the zincs that are welded to the large shafts as sacrificial anodes for corrosion protection.
- Operators completed the cleanup and reorganization of the WW maintenance shop; a very noticeable improvement.

Sawmill Cove Industrial Site – Wastewater (WW) Update:

- Operators completed pressure testing to confirm no leaks in the repaired six inch HDPE force main from the site to the municipal sewer system. The flows in the park have been split between the small extended aeration secondary treatment plant at the site and the LS pumping WW to the municipal system. We will keep the extended aeration plant operational = keep the bugs alive, so that it is ready to again take on the full load of the park when DOT's contractor returns to complete the SMC Rd phase III work; just in case the contractor needs to remove another section of the force main for installation of retaining walls.

Blue Lake Water Quality: (Water Division/Electric Department)

- The Water Division continues working with the Electric Department to evaluate background water quality data out in the lake and around the construction activity as required during the project. This background data from out in the lake and at different depths will help us understand water quality changes in the future as the lake fills to greater depths and as the water moves through the lake towards the intake. Very limited sampling is planned during the winter.

BLUE LAKE EXPANSION PROJECT SCHEDULE

December
2014

Substantial Completion!

September—
October 2014

GENERATION OUTAGE:
*Stop energy and water production at Blue Lake to
tie in all new systems—CONSERVE WATER!*

Full 83' Dam Raise
Complete

Powerhouse Building
Complete

December
2013

Season 1 Dam Raise
Complete

95% Tunneling Complete

December
2012

Mobilization



On Schedule

Updated February 2014

More Info: www.BlueLakeExpansion.com



BLUE LAKE EXPANSION PROJECT

MONTHLY UPDATE FOR CITY ASSEMBLY

Report No. 14

Month ending January 31, 2014

SCOPE

- 83 ft. dam raise with modified tunnel system and new 15.9 MW powerhouse (\$89 million)
- Eight supply contracts for Owner-Furnished equipment and materials (\$16 million)

PROJECT HIGHLIGHTS DURING THIS MONTH

- January 7 – 17 ASRC installed wall panels on powerhouse.
- January 7 – Conducted prebid conference for Contract 8, Reservoir Debris Management.
- January 12 – Last concrete placement was made at the adit tunnel plug.
- January 14 – We experienced a major storm that washed out the Blue Lake Road in 3 spots. Barnard made the road passable by the end of the day and resumed work at the dam site. Barnard completed the repairs January 17. We are working collaboratively with the USFS to replace the damaged culverts.
- January 14 – ASRC began placing roof panels on the powerhouse.
- January 24 – Barnard made gatehouse concrete floor placement.
- January 27 – Finished grouting adit tunnel plug.
- January 28 – Barnard began working nightshift in the gate shaft installing gate guides.
- January 28 – Opened 2 bids for Contract 8, Reservoir Debris Management. The bids are being evaluated on a best value basis.
- January 29 – The reservoir stopped spilling.
- January 29 – The FERC representative was on site and made a bi-monthly construction inspection.
- January 30 – Crux began drilling the dam spillway for installation of keyway rebar.
- January – Barnard made: 2 concrete placements at the thrust block, 1 placement at the cutoff wall, and 3 block placements in the main dam near the left abutment.
- TO DATE – 23 of 79 blocks of concrete have been placed at the dam, 3230 CY of 3350 CY have been placed at the powerhouse. Concrete tests have been better than required by the specification.

COST SUMMARY - updated 1/31/2014

Project Element	Current Contract Total or Projected Amount	Payments	
		Paid this Month	Paid to Date*
Supply Contracts			
Contract 1 - Turbine Generator Equipment	\$11,573,707	\$100,000	\$10,361,098
Contract 2 - Switchgear	\$647,672	\$66,536	\$293,035
Contract 2A - SS Switchgear	\$300,000	\$0	\$0
Contract 3 - Gates and Hoist	\$780,185	\$0	\$703,376
Contract 4 - Penstock	\$836,315	\$0	\$795,778
Contract 5 - 69 kV Transformers	\$601,184	\$0	\$543,130
Contract 6 - Bridge Crane Equipment	\$270,518	\$0	\$245,246
Contract 7 - Steel Building	\$1,139,321	\$0	\$1,084,397
Contract 8, Debris Management**	\$3,000,000	\$722	\$722
Contract 9, General Construction	\$89,963,432	\$2,088,281	\$52,722,444
Diesel Fuel	\$1,260,000	\$0	\$0
Temporary Filtration**	\$3,000,000	\$46,821	\$145,576
Remaining Project Costs		\$0	\$0
License Amendment	\$1,400,000	\$582	\$1,199,625
Engineering	\$9,498,393	\$44,156	\$11,756,451
Construction Management	\$8,076,201	\$419,898	\$4,739,839
City Performed Work	\$1,495,000	\$35,269	\$1,644,323
Incentive Payment	\$1,600,000	\$0	\$0
Cost of Insurance/Reserve Account	\$3,500,000	\$0	\$0
TOTALS	\$138,941,928	\$2,802,264	\$86,235,041
ESTIMATED TOTAL PROJECT COST	\$143,987,667		

*Paid to Date includes unpaid retainage

**Debris management & Temporary Filtration budgets updated. Assembly approval will be requested at a later date for the overrun.

COST CHANGES THIS MONTH

- We completed negotiations with Contractor No. 1 for the supply of additional spare parts for the turbine, generator and control equipment. A net cost of approximately \$114,000 was agreed to for this expanded supply of spares. Also, we completed negotiations for Contract 1 for a group of ten other change items on this contract, including: additional water level switches and isolation valves; equipment modifications, delay of the equipment warranty period (required by the one-year delay of Contract 1), and modifications of the cooling water systems. All of these additions and deletions in the contract will be combined into Change Order No. 4 in the amount of an additional \$227,350.69 due the Contractor.

- Bids were opened for Contract 8 - Reservoir Debris Management Contract on January 28, 2014. The bid prices ranged from \$2,258,714 to \$2,961,598. These costs are significantly higher than the \$1,530,000 previously budgeted for this work. As a result we have increased the cost allowance for Contract 8. We will need to request additional funds to perform this work. The project cashflow has been adjusted for this additional cost.
- A series of change items are still under negotiation as follows:
 - Changes to the powerhouse electrical conduit and cable requirements (a group of changes in conduit and the addition of a number of control cables). Negotiations for these changes were elevated to the corporate level on January 29, with pricing to be determined by Mort McMillen of McMillen LLC and Derek Tisdell of Barnard.
 - Dredging in front of the dam's sluice gate valve and repair of this valve. This work has now been accelerated to begin February 10 because of the unseasonably high inflows in January and the presently high lake level. (we need the dam outlet operational to ensure we can lower the lake enough to build the intake). This dredging work will cost more because of the deeper depth.
 - Temporary Water Filtration Plant
 - Phase I for the lease of the filtration units has been agreed to.
 - Phase II, installation of the filter units and auxiliary equipment.

We do not expect these change items to impact the project schedule.

CONSTRUCTION SCHEDULE MILESTONES: PLANNED/ACTUAL

Construction Start	11-20-2012 / 12-03-2012	Sub. Comp. BLU #5	10-24-2014/
Drainage Tunnel Comp.	07-01-2013 / 05-05-2013	Sub. Comp. FVU	11-12-2014/
Tunnel ex. complete	08-19-2013 / 07-24-2013	Sub. Comp. BLU#4	11-22-2014/
Ready for Gen. Outage	08-24-2014/	Substantial Completion	02-01-2015/

NOTES ON PROJECT SCHEDULE

- The most recent look-ahead schedule submitted by Barnard shows the following upcoming target dates:
 - February 17 – Begin work to repair dam sluice gate valve.
 - February 12 – Unpacking and installation of the generating equipment will begin. The Site Representative for Contract 1 will arrive on site on this date to observe and coordinate this work.
 - February 7 – Start up powerhouse bridge crane.
 - February 7 – Powerhouse will be fully enclosed.
 - February 3 – The thrust block, cutoff wall and all season 1 dam work will be complete.
- Most of the Owner furnished materials and equipment are now on site. Only the switchgear and the inlet valve for the Fish Valve turbine remain to be delivered.
- The CM team and Electric Department continue working on the City-performed work tasks to ensure these activities are completed on time.
- The first formal Barnard/ NAES/CM team meeting to plan the Project commissioning took place on January 30, beginning preparation for the fall 2014 generation outage.
- Barnard, McMillen and CBS meet each Friday to coordinate generation outage planning.

OTHER ITEMS OF INTEREST

- January 2014 was very unseasonably wet and warm. Blue Lake remained full and spilled off and on during the month through January 29th. This delayed the contractor's start of work on the dam raise in the existing dam's spillway. This delay consumed the available schedule float for the dam raise work and we now have two critical path timelines on the Project: the dam raise; and the turbine installation.

PROJECT RISK PROFILE

A discussion of the major risk areas follows below. As a general rule risks are measured as follows:

LOW: Probability of less than 10%, or mitigation cost less than \$1 million.

MODERATE: Probability of more than 30%, or mitigation cost up to \$5 million.

HIGH: Probability of more than 60%, or mitigation cost likely more than \$5 million.

The City's project team believes the following risk areas will dominate the potential for increases in overall Project cost. We also believe these areas pose the greatest risk for schedule delays.

Note to Assembly: With this month's report we have removed discussions of the City Performed work and Rock excavation risk areas as both of these activities are nearing completion and are well in hand.

Construction Schedule: In Barnard's most recent (February 1, 2013) schedule, the critical start of the 2014 Generation Outage is shown starting on August 21, 2014, three days ahead of schedule. However, we now have two critical schedule paths, for the dam raise and the turbine installation work related to the Generation outage.

CURRENT RISK: MODERATE

Weather and Lake Levels: Blue Lake and Green Lake both spilled during much of January. Spill at Blue Lake delayed the dam raise work. The dam raise work is now closer to the critical path. The higher lake levels in January has delayed Barnard in accessing the intake portal road to remove the intake cofferdam and continue work on the intake structure. This is not a contract milestone but it does restrict Barnard's intake work. It is very important that we manage the Blue Lake level during February and March (as best we can) to allow construction of the dam raise and tunnel intake. If Blue Lake fills and spills again this winter, it will be quite bad for the Project schedule and therefore cost.

CURRENT RISK: MODERATE (through spring 2014)

Temporary Water Filtration Plant: During the August through September 2014 outage of the Blue Lake tunnel, the City will get its drinking water from a temporary water supply. This temporary system remains to be leased and installed at Indian River; some final design is still required. This system must be in place and fully operational prior to the Generation Outage. Any delay in the filtration plant beyond August 23, 2014, will delay the hydro expansion Project. Barnard will be providing the filtration project as a change order to contract 9. The filtration project is being managed by McMillen LLC and CH2MHILL will perform the final design. The City Water Department will operate the plant with assistance from CH2MHILL and the supplier.

CURRENT RISK: MODERATE [The current status of the filtration system design and planned construction is described in Appendix 2. If the filtration system is constructed as planned, we will be on track for the Expansion Project.]

Sluice Gate Valve Repair: The sluice gate valve at the dam must be repaired to permit operation of the dam outlet valve prior to and during the generation outage. Extent of the repairs required will be determined by divers in February.

CURRENT RISK: LOW

Other: This is a broad combination of bad things that might happen such as: earthquakes; construction site accidents; floods; extreme winter weather; fire; labor unrest; etc. We expect that many of these risks would be covered by insurance at least in part.

CURRENT RISK: LOW

PROJECT PHOTO RECORD THIS MONTH

Photos are taken of each work area each month from a fixed location to document construction progress by work area. Relevant photos of the project for this month are provided on the following pages.



Figure 1. Dam and Left Abutment Area, Barnard made 2 concrete placements at the thrust block, 1 placement at the cutoff wall, and 3 block placements in the main dam near the left abutment. Crux Subsurface also began drilling the dam spillway for installation of keyway rebar.



Figure 2. Drainage Tunnel and Scour Wall, on January 29 the lake stopped spilling.



Figure 3. Intake Portal and Right Abutment, Gatehouse foundation is complete.



Figure 4. Gate House Location, Barnard made a gate house concrete floor placement and began working nightshift in the gate shaft installing gate guides.



Figure 5. Dam Staging area, no change this month.



Figure 6. Lower Portal Area, no change this month.



Figure 7. Powerhouse Site, ASRC McGraw Constructors (AMCL) completed the installation of the concrete wall panels and began the installation of the roof panels.



Figure 9. Lower Project Site, Southeast Earthmovers (SEEM) continued excavation on the new powerhouse access road.



Figure 10. Powerhouse Interior, Powerhouse is now fully enclosed and the control room structure is erected.

LAKE LEVEL WINDOW FORECAST

NOTE TO CITY ASSEMBLY

We changed significantly the operating plan for Blue Lake water levels in January. The very wet and warm month resulted in high inflows and spill at Blue Lake for essentially the entire month. At the end of January, Blue Lake is about 26 ft above its operating rule curve and Green Lake is spilling and 19 ft above its normal level.

We are now maximizing the outflow from Blue Lake to drive the water level down to allow second season dam work, allow access to the intake structure, and to meet the March 22 lake level milestone of el. 298.

After ensuring these short term goals, we will focus on preserving as much water as possible in both Blue Lake and Green Lake in order to minimize diesel generation needs in the fall of 2014 and the spring of 2015.

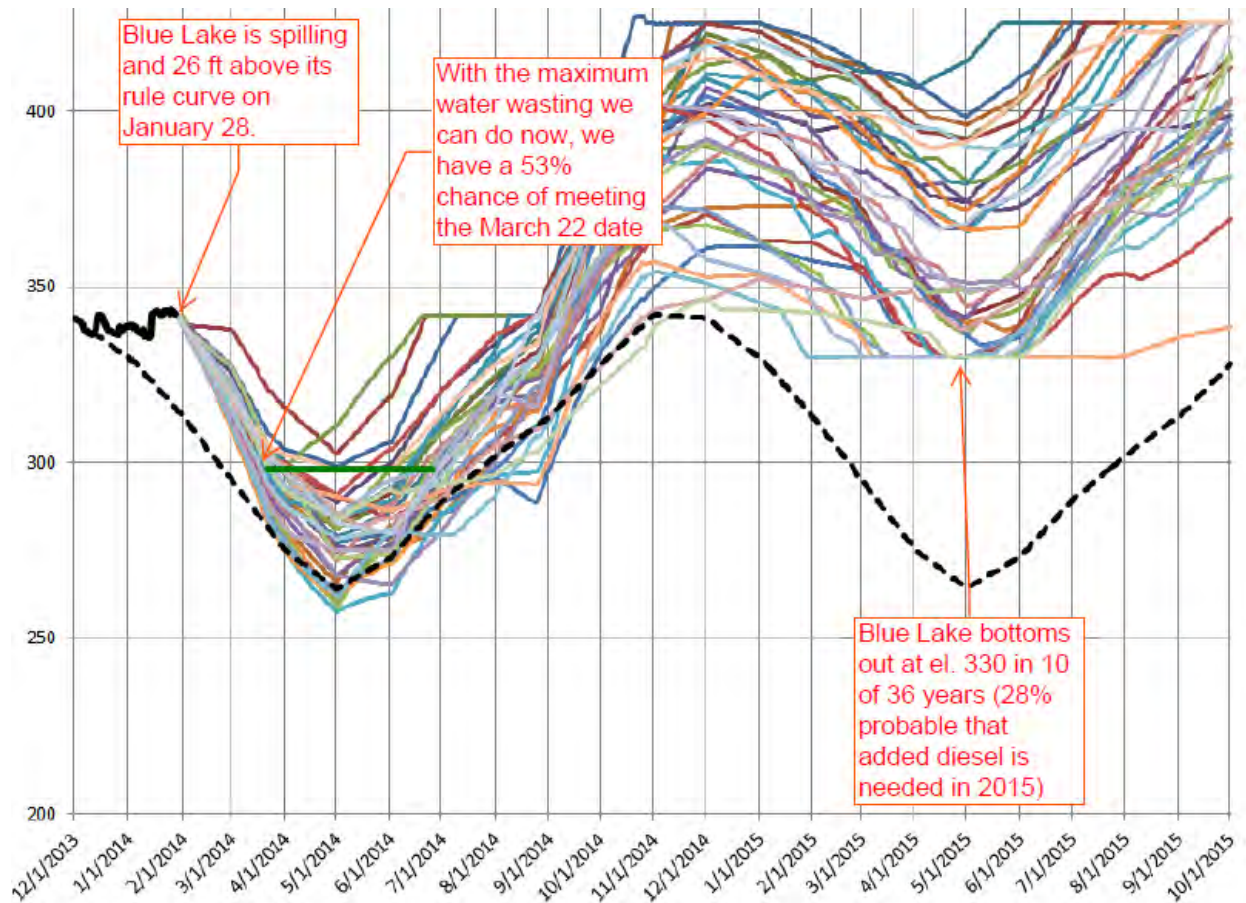
The worry is that we will delay construction at Blue Lake during this winter and spring. The good news is that there is a lot of water in the two lakes and we will have better than expected water storage in Green Lake during the fall 2014 generation outage. And the second bit of good news: weather in the Blue Lake basin turned cold on January 28, the lake stopped spilling on the 29th and Barnard went to work on the spillway on January 30. Continued cold weather forecast for early February suggests that we can now start pulling the lake level down as needed for construction.

Following are lake level predictions for both Blue Lake and Green Lake, showing the probabilities of meeting various lake level targets along with the probability of needing significant diesel generation in 2014 and 2015.

Blue Lake Level Forecast – January 29, 2014

Case 15. Start January 28, 2014. Multi-year simulation using 36 year hydrologic record. 117,000 MWH system load until August 26, 2014. Then conservation assumed to reduce load to 112,000 MWH through October 2015. FVU and PMFU operation at full load combined with 140 cfs water wasting at the FVU bypass and PMFU bypass, continuing through March 22, 2014. THIS IS THE CURRENT OPERATING PLAN FOR THE SYSTEM. Note that in each of these 36 simulations, D4 diesel is assumed to run 10 hours daily during the Generation Outage at an average output of 3 MW.

Blue Lake water level simulation - 36 year record with average inflows. FVU and PMFU run at full load through March 22. Water wasting of 140 cfs through March 22.



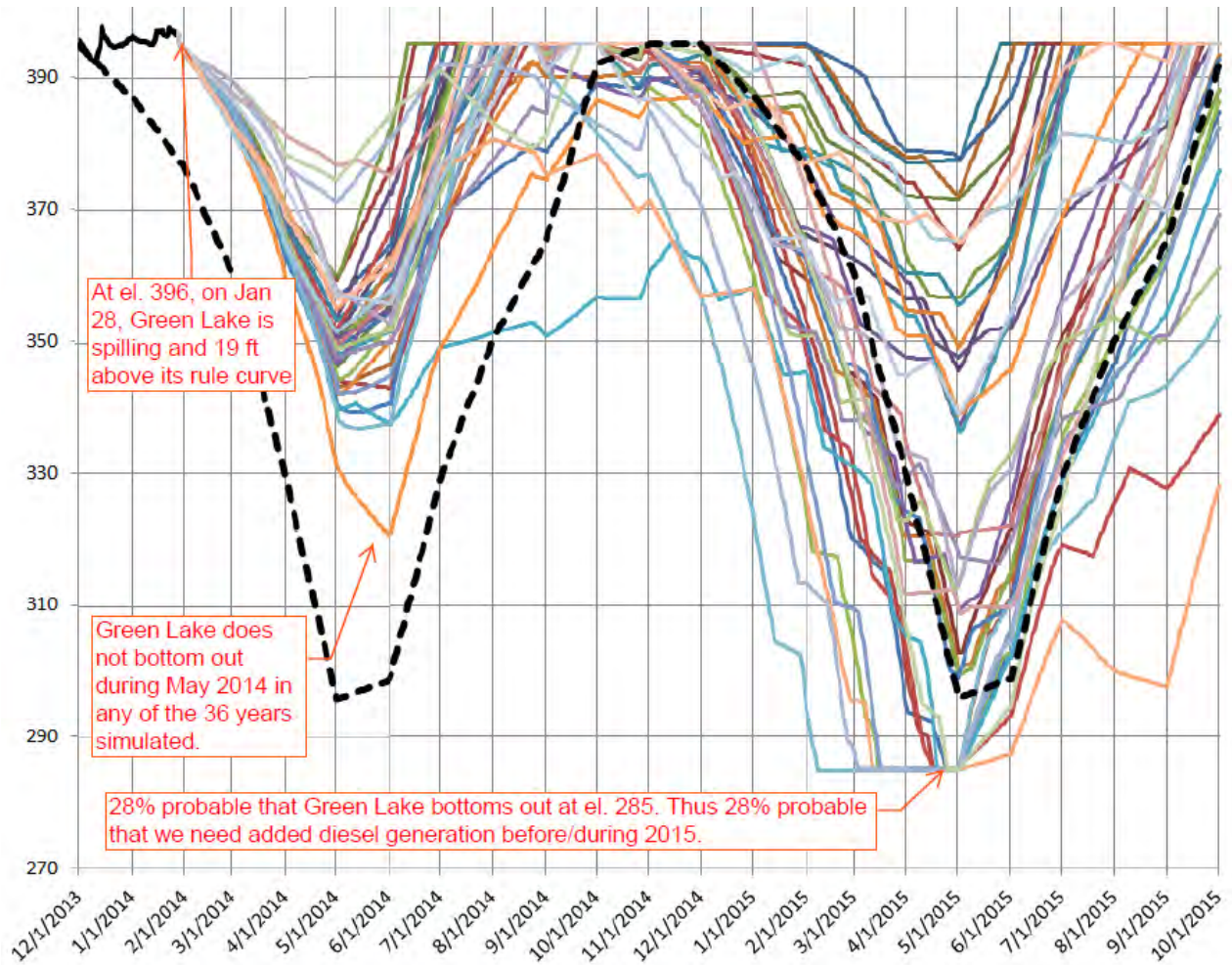
Total diesel generation predicted by this simulation:

Period	Dates	MWH of diesel	Cost at \$0.45 per kWh
Spring 2014	-	0	\$0
Generation Outage	Aug 26 – Oct 26, 2014	1,620 ⁽¹⁾	\$731,000
Spring 2015	Mar 30 – June 16, 2015	varies	varies

(1) Assumes approx 30 MWH per day for daily peaks, scheduled manually in model

Green Lake Water Level Forecast – January 29, 2014

Green Lake Water Level Simulation. Maximum generation and water wasting at Blue Lake. Water conservation at Green Lake in advance of the fall 2014 Generation Outage.



Appendix 1 to Monthly Update for City Assembly

January 31, 2014

Summary of Temporary Filtration Project Status

Alternative Water Source Investigation Filtration (Blue Lake Project):

Barnard will be providing the Temporary Water Filtration Plant at Indian River as a Change Order and Barnard has agreed to the Change.

- Barnard signed an agreement with Pall on the lease of the filter units.
- CH2MHill completed the final design of the site equipment needed for the filtration units. The final design has been submitted to Barnard for pricing.
- McMillen will perform the construction management.
- The City will provide plant operation with possible assistance from the supplier.

The completion of this work is now in the critical path.

We expect to issue the phase 2 change order in February of 2014.

The Final design is complete. Barnard is reviewing the work and is scheduled to issue a change order proposal the first week in February. ADEC permitting is scheduled to be completed in March 2014, construction of the piping and pumping completed in April 2014 and final installation of the filter units in June 2014 for operation in July 2014. The preliminary design cost estimate has a projected design and construction cost of \$3,000,000.

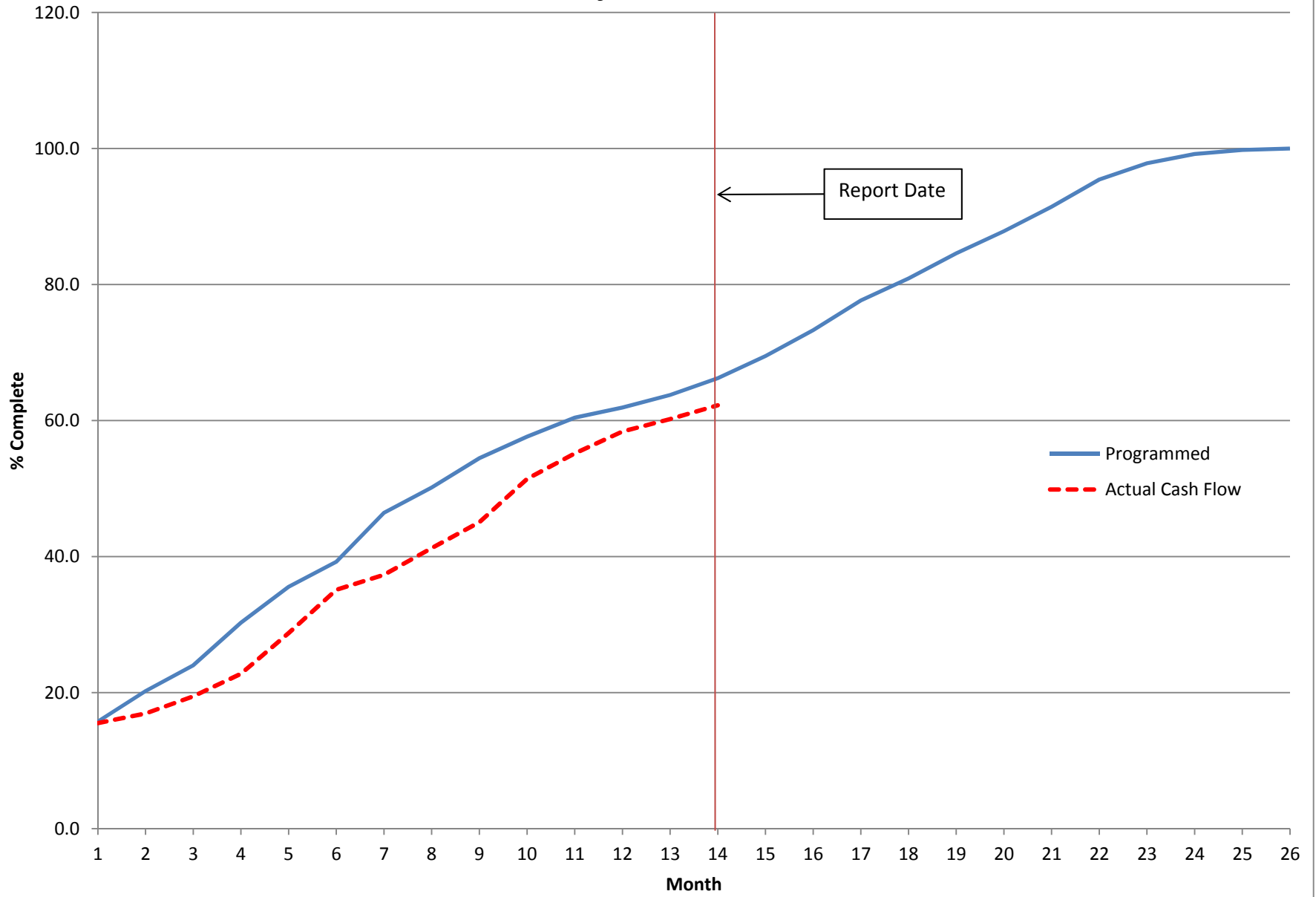
Summary of Titan 130 Diesel Turbine Project Status

1. PCN 005 was approved to complete shipping of all materials to Jarvis Substation. CBS will be responsible for offloading & installing turbine and generator at the site.
2. Two 69kV substation circuit breakers installed on site; bus tie breaker and GSU breaker.
3. One of two 40,000 gallon above ground double-walled fuel tanks arrived in Sitka. (Photo below).
4. All substation concrete foundations are complete. Structural steel for A-Frame installed February 2, 2014.
5. Logistics & planning meeting scheduled for February 10-11, 2014 in Sitka. Representatives from Solar Turbines (San Diego & Anchorage), EPS, and other consultants will be on hand for the technical meeting.



Figure 1. One of two 40,000 gallon above ground double-walled fuel tanks.

Total Project Cash Flow



BLUE LAKE EXPANSION PROJECT MONTHLY CONSTRUCTION REPORT

For Period Ending: JANUARY 31, 2013

Prepared by: BARNARD CONSTRUCTION COMPANY, INC.

1. Progress of work

Environmental Protection

Barnard continues to install erosion and sediment control measures as required at the dam site, storage yard at Sawmill Cove Industrial Park and powerhouse area as ground disturbing activities continue. BMP maintenance and repair is ongoing as needed throughout the project site.

Gate Shaft Concrete

Barnard completed the gate shaft concrete lining in early January. We have recently started working on the fixed wheel gate sill beam and gate guides on a night shift.

Gate House Concrete

With the completion of the gate shaft lining, our crews have started concrete work on the gate house. Work completed in January includes – final foundation excavation, embedded electrical conduit and grounding installation, concrete floor placement (to El 428) and the start of wall formwork and rebar installation.

Dam Raise

Barnard crews continued placing concrete on the dam and left abutment thrust block and cutoff wall. We have completed 23 monoliths blocks total on the dam and have made 10 placements on the thrust block and cutoff wall. Blue Lake Dam quit spilling on January 29 which has allowed us to begin work on the existing spillway.

Powerhouse

ASRC McGraw completed installation of the steel superstructure for the Powerhouse building and began installation of the pre-cast wall panels and roof panels. ASRC has started installation of the 12 valve pit rock anchors. ASRC has started installation of the powerhouse bridge crane. ASRC has also started installation of the interior structural steel and hollow-core slabs that will become the control room for the powerhouse.

Southeast Earthmovers continues rock excavation for the new powerhouse access road with Barnard installing the required rock bolts as the excavation progresses.

NAES Power Contractors has continued to install cable tray and conduit below Elevation 27 in the powerhouse.

Adit Tunnel

Barnard completed the concrete placements and contact grouting for the adit tunnel concrete plug.

2. Status of Construction

Status of Ongoing Major Construction Activities

BLUE LAKE EXPANSION PROJECT MONTHLY CONSTRUCTION REPORT

For Period Ending: JANUARY 31, 2013

Prepared by: BARNARD CONSTRUCTION COMPANY, INC.

- Powerhouse Excavation – 94% complete
- Powerhouse Steel Building – 95% Complete
- Powerhouse Roof – 50% complete
- Precast Wall Panels – 75% complete
- Dam Raise – 2326 CY placed to date.
- Left Abutment Thrust Block and Cutoff Wall – 821 CY.
- Powerhouse Concrete – 3230 CY placed to date.
- Gate Chamber Concrete – 150 CY placed to date.
- Gate Shaft Lining –complete.
- Gate House Concrete – 98 cy placed to date.

See Section 1 above for construction work completed in January 2013.

3. Construction Issues

Blue Lake Dam has continued to spill water through January which has not allowed us to begin work on the existing spillway. The water quit spilling on January 29 and we will begin work immediately on the spillway as long as the water level stays down. Heavy rains created mud slides and excess run-off on the project on January 14. This resulted in significant road repairs to allow safe access on Blue Lake Road and the existing Powerhouse access road.

4. Contract Status

Barnard's key subcontractors for the Blue Lake Project are as follows:

Name	Scope
ASRC McGraw Constructors, LLC	Powerhouse Construction
Southeast Earthmovers, Inc.	Excavation
Blue Lake Tunnelers	Underground Construction
Crux Subsurface	Foundation Grouting, Micropiles, PRW's
O'Neill Surveying and Engineering	Land Survey
Baranof Materials Test Lab	Quality Control
NAES Power Contractors	Turbine-Generator Installation/Electrical

Barnard's key material suppliers for the Blue Lake Project are as follows:

Name	Scope
ASRC McGraw Constructors, LLC	Concrete Supply
Gerdau Reinforcing Steel	Concrete Reinforcing Steel
Haskell Corporation	Misc. Metal Fabrication

5. Critical Events and Dates

Please see attached summary progress schedule updated December 30, 2013.

BLUE LAKE EXPANSION PROJECT MONTHLY CONSTRUCTION REPORT

For Period Ending: JANUARY 31, 2013

Prepared by: BARNARD CONSTRUCTION COMPANY, INC.

Critical Dates for the Blue Lake Project are as follows:

Milestone	Date	Required Status of Construction
1	07/01/2013	Drainage Tunnel Complete – Completed May 6, 2013
2	08/19/2013	Initial Intake Excavation Complete – Completed July 21, 2013
3	06/04/2014	Intake Structure Complete
4	08/24/2014	Ready for Generation Outage
5	61 days after start of Generation Outage	Substantial Completion of 1 st Blue Lake Turbine Generator
6	91 days after start of Generation Outage	Substantial Completion of 2 nd Blue Lake Turbine Generator
7	80 days after start of Generation Outage	Substantial Completion of Fish Valve Unit

6. Reservoir Filling

See above – Blue Lake dam has continued spilling through most of January.

7. Foundations

Not applicable for this report.

8. Sources of Major Construction Material

The City and Borough of Sitka will be providing most of the major construction materials for this project. Please see list below.

Contract No.	Vendor	Scope of Supply
1	Gilbert Gilkes and Gordon, Ltd.	Turbines and Generators
2	Myers	12.47 kV Switchgear
3	Linita Design and Manufacturing	Bulkhead Gate, Fixed Wheel Gate and Hoist
4	T Bailey, Inc.	Penstock and Manifold
5	WEG Electric	69kV Transformers
6	Benchmark Industrial Services	Powerhouse Bridge Crane
7	CHG Building Systems	Powerhouse Building

Materials Received this Period:

Rebar – Barnard has been receiving reinforcing steel for the powerhouse, gatehouse and dam throughout the month of January.

Misc. Metals - Barnard has been receiving misc. metals for various project features throughout the month of January, including the energy dissipation steel.

9. Material Testing and Results

BLUE LAKE EXPANSION PROJECT MONTHLY CONSTRUCTION REPORT

For Period Ending: JANUARY 31, 2013

Prepared by: BARNARD CONSTRUCTION COMPANY, INC.

Concrete testing is ongoing for the dam raise, gate chamber and powerhouse concrete. No issues have been encountered to date.

10. Instrumentation

Not applicable for this report.

11. Photographs



Figure 1: Adit Tunnel Plug Formwork

BLUE LAKE EXPANSION PROJECT MONTHLY CONSTRUCTION REPORT

For Period Ending: JANUARY 31, 2013

Prepared by: BARNARD CONSTRUCTION COMPANY, INC.



Figure 2: Powerhouse Construction



Figure 3: Precast Wall Panel Installation

BLUE LAKE EXPANSION PROJECT MONTHLY CONSTRUCTION REPORT

For Period Ending: JANUARY 31, 2013
Prepared by: BARNARD CONSTRUCTION COMPANY, INC.



Figure 4: Powerhouse Roof



Figure 5: Concrete Placement for M7-403

BLUE LAKE EXPANSION PROJECT MONTHLY CONSTRUCTION REPORT

For Period Ending: JANUARY 31, 2013

Prepared by: BARNARD CONSTRUCTION COMPANY, INC.



Figure 6: Gatehouse Floor and Wall Formwork



Figure 7: Blue Lake Spillway

12. Erosion Control and Other Environmental Issues

BLUE LAKE EXPANSION PROJECT MONTHLY CONSTRUCTION REPORT

For Period Ending: JANUARY 31, 2013

Prepared by: BARNARD CONSTRUCTION COMPANY, INC.

Barnard is continuing to install the required environmental protection measures on the project site ahead of ground disturbing activities. Ongoing maintenance of dewatering system at powerhouse excavation site will be required to maintain water quality in Sawmill Creek.

13. Other Items of Interest



Legislation Details

File #: ORD 14-03A Version: 1 Name:

Type: Ordinance Status: AGENDA READY

File created: 1/22/2014 In control: City and Borough Assembly

On agenda: 2/11/2014 Final action:

Title: Amending Sitka General Code Sections 3.16.030 entitled "Open Market Procedures", 3.16.060 entitled "Exceptions to Competitive Bidding Requirements", and adding Section 3.16.080 entitled "Procurement Monitoring"

Sponsors:

Indexes:

Code sections:

Attachments: [Ordinance 2014-03A](#)

Date	Ver.	Action By	Action	Result
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POSSIBLE MOTION

I MOVE TO approve Ordinance 2014-03A on first reading as previously amended.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2014-03A

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING SITKA
GENERAL CODE SECTIONS 3.16.030 ENTITLED “OPEN MARKET PROCEDURES”,
3.16.060 ENTITLED “EXCEPTIONS TO COMPETITIVE BIDDING REQUIREMENTS”,
AND ADDING SECTION 3.16.080 ENTITLED “PROCUREMENT MONITORING”

1. **CLASSIFICATION.** This ordinance is of a permanent nature and is intended to become a part of the Procurement Policies and Procedures. This ordinance is intended to become a part of the Sitka General Code (“SGC”).

2. **SEVERABILITY.** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstances shall not be affected.

3. **PURPOSE.** It is the intent of the City and Borough of Sitka Assembly to promote local procurement of goods and services whenever practical and in the best interest of the municipality. This ordinance aims to allow that approach.

4. **ENACTMENT. NOW, THEREFORE, BE IT ENACTED** by the Assembly of the City and Borough of Sitka that SGC Sections 3.16.030 and 3.16.060 are amended and SGC Section 3.16.080 is added to read as follows (new language underlined; deleted language stricken):

CHAPTER 3.16
PROCUREMENT POLICY

Sections:

- 3.16.010 Contract and purchase procedure.
- 3.16.020 Limitation on administrator’s authority.
- 3.16.030 Open market procedures.
- 3.16.040 Advertising for bids and award to lowest bidder.
- 3.16.050 Processing of bids.
- 3.16.060 Exceptions to competitive bidding requirements.
- 3.16.070 Lowest responsive and responsible bidder.
- 3.16.080 Procurement Monitoring. [Reserved.]
- 3.16.090 [Reserved.]
- 3.16.100 Change orders—Administrator authority.
- 3.16.110 Competitive sealed proposals—Negotiated procurement.
- 3.16.120 Procurement policy procedure manual.

* * *

49 **3.16.030 Open market procedures.**

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* * *

C. All purchases less than twenty-five thousand dollars shall be made on the open market with such competition as is reasonable and practical in the circumstances as long as by doing so, does not interfere with the ability of CBS to receive grants and other funding sources. It is the City and Borough of Sitka’s intent to promote local purchases whenever the availability, quality, price and delivery is:

58 1. Within a 4% advantage to what is available outside the municipality for purchases
59 under \$2,500; and

60 2. Within a 2% advantage to what is available outside the municipality for purchases
61 \$2,500 and above.

62
63 Prior to making any purchases that fall within this section, the City and Borough of Sitka will
64 request bids from local vendors. Bids will be posted and received through an electronic
65 bidding system. The electronic bidding system shall establish a list of registered local
66 vendors and addresses. The registered vendors will be electronically notified and requested to
67 submit their electronic bid as specified.

68
69

70

71 **3.16.060 Exceptions to competitive bidding requirements.**

72 Unless otherwise authorized by law, all procurement actions shall be by competitive bidding.
73 The following is a list of authorized exceptions describing situations in which competitive
74 bidding is not ~~practicable~~ required:

75
76

* * *

77 B. Small procurement, below two hundred fifty ~~ten thousand~~ dollars.

78

79 C. Emergency Procurement: acquisitions approved by the department head.

80

81

* * *

82 J. Sole-Source Procurement.

83 1. Procurement resulting from competitive sealed proposals as defined in Section
84 3.16.110.

85 2. Placement of insurance coverage as defined in this chapter.

86 3. Contracts for electronic data processing and system control software and hardware
87 systems and other software systems shall be by professional services contract;
88 provided, however:

89 a. To be exempt from competitive bidding the service in question must be truly a
90 “system” which is professionally designed.

91 b. The purchase of hardware which is not an inextricable part of the system and
92 can be bid separately shall be competitively bid.

93 c. Software and systems readily available on the open market (i.e., Windows 95)
94 are not subject to this exception. Competition will be sought to the maximum
95 extent practicable.

96 4. Sole-source justified procurement.

97 * * *

98
99
100 **3.16.080 Procurement Monitoring.**

101 CBS purchases covered under this chapter will be tracked by zip code and a local purchase
102 report included in quarterly financial reports to the Assembly.

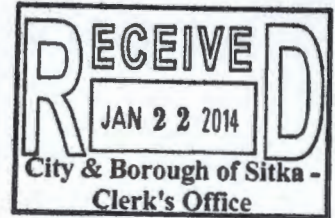
103 * * *

104
105
106 5. **EFFECTIVE DATE.** This ordinance shall become effective the day after the
107 date of its passage.

108
109 **PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of
110 Sitka, Alaska this 28th day of February, 2014.

111
112
113 _____
Mim McConnell, Mayor

114 ATTEST:
115 _____
116 Colleen Ingman, MMC
117 Municipal Clerk
118
119



GREATER SITKA CHAMBER OF COMMERCE BOARD OF DIRECTORS

RESOLUTION 2014-01

IN SUPPORT OF THE CITY AND BOROUGH OF SITKA PURCHASING GOODS AND SERVICES LOCALLY

WHEREAS, the Board of Directors ("Board") of the Greater Sitka Chamber of Commerce has a responsibility to its members; and

WHEREAS, the Greater Sitka Chamber of Commerce's mission is to promote, support, and facilitate commerce and economic growth in the community; and

WHEREAS, the Greater Sitka Chamber of Commerce recognizes the substantial benefit of shopping local to Sitka's economy; and

WHEREAS, the City and Borough of Sitka has a need to make purchases to operate; and

WHEREAS, the City and Borough of Sitka should support local businesses by shopping locally when possible.

NOW THEREFORE BE IT RESOLVED that the Greater Sitka Chamber of Commerce does hereby request the City and Borough of Sitka determine a policy for all purchases that allow local businesses the opportunity to provide the products and/or services needed; and

BE IT FURTHER RESOLVED that the Greater Sitka Chamber of Commerce does hereby request all businesses to stand behind the proposed ordinance requiring the City and Borough of Sitka to purchase goods and services locally, when possible; and

BE IT FURTHER RESOLVED that this resolution shall be effective immediately; and

BE IT FINALLY RESOLVED that the officers and agents of the Greater Sitka Chamber of Commerce be and are hereby authorized to take all action necessary to effect the foregoing resolution.

CERTIFICATION

I hereby certify that the foregoing resolution was adopted by the Greater Sitka Chamber of Commerce in accordance with its organic documents at a Meeting of the Sitka Chamber of Commerce held on MONTH XX, XXXX and said resolution appears in the record of said Meeting as set forth above. Dated this XX day of MONTH, XXXX.

Ptarmica McConnell, President

Jennifer Robinson, Executive Director

Addendum to Proposed Ordinance 2014-03

Efficacy Measurement:

In order to assess the effectiveness of this ordinance, the city administrator or his/her designee shall provide to the City Assembly an accounting of the rate of procurement expenditures in area code 99835 by city departments upon the adoption of the ordinance and subsequently on a semiannual basis. This accounting will therefore establish an on-going baseline of actual financial data as a simple and direct means to determine any future amendments or modifications that may be necessary to assure the success of the intent and purpose of this ordinance.



Legislation Details

File #: ORD 14-04 Version: 1 Name:

Type: Ordinance Status: AGENDA READY

File created: 2/4/2014 In control: City and Borough Assembly

On agenda: 2/11/2014 Final action:

Title: Authorizing renewal of sublease of space by Nugget Restaurant at the Sitka Rocky Gutierrez Airport Terminal Building

Sponsors:

Indexes:

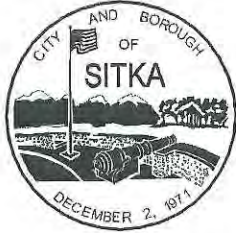
Code sections:

Attachments: [Ordinance 2014-04](#)

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

POSSIBLE MOTION

I MOVE TO approve Ordinance 2014-04 on first reading.



City and Borough of Sitka

PUBLIC WORKS

100 LINCOLN STREET • SITKA, ALASKA 99835
PHONE (907) 747-1804 • FAX (907) 747-3158

To: Mayor McConnell and Assembly Members
Mark Gorman, Municipal Administrator *MG 5 Feb 14*

From: Michael Harmon, Public Works Director *MH*
Gary E. Baugher Jr., Maintenance and Operations Superintendent *GEB*

cc: Jay Sweeney, Finance Director *JS 5 Feb 14*

Date: 2 February 2014

Subject: Nugget Restaurant Airport Lease

Background

City and Borough of Sitka owns the Airport Terminal Building ("Terminal Building"), which is built on land leased from the State of Alaska. The Nugget is a restaurant that operates in one of the leased spaces at the terminal building, based on a tenant lease with the City and Borough of Sitka. The owner of the Nugget wishes to renew their lease. The terms of the tenant lease requires Assembly written approval for any assignment, with approval not to be arbitrarily withheld. The State of Alaska "Sublease Guidelines for Tenants" also requires approval by the State of Alaska, Department of Transportation and Public Facilities, of any assignment of the terminal tenant leases. Further, the assignee must obtain and provide proof of the required Insurance coverage in accordance with the tenant Lease Agreement.

Analysis

The new sublease term is for five (5) years and commences on April 1, 2014 to March 31, 2019, unless terminated or extended as herein provided. Tenant shall have the right to exercise options to renew for two successive terms of three (3) years each upon the same terms and conditions as this sublease agreement.

Fiscal Note:

The Nugget Restaurant has been paying at a rate of \$1.57 per square foot for over 10 years without an adjustment. That was sent to the assessor's office for evaluation to come up with a new rate per square foot costing. A cost inflator was added into the equation to come up with the new calculated amount below. Also, a CPI was added to the contract as it did not exist in the old contract. A CPI adjustment is made on annually basis each year.

The terminal building sublease rate for the Nugget Restaurant Lease shall be \$4,515.20 per month computed at the rate of \$1.70 per square foot per month, plus the City and Borough of Sitka Sales Tax.

The sublease rate will be adjusted based on the percentage difference between "All Items" figure for Anchorage, Alaska in the "Consumer Price Index for All Urban Consumers", (CPI). The adjustment shall occur annually on March 1, and the tenant is required to make such adjustments on its own each year.

Recommendation:

Approve tenant lease agreement with the owner of the Nugget Restaurant contingent on receipt of proof of the required insurance coverage, a reinstated business license, and approval from the State of Alaska, Department of Public Facilities of the assignment.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2014-04

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AUTHORIZING RENEWAL OF SUBLEASE OF SPACE BY NUGGET RESTAURANT AT THE SITKA ROCKY GUTIERREZ AIRPORT TERMINAL BUILDING

1. **CLASSIFICATION.** This ordinance is not of a permanent nature and is not intended to become a part of the Sitka General Code (“SGC”).

2. **SEVERABILITY.** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstances shall not be affected.

3. **PURPOSE.** State of Alaska owns the Sitka Rocky Gutierrez Airport Terminal Building (“Terminal Building”) in Sitka, Alaska. City and Borough of Sitka (“CBS”) has a 30-year lease agreement with the State of Alaska, Lease No. ADA-50103, which began on July 1, 1994 and expires on June 30, 2024.

On August 1, 1974, a 10-year lease was entered into between CBS and Nugget Saloon (now known as Nugget Restaurant) (“Nugget”) for purposes of operating a restaurant and cocktail lounge at the Terminal Building. After numerous assignments, this Lease was amended on April 9, 1982 and was extended to terminate on June 30, 1994.

On April 7, 1993, the parties entered into a 10-year lease extension beginning July 1, 1994. The lease was in holdover status until March 11, 1996 where a lease was entered into between the parties to expire on March 31, 2014.

Nugget Restaurant wishes to remain in its current location at the Terminal Building. It is willing to pay fair market value for the sublease space, estimated to be \$4,515.20 per month by the Municipal Assessor, as well as sign the new standardized Terminal Building Sublease Agreement.

For consistency and efficiency, this sublease will have the same provisions such as termination dates and options to renew as the other airport terminal subleases currently in effect.

43 4. **ENACTMENT.** NOW, THEREFORE, BE IT ENACTED by the Assembly
44 of the City and Borough of Sitka that:

- 45
46 A. The Assembly finds that competitive bidding is inappropriate under
47 SGC 18.12.010E for Terminal Building space currently subleased by
48 Nugget Restaurant, that has been subleasing space in the Terminal
49 Building since 1974, is willing to pay fair market value for the space
50 as determined by the Municipal Assessor, and will execute the new
51 standardized Terminal Building Sublease Agreement;
52
53 B. Execution of the attached sublease is authorized; and
54
55 C. Approval of this sublease agreement is contingent on the State of
56 Alaska DOT&PF approval and consent to the Sublease Agreement.
57

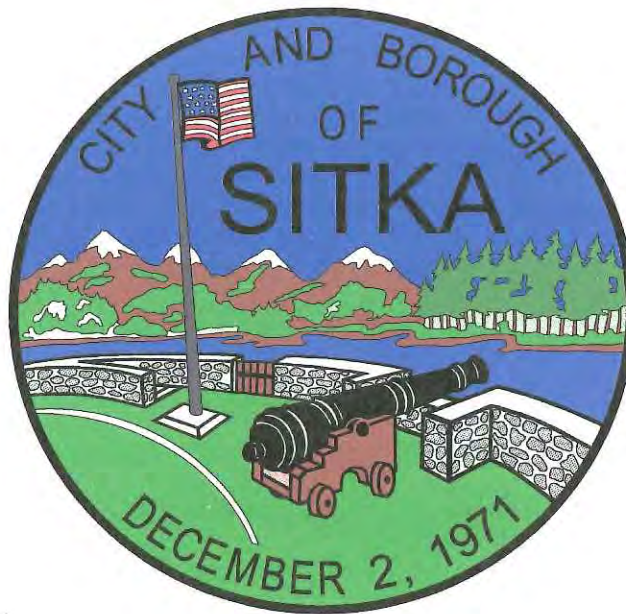
58 5. **EFFECTIVE DATE.** This ordinance shall become effective on the day
59 after the date of its passage, with the date of the sublease agreement effective April 1,
60 2014.

61
62 **PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and
63 Borough of Sitka, Alaska this 25th day of February, 2014.
64
65
66

67 _____
Mim McConnell, Mayor

68 ATTEST:

69
70 _____
71 Colleen Ingman, MMC
72 Municipal Clerk



SUBLEASE AGREEMENT

BETWEEN

**THE
CITY AND BOROUGH OF SITKA**

AND

NUGGET RESTAURANT

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Exhibits

- Exhibit A – Diagram of Sublease Area
- Exhibit B - Lease between the State of Alaska Department of Transportation and Public Facilities and City and Borough of Sitka
- Exhibit C – State of Alaska Department of Transportation Consent to Sublease
- Exhibit D – State of Alaska Department of Transportation Sublease Guidelines

SUBLEASE AGREEMENT

PREAMBLE

City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835 ("CBS") and Nugget Restaurant, ("Tenant"), P.O. Box 797, Sitka, Alaska 99835, enter into this Sublease Agreement ("Sublease"). This Sublease is subject to all requirements and conditions of CBS's prime lease ADA-50103 with the State of Alaska, Department of Transportation and Public Facilities ("DOT&PF") and consists of the Special Provisions, the General Provisions, and the following attached Exhibits:

- Exhibit A - Pictorial representation of the areas subleased in the Sitka Rocky Gutierrez Airport terminal building, ("Terminal Building"), including sublease area consisting of 2,656 square feet, at 600 Airport Road, Sitka, Alaska 99835 ("Subject Property").
- Exhibit B - Lease between CBS and DOT&PF of the Terminal Building at Lot 3, Block 600.
- Exhibit C - DOT&PF document authorizing CBS to sublease any Terminal Building area.
- Exhibit D - Sublease Guidelines For Tenants, required by DOT&PF.

SPECIAL PROVISIONS

ARTICLE I: SUBLEASE, TERM OF SUBLEASE, AND TERMINATION OF SUBLEASE

Section 1.1 Conveyance of Estate in Sublease.

CBS, for and in consideration of the Rents received and of the covenants and agreements made by Tenant, does sublease to Tenant, and Tenant subleases from CBS, the Subject Property as shown on Exhibit A. Exhibit A shows an approximately 2,656 square feet of Terminal Building space for purposes of a restaurant and cocktail lounge.

Section 1.2 Sublease Term.

The Sublease commences on April 1, 2014, and ends on February 28, 2018, unless sooner terminated or extended as hereinafter provided. The Sublease Term may be extended, based on the Options to Renew in Section 1.3.

Section 1.3 Options to Renew.

Provided there does not then exist a continuing material default by Tenant under this Sublease at the time of exercise of this right or at commencement of any extended term, Tenant shall have the right to exercise options for two successive terms of three (3) years each upon the same terms and conditions as this Sublease (except Section 1.2), with the Sublease payments during the extension terms as described in Article II. Each of these options is effective only if (a) Tenant makes a written request to exercise such option not more than one year or less than six months from the end of the immediately preceding term; and (b) Tenant is in compliance with law and

this Sublease and is not in default under this Sublease. Options to renew must be approved by the CBS Assembly and DOT&PF.

Section 1.4 Disposition of Improvements and Tenant's Personal Property Following Term of Sublease.

With the exception of such improvements described in the next sentence, Tenant shall remove from the Subject Property any personal property or improvements constructed, installed, or deposited on the Subject Property at the termination of this Sublease or any extension unless Tenant makes a separate written agreement with CBS to do otherwise. Subject to the provisions of the next sentence, Tenant shall leave behind at no cost to CBS improvements including: bollards, ladders, drains and drain lines; toilets; bathroom sinks; building systems and their components such as plumbing, piping, and fixtures; building structural components; non-structural improvements such as walls and ceilings; devices not used for processing or manufacturing such as but not limited to electrical service entrance equipment, electrical distribution panels, electrical cables, feeders, branch circuit wiring, and appurtenances such as light fixtures, switches, and other devices; portable fire extinguishers, smoke detectors, and fire and life safety equipment attached or fastened in ways integral to the building in which Subject Property is located. Any improvements or personal property not removed after thirty (30) days have passed after termination of this Sublease shall be deemed abandoned and at CBS's option shall become the property of CBS, and Tenant shall repay to CBS any costs of removing such improvements or personal property from the Subject Property if CBS does not exercise such option. Any holes that may be left in walls, ceilings, or floors as a result of removal of improvements shall be repaired by Tenant in a manner that meets all existing requirements of local, state, and federal law and matches the existing materials of Subject Property. Subject to CBS's obligations under Subsection 3.1 below, Tenant agrees to leave Subject Property in a neat, clean, and weather-tight condition at the end of the term of the Sublease.

Section 1.5 Covenants to Perform.

This Sublease is made upon the above and the following terms and conditions, each of which the Party bound by such covenants and conditions agrees to perform, irrespective of whether the particular provision is in the form of a covenant, an agreement, a condition, a direction, or otherwise, and each Party agrees to provide the other Party with documents or further assurances as may be required to carry out the expressed intentions.

ARTICLE II RENT

Section 2.1 Calculation & Method of Payment of Rent During the Initial Term of the Sublease.

The first year of the Sublease begins on the commencement date of this Sublease set out in Article I. Each successive year of the Sublease begins on the corresponding anniversary commencement date of the Sublease. Subject to the provision in the previous sentence, Tenant shall pay the Sublease payments for subsequent years each month in advance on the first day of each and every month for which Rent is due throughout the term of the Sublease without the necessity of any billing by CBS. Tenant will sublease the space as shown in Exhibit A for \$54,182.40/year payable at a rate of \$4,515.20/month plus applicable cost of living adjustments referred to in Section 2.2 and extension option adjustments in Section 2.3.

Section 2.2 Cost of Living Adjustment to Sublease Rate.

The Sublease rate will be adjusted annually based on the percentage difference between the "All Items" figure for Anchorage, Alaska in the "Consumer Price Index for All Urban Consumers," beginning with the edition published the soonest after January 1. The adjustment shall occur annually on March 1, and shall apply to all subsequent month's sublease payments. The adjustment shall be determined by dividing the most recent CPI by the preceding year CPI, and multiplying the result times the monthly sublease payment and add the result to current sublease payments. Tenant is required to make such adjustments on its own each year.

Section 2.3 Calculation and Method of Payment of Rent During Successive Optional Three-Year Renewal Periods of the Sublease.

If Tenant decides to exercise the option to renew for successive three-year terms under Section 1.3, Tenant must notify CBS of their intent no less than six (6) months before the end of the current term of the Sublease. CBS may commission a professional market appraisal of the Subject Property in its "as is" condition. The appraisal will not take into consideration improvements made to the property by Tenant but may take into consideration improvements made by CBS.

Section 2.4 Property Tax Responsibility.

Beginning with the term of this Sublease and each calendar year after, Tenant will be responsible to pay CBS property taxes for its possessory interest in the building, land, and equipment to the extent taxable as determined by the Municipal Assessor.

ARTICLE III: RESTRICTIONS UPON USE OF SUBJECT PROPERTY

Section 3.1 Tenant's Obligations as to Construction, Maintenance, Repair and Safety.

(a) Except as provided in this Section, Tenant acknowledges the Subleasehold is in an "as is" condition and includes the building, fixtures, appurtenances and municipal-provided equipment. At the sole cost and expense of Tenant and in compliance with all legal requirements, Tenant may purchase, construct, develop, repair, and/or maintain any improvements, personal property, fixtures, and other items on the interior Subject Property in a first-class manner using materials of good quality. Any protrusions, extensions, doors, drains through the roof, walls or floor of the building for the purpose of drains, access, venting equipment or space within Tenant Subleasehold shall be the responsibility of Tenant including any water leaks or blockages caused by those protrusions, extensions or drains.

(b) CBS shall repair and maintain the subject property and CBS-provided equipment. Tenant shall repair and maintain its areas of use at its sole expense including interior improvements, fixtures appendages and facilities constructed by the Tenant in its use area. This shall include but is not limited to such items as counters, painting, floor coverings and decorations. CBS reserves the right to expand or modify the facility. In that event, the CBS and Tenant will work together to complete such expansion or modification in a manner that minimizes disruption to Tenant's use of the facility. Some anticipated disruptions could be the use of space for construction activities, the interruption in facility utilities (i.e., power, water and sewer and operational disturbances from noise, dust and other construction activities).

(c) Tenant acknowledges that CBS has made no representation or warranty with respect to Tenant's ability to obtain any permit, license, or approval.

(d) Tenant shall also use the Subject Property and any improvements placed thereon only for lawful uses.

(e) Tenant shall confine its equipment, storage and operation to the Subleasehold area. An exception to this is the use of common spaces. Tenant will cooperate with other Subleaseholders in the facility with regards to use of common spaces in the building and grounds. CBS Facilities Manager will act as arbitrator between Subleaseholders on questions on cooperative use.

(f) Tenant shall not permit the accumulation of waste or refuse matter on the Subject Property, and Tenant shall not obstruct or permit the obstruction of the streets, sidewalks, access ways, or alleys adjoining the Subject Property except as may be permitted by CBS or other municipal authorities having jurisdiction. Tenant shall do all things necessary during the term of this Sublease to remove any dangerous condition from time to time existing on the Subject Property as the result of the use by Tenant.

(g) Tenant may erect outdoor signage at its expense with the permission of the CBS Public Works Director and which is in compliance with applicable zoning laws. The style, size and physical placement location of the sign will be approved on a case-by-case basis.

Section 3.2 CBS's Approval of Certain Alterations or Improvements.

Tenant shall not make or permit to be made any alteration of, addition to, or change in, structures and improvements, nor demolish all or any part of the structures or improvements without the prior written consent of CBS, which consent shall not be unreasonably withheld. The phrase "structures and improvements" in the previous sentence includes water and wastewater systems and electrical systems. In requesting consent Tenant shall comply with all applicable laws and ordinances, and shall submit to the CBS Public Works Director or his or her written designee detailed plans and specifications of proposed work, an explanation of the needs and reasons for the work, and a plan of full payment of the costs of the work. CBS shall notify Tenant of its approval or objections no later than 30 days after receiving the information described in the previous sentence. In approving or objecting CBS shall be acting in its proprietary function and not its regulatory function. Any such approval in this proprietary function does not relieve Tenant of any obligation to obey the law, including obtaining any required building permits. Nothing in this Section shall be interpreted to prevent Tenant from removing at the termination of this Sublease any improvements or personal property as described in Section 1.4.

Section 3.3 Rights of Access to Subject Property.

(a) CBS reserves for itself and any public utility company the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of opening, inspecting, repairing, replacing, reconstructing, maintaining, or servicing the public utilities, if any, located on the Subject Property, as well as for the purposes of constructing or installing new public utilities. CBS also reserves for itself and the Alaska Department of Environmental Conservation the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of

regulation and enforcement of this Sublease. CBS also reserves for itself the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of (1) inspection of all work being performed in connection with the construction of improvements; (2) showing Subject Property for exhibiting Subject Property in connection with renting or subleasing Subject Property in a matter that will not unreasonably interfere with Tenant's business; and (3) placing "For Sale" or "For Rent" signs on Subject Property. Tenant shall not charge for any of the access allowed in the situations described in this subsection.

(b) Tenant shall not construct any permanent improvements over or within the boundary lines of any easement for public utilities without receiving the written prior consent of CBS and any applicable utility company.

(c) Tenant acknowledges that the Subject Property is or shall be subject to agreements for ingress and egress, utilities, parking, and maintenance of common areas as described on attached Exhibit A. Tenant agrees that it shall comply with the terms of such cooperative agreements, in accordance with the terms of such agreements, those portions of such maintenance expenses that are attributable to the Subject Property, as more fully set forth in this Agreement and its exhibits.

Section 3.4 Additional Conditions of Subleasing.

Tenant recognizes and shall cause all beneficiaries of Tenant and all permitted successors in interest in or to any part of the Subject Property to recognize that:

(a) Tenant will cooperate with CBS equipment and building maintenance contractor and will notify CBS of any maintenance deficiencies or of any equipment failures that require maintenance or repair. Tenant will be provided a 24 hour telephone number to notify CBS of any event that requires immediate response by CBS.

(b) Sublease payments will be made in monthly installments in advance in cash or by check, bank draft or money order made available to the City and Borough of Sitka. Installments to be delivered or mailed to 100 Lincoln Street, Sitka, Alaska 99835, by or on the first day of each calendar month.

(c) Sublease payments shall become delinquent if not paid within ten (10) days after the due date. Delinquent payments are subject to a late charge of \$25 and interest accrued from the due date at 12% annum.

(d) The charges and fees paid by Tenant to CBS must be separated according to the CBS accounting standards.

(e) CBS at their option can terminate the Sublease for Tenant's failure to make payment, and in accordance with this Sublease.

(f) Tenant covenants and agrees that as it relates to use of the Subject Property, it will not, on the grounds of race, color or national origin, sex, religion, age, physical handicap, marital status, pregnancy or parenthood, discriminate or permit discrimination against any person or group of person in any manner prohibited by Federal or State laws and Tenant further grants CBS the

right to take such action to enforce such covenant as it deems necessary or as it is directed pursuant to any Federal or State law or regulation.

(g) CBS may sell the Terminal Building in the future and all agreements regarding the Subject Property, including this Sublease between CBS and Tenant, shall be completely transferable to the new owner. A transfer of the Terminal Building to any such entity shall not create any restrictions upon use of the Subject Property in addition to those stated in this Sublease.

(h) CBS may, upon at least 10 days prior written notice to Tenant, temporarily suspend the supply of water, wastewater service, the supply of electric power, the use of pipelines, or the use of the Improvements in order to perform routine maintenance and, in all events, subject to unavoidable delays, as provided in Section 4.2. Such interruptions shall be of as short duration as necessary to perform such maintenance, and CBS shall not be responsible for any such costs or expenses as a result of suspending such utilities.

(i) Tenant shall pay the CBS Fire Marshal or Building Inspector fees and other building permit fees, and shall also pay all applicable property taxes and assessments when due. These include any Local Improvement District costs that may be assessed.

(j) Tenant shall be responsible for taking any measures that Tenant deems necessary to provide security for their property. CBS is not responsible for theft or vandalism.

(k) CBS sales tax applies to Sublease payments. Sales tax rates, limits, exemptions, and exclusions are subject to change by the CBS Assembly.

(l) CBS shall have the authority to allow vending machines to be placed in the Terminal Building. All commissions from vending machines shall be deposited by CBS in the Terminal Building account. Any vending machines proposed to be placed in an area under sublease to the Tenant shall be with the concurrence of the Tenant.

(m) CBS acknowledges that the Nugget Restaurant shall have a right of first refusal with regard to any other limited food or drink sales operations proposed within the Terminal Building and that no other restaurant or lounge business shall be allowed in the Terminal Building. This provision is based on the current sublease with Nugget Restaurant, which expires on March 31, 2014, unless terminated or extended sooner.

(n) Tenant agrees not to install any radio transmitting equipment without the written approval of CBS Facilities Manager and to discontinue upon request of CBS Facilities Manager use of any machinery or installation causing interference to City, State, or Federal government radio receiving or transmitting equipment until the cause of such interference has been eliminated.

(o) Tenant agrees that CBS may modify this Sublease to meet revised requirements for Federal or State grants, regulations or laws, or to conform to the requirements of any CBS revenue bond requirements. However, this agreement to modify the Sublease to conform to the requirements of any revenue bond requirements shall not reduce the rights or privileges granted the Tenant by this Sublease, nor cause the Tenant financial loss in its Sublease options.

(p) FAA requires CBS to file an annual concessionaires' report with the FAA, including a list of individual concessionaires' gross revenues. Tenant grants permission to CBS Finance Director to release this information from sales tax returns in order to comply with FAA reporting requirements.

(q) Tenant agrees that the first priority use of the Terminal Building is to accommodate aircraft for passenger use. Tenant agrees to relocate to comparable space within the Terminal Building or expanded Terminal Building, if required to accommodate this priority at no cost to CBS.

(r) Tenant shall submit a non-refundable \$55 processing fee payable to the State of Alaska upon execution of this Sublease.

Section 3.5 Control of Rodents and Other Creatures on Subject Property.

Tenant shall take reasonable affirmative measures to ensure that its operations do not attract to Subject Property or any portion of the Terminal Building any of the following creatures: rodents, vermin, insects, eagles, crows, ravens, seagulls, mink, otters, or bears.

ARTICLE IV UTILITY SERVICES & RATES.

Section 4.1 Provision of Utility Services.

Tenant is responsible to pay utility bills which Tenant may become liable to pay. Water and sewer services will be provided by CBS in other sections of the Terminal Building.

Section 4.2 CBS Not Liable for Failure of Utilities or Building.

Except to the extent that any such failure, injury, or other casualty is due to CBS's negligence or breach of any obligation under this Sublease, CBS shall not be liable for any failure of building roof, water supply, sewer, or electric current, or for any injury or damages to person or property caused by or resulting from any natural disaster, natural condition, gasoline, oil, steam, gas, electricity, or hurricane, tornado, flood, wind or similar storms or disturbances, or water, rain, or snows which may leak or flow from the street, sewer, or from any part of the Terminal Building or the Subject Property, or leakage of gasoline or gas from pipes, appliances, sewer, or plumbing works therein, or from any other place, or for sewer or plumbing works therein, or from any other place. CBS shall not be held responsible or liable for any claim or action due to or arising from any suspension of operation, breakage, unavoidable accident or injury of any kind occurring to, or caused by the sewer mains by an act of God, beyond CBS's control, or caused by the elements, strikes, riots, or a terrorist or terrorists.

Section 4.3 Janitorial

Janitorial for common areas in the Terminal Building is provided by CBS. Tenant will provide janitorial for its Subject Property.

ARTICLE V INDEMNIFICATION

Section 5.1 Liability of and Indemnification by Tenant.

Tenant agrees to indemnify, defend, and save harmless CBS against and from any and all claims by or on behalf of any person, firm, or corporation arising, other than due to acts or omissions of CBS, from the conduct or management of or from any work or thing whatsoever done in or about the Subject Property and structures and improvements, including liability arising from products produced on the property. Tenant also agrees to indemnify, defend, and save CBS harmless against and from any and all claims and damages arising, other than due to acts or omissions of CBS, during the term of this Sublease from: (a) any condition of the Subject Property or improvements placed on it; (b) any breach or default on the part of Tenant regarding any act or duty to be performed by Tenant pursuant to the terms of this Sublease; (c) any act or negligence of Tenant or any of its agents, contractors, servants, employees or licensees; and (d) any accident, injury, death or damage caused to any person occurring during the Term of this Sublease in or on the Subject Property. Tenant agrees to indemnify, defend, and save harmless CBS from and against all costs, counsel and legal fees, expenses, and liabilities incurred, other than due to acts or omissions of CBS, in any claim or action or proceeding brought asserting claims of or asserting damages for any alleged act, negligence, omission, conduct, management, work, thing, breach, default, accident, injury, or damage described in the previous two sentences. The above agreements of indemnity are in addition to and not by way of limitation of any other covenants in this Sublease to indemnify CBS. The agreements of indemnity by Tenant do not apply to any claims of damage arising out of the failure of CBS to perform acts or render services in its municipal capacity.

Section 5.2 Liability of and Indemnification by CBS.

Except to the extent of liabilities arising from Contractor's acts or omissions, CBS indemnifies, defends, and holds Tenant harmless for liabilities to the extent that they were incurred by reason of conditions existing on the site as of the date of execution of this Sublease or by reasons of CBS's acts or omissions. CBS also agrees to indemnify, defend, and save Tenant harmless against and from any and all claims and damages arising, other than due to acts or omissions of Tenant, during the Sublease Term from (a) any condition of the Subject Property or improvements placed on it; (b) any breach or default on the part of the CBS regarding any act or duty to be performed by CBS pursuant to the terms of the Sublease; (c) any act or negligence of CBS or any of its agents, contractors, servants, employees, or licensees; and (d) any accident, injury, death, or damage caused to any person occurring during the Sublease Term in or on the Subject Property. CBS agrees to indemnify, defend, and save harmless Tenant from and against all costs, counsel and legal fees, expenses, and liabilities incurred, other than due to acts or omissions of Tenant, in any claim or action or proceeding brought asserting claims of or asserting damages for any alleged act, negligence, omission, conduct, management, work, thing, breach, default, accident, injury, or damage described in the previous two sentences. The above agreements of indemnity are in addition to and not by way of limitation of any other covenants in this Sublease to indemnify the Tenant.

Section 5.3 Reimbursement of Costs of Obtaining Possession.

Each Party agrees to pay and to indemnify the other Party prevailing in any dispute under this Sublease against all costs and charges, including full reasonable counsel and legal fees lawfully

and reasonably incurred in enforcing any provision of this Sublease including obtaining possession of the Subject Property and establishing CBS's title free and clear of this Sublease upon expiration or earlier termination of this Sublease.

GENERAL PROVISIONS

ARTICLE VI DEFINITIONS

Section 6.1 Defined Terms.

For the purposes of this Sublease, the following words shall have the meanings attributed to them in this Section:

- (a) "Event of Default" means the occurrence of any action specified in Section 14.1.
- (b) "Imposition" means all of the taxes, assessments, utility rates or charges, levies and other governmental charges, levied or assessed against the Subject Property or on any part of the Subject Property, any right or interest regarding the Subject Property, or any Rent and income received from the Subject Property, including sales taxes on Rent.
- (c) "Improvements" means all buildings, structures and improvements of any nature now or hereafter located upon the Subject Property by Tenant, as well as all of the Tenant's apparatus and equipment necessary for the complete and comfortable use, occupancy, enjoyment and operation of the Subject Property, including fittings, appliances, machinery, garage equipment, heating equipment, lighting equipment, cooling equipment, air conditioning and ventilating equipment, wiring, controls, communications equipment, plumbing, switchboards, antennae, floor coverings, refrigerating equipment, hot water heating and all other appliances and equipment; excepting only in each case articles of personal property appurtenances and fixtures (including trade fixtures) owned by Tenant, sublessees, or others, which can be removed without defacing or materially injuring the improvements remaining on the Subject Property, from the property with the portion of the property from which such items are removed being returned to a condition at least as good as that existing on the date of this Sublease. "Improvements" also includes fill, grading, asphalt, and other non-building land improvements.
- (d) "Personal Property" means tangible personal property owned or leased and used by Tenant or any subtenant, in connection with and located upon the Subject Property.
- (e) "Premises" means the "Subject Property."
- (f) "Rent" means the Sublease rate, which is the amount Tenant periodically owes and is obligated to pay CBS as Sublease payments under this Sublease for the use of the Subject Property.
- (g) "Subject Property" is the area Subleased as shown on Exhibit A.
- (h) "Subtenant" shall mean any subtenant, concessionaire, licensee, or occupant of space in or on the Subject Property holding by or through Tenant.

(i) "Term" means the period of time Tenant Rents or Subleases the Subject Property from CBS.

ARTICLE VII INSURANCE

Section 7.1 Insurance.

Tenant shall maintain property damage and comprehensive general liability insurance in the amount of one million dollars (\$1,000,000), including for Subleasehold improvements. CBS shall be named as an additional insured. Tenant shall maintain Workmen's Compensation insurance as required by state and federal regulations. CBS shall maintain for the Terminal Building a policy of standard fire and extended coverage insurance.

Section 7.2 Notification of Claim, Loss, or Adjustment.

Tenant shall advise CBS of any claim, loss, adjustment, or negotiations and settlements involving any loss under all policies of the character described in Section 7.1.

Section 7.3 Waiver of Subrogation.

Whenever: (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty or occurrence is incurred by either of the Parties to this Sublease, or anyone claiming under it in connection with the Subject Property or Improvements; and (ii) the Party is then covered in whole or in part by insurance with respect to loss, cost, damage or expense or is required under this Sublease to be so insured, then the Party so insured (or so required) releases the other Party from any liability the other Party may have on account of the loss, cost, damage or expense to the extent of any amount recoverable by reason of insurance and waives any right of subrogation which might otherwise exist in or accrue to any person on account of it, provided that the release of liability and waiver of the right of subrogation shall not be operative in any case where the effect is to invalidate the insurance coverage or increase its cost (provided that, in the case of increased cost, the other Party shall have the right, within thirty (30) days following written notice, to pay the increased cost keeping the release and waiver in full force and effect.

ARTICLE VIII RESTRICTIONS REGARDING ASSIGNMENT, SUBLEASES, AND TRANSFERS OF SUBJECT PROPERTY

Section 8.1 Tenant Without Power to Assign Sublease or Transfer or Encumber Subject Property.

Tenant has no power under this Sublease to assign the Sublease, except with approval of the CBS Assembly and DOT&PF. Tenant has no power under this Sublease to transfer the Subject Property, except with approval of the CBS Assembly and DOT&PF. Tenant has no power to encumber Subject Property or pledge its interest in Subject Property as collateral for a loan or mortgage.

Section 8.2 Limitations on Subleases.

Tenant shall not sublease the Subject Property or any portion of it without the prior written approval of the CBS Assembly and DOT&PF. All subleases entered into demising all or any part of the Improvements or the Subject Property shall expressly state that it is subject to and subordinate to this Sublease. CBS's and DOT&PF's consent to a sublease of the Subject

Property shall not release Tenant from its obligations under this Sublease. CBS's and DOT&PF's consent to a sublease shall not be deemed to give any consent to any subsequent subletting.

ARTICLE IX USE AND PROTECTION OF THE SUBJECT PROPERTY

Section 9.1 Subject Property As Is - Repairs.

Tenant acknowledges that it has examined the Subject Property and the present improvements including any public improvements presently located there and knows the condition of them and accepts them in the present condition and without any representations or warranties of any kind or nature whatsoever by CBS as to their condition or as to the use or occupancy which may be made of them. Tenant assumes the sole responsibility for the condition of the improvements located on the Subject Property. The foregoing shall not be deemed to relieve CBS of its general municipal obligations, or of its obligations under Section 3.1 above.

Section 9.2 Compliance with Laws.

Tenant shall throughout any term of this Sublease, at Tenant'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 CBS of its general obligations required in its municipal capacity.

Section 9.3 Notification of CBS Public Works Director of Discovery of Contamination.

Tenant shall promptly notify the CBS Public Works Director within 24 hours if any contaminated soils or other media that require special handling are encountered during construction activities or at any other time.

Tenant shall be responsible for all clean-up costs associated with contamination of soils of subject property, adjoining property, and/or buildings. In the event of Tenant's failure to clean-up to applicable regulatory standards or to the satisfaction of the CBS Public Works Director, CBS may perform clean-up or contract for clean-up, and all charges for such work shall be payable by Tenant.

Section 9.4 Use of Utility Lines.

Tenant shall connect or otherwise discharge to such utility lines as are approved by the CBS Directors of Public Works and/or Electric Department, and shall obtain any permits and comply with any conditions specified by the Directors of Public Works and/or Electric Department for such connections.

Section 9.5 Permits and Approvals for Activities.

Tenant shall be responsible for obtaining all necessary permits and approvals for its activities unless otherwise specifically allowed by CBS. Not less than ten (10) days in advance of applying for permits to any public entity other than the CBS, Tenant shall provide copies of all permit applications and associated plans and specifications to the CBS Public Works Director to

facilitate review by departments of the CBS. CBS is not obligated to comment on the permit applications and plans, and the result of any review by the CBS does not affect Tenant's obligation to comply with any applicable laws.

ARTICLE X CBS'S RIGHT TO PERFORM TENANT'S COVENANTS; REIMBURSEMENT OF CBS FOR AMOUNTS SO EXPENDED

Section 10.1 Performance of Tenant's Covenants To Pay Money.

Tenant covenants that if it shall at any time default or shall fail to make any other payment (other than Rent) due and the failure shall continue for ten (10) days after written notice to Tenant, then CBS may, but shall not be obligated so to do, and without further notice to or demand upon Tenant and without releasing Tenant from any obligations of Tenant under this Sublease, make any other payment in a manner and extent that CBS may deem desirable.

Section 10.2 CBS's Right To Cure Tenant's Default.

If there is a default involving the failure of Tenant to keep the Subject Property in good condition and repair in accordance with the provisions of this Sublease, to make any necessary renewals or replacements or to remove any dangerous condition in accordance with the requirements of this Sublease or to take any other action required by the terms of this Sublease, then CBS shall have the right, but shall not be required, to make good any default of Tenant. CBS shall not in any event be liable for inconvenience, annoyance, disturbance, loss of business, or other damage of or to Tenant by reason of bringing materials, supplies and equipment into or through the Terminal Building during the course of the work required to be done to make good such default, and the obligations of Tenant under this Sublease shall remain unaffected by such work, provided that CBS uses reasonable care under the circumstances prevailing to avoid unnecessary inconvenience, annoyance, disturbance, loss of business, or other damage to Tenant.

Section 10.3 Reimbursement of CBS and Tenant.

All sums advanced by CBS pursuant to this Article and all necessary and incidental costs, expenses and attorney fees in connection with the performance of any acts, together with interest at the highest rate of interest allowed by law from the date of the making of advancements, shall be promptly payable by Tenant, in the respective amounts so advanced, to CBS. This reimbursement shall be made on demand, or, at the option of CBS, may be added to any Rent then due or becoming due under this Sublease and Tenant covenants to pay the sum or sums with interest, and CBS shall have (in addition to any other right or remedy) the same rights and remedies in the event of the nonpayment by Tenant as in the case of default by Tenant in the payment of any installment of Rent. Conversely, Tenant shall be entitled to receive from CBS prompt payment or reimbursement on any sums due and owing from CBS to Tenant, together with interest at the highest rate allowed by law. However, nothing contained in this Sublease shall entitle Tenant to withhold any Rent due to CBS or to offset or credit any sums against Rent, except with respect to unpaid Rental due from CBS to Tenant under any Sublease of Terminal Building space to CBS.

ARTICLE XI DAMAGE OR DESTRUCTION

Section 11.1 Repair and Replacement of Structures and Improvements Following Damage.

(a) If the Subject Property shall be destroyed or so injured by any cause as to be unfit, in whole or in part, for occupancy and such destruction or injury could reasonably be repaired within ninety (90) days from the date of such damage or destruction, then Tenant shall not be entitled to surrender possession of the Subject Property, nor shall Tenant's liability to pay Rent under this Sublease cease, without the mutual consent of the Parties. In case of any such destruction or injury, CBS shall repair the same with all reasonable speed and shall complete such repairs within ninety (90) days from the date of such damage or destruction. If during such period Tenant shall be unable to use all or any portion of the Subject Property, a proportionate allowance shall be made to Tenant from the Rent corresponding to the time during which and to the portion of the Subject Property of which Tenant shall be so deprived of its use.

(b) If such destruction or injury cannot reasonably be repaired within ninety (90) days from the date of such damage or destruction, CBS shall notify Tenant within fifteen (15) days after the determination that restoration cannot be made in ninety (90) days. If CBS elects not to repair or rebuild, this Sublease shall be terminated. If CBS elects to repair or rebuild, CBS shall specify the time within which such repairs or reconstruction will be complete, and Tenant shall have the option, to be exercised within thirty (30) days after the receipt of such written notice, to elect either to terminate the Sublease and further liability, or to extend the Sublease Term by a period of time equivalent to the time from the happening of such destruction or injury until the Subject Property is restored to its former condition. In the event Tenant elects to extend the Sublease Term, CBS shall restore the Subject Property to its former condition within the time specified in the written notice, and Tenant shall not be liable to pay Rent for the period from the time of such destruction or injury until the Subject Property is so restored to its former condition.

(c) In addition to all rights to cancel or terminate this Sublease set forth in Subsections 11.1(a) and 11.1(b), if the Subject Property or a part are destroyed or damaged during the last two (2) years of the Sublease Term or any extension(s) to the extent of fifty per cent (50%) or more of the value of the Subject Property, then CBS shall have the right to cancel and terminate this Sublease as of the date of such damage or destruction by giving Tenant written notice within ninety (90) days after the date of such damage or destruction.

(d) The timeframes in this article may be modified by mutual agreement of the Parties.

ARTICLE XII LIENS

Section 12.1 Discharge of Mechanics' and Other Liens.

Tenant shall not permit any mechanics' liens or other liens to be filed against the title to the Subject Property against Tenant's interest in the property, or against the improvements by reason of work, labor, services or materials supplied to Tenant or anyone having a right to possession of the Subject Property or improvements as a result of an agreement with Tenant. If any mechanics' lien or other liens are filed against the Subject Property, including the Improvements, Tenant shall discharge lien within 30 days after the date that Tenant has knowledge of its filing, or take action sufficient to the satisfaction of the CBS.

ARTICLE XIII LIEN FOR RENT AND OTHER CHARGES

Section 13.1 Lien for Rent.

The contents of this entire leasehold contract shall be declared to constitute a valid and prior lien upon the Subject Property and the Improvements, and upon Tenant's Subleasehold estate, and may be enforced by equitable remedies including the appointment of a receiver.

ARTICLE XIV DEFAULT PROVISIONS

Section 14.1 Events of Default.

Each of the following events is defined as an "Event of Default":

- (a) The failure of Tenant to pay any Rent, or any other payments or deposits of money, or furnish receipts for deposits as required, when due and the continuance of the failure for a period of ten (10) days after notice in writing from CBS to Tenant.
- (b) The failure of Tenant to perform any of the other covenants, conditions and agreements of this Sublease including payment of taxes on the part of Tenant to be performed, and the continuance of the failure for a period of thirty (30) days after notice in writing (which notice shall specify the respects in which CBS contends that Tenant has failed to perform any of the covenants, conditions and agreements) from CBS to Tenant unless, with respect to any default which cannot be cured within thirty (30) days, Tenant, or any person holding by, through or under Tenant, in good faith, promptly after receipt of written notice, shall have commenced and shall continue diligently and reasonably to prosecute all action necessary to cure the default within an additional 60 days.
- (c) The filing of an application by Tenant (the term, for this purpose, to include any approved transferee other than a CBS of Tenant's interest in this Sublease): (i) for a consent to the appointment of a receiver, trustee or liquidator of itself or all its assets; (ii) of a voluntary petition in bankruptcy or the filing of a pleading in any court of record admitting in writing of its inability to pay its debts as they come due; (iii) of a general assignment for the benefit of creditors; (iv) of an answer admitting the material allegations of, or its consenting to, or defaulting in answering, a petition filed against it in any bankruptcy proceeding.
- (d) The entry of an order, judgment or decree by any court of competent jurisdiction, adjudicating Tenant a bankrupt, or appointing a receiver, trustee or liquidator of it or of its assets, and this order, judgment or decree continuing unstayed and in effect for any period of 60 consecutive days, or if this Sublease is taken under a writ of execution.

Section 14.2 Assumption or Assignment of Sublease to Bankruptcy Trustee.

In the event that this Sublease is assumed by or assigned to a trustee pursuant to the provisions of the bankruptcy reform Act of 1978 (referred to as "Bankruptcy Code") (11 U.S.C. § 101 et seq.), and the trustee shall cure any default under this Sublease and shall provide adequate assurances of future performance of this Sublease as are required by the Bankruptcy Code (including the requirement of Code § 365(b)(1)) (referred to as "Adequate Assurances"), and if the trustee does

not cure such defaults and provide such adequate assurances under the Bankruptcy Code within the applicable time periods provided by the Bankruptcy Code, then this Sublease shall be deemed rejected automatically and CBS shall have the right to possession of the Subject Property immediately and shall be entitled to all remedies provided by the Bankruptcy Code for damages for breach or termination of this Sublease.

Section 14.3 Remedies in Event of Default.

CBS may treat any one or more of the Events of Default as a breach of this Sublease and at its option, by serving written notice on Tenant and each Secured Party and Subleasehold Mortgagee of whom CBS has notice (such notice not to be effective unless served on each such person) of the Event of Default of which CBS shall have received notice in writing, CBS shall have, in addition to other remedies provided by law, one or more of the following remedies:

(a) CBS may terminate this Sublease and the Term created, in which event CBS may repossess the entire Subject Property and Improvements, and be entitled to recover as damages a sum of money equal to the value, as of the date of termination of this Sublease, of the Rent provided to be paid by Tenant for the balance of the stated term of this Sublease less the fair rental value as of the date of termination of this Sublease of the fee interest in the Subject Property and Improvements for the period, and any other sum of money and damages due under the terms of this Sublease to CBS and Tenant. Any personal property not removed after such termination shall be addressed as provided for in Section 1.4 above.

(b) CBS may terminate Tenant's right of possession and may repossess the entire Subject Property and Improvements by forcible entry and detainer suit or otherwise, without demand or notice of any kind to Tenant (except as above expressly provided for) and without terminating this Sublease, in which event CBS may, but shall be under no obligation to do so, relet all or any part of the Subject Property for Rent and upon terms as shall be satisfactory in the judgment reasonably exercised by CBS (including the right to relet the Subject Property and Terminal Building for a term greater or lesser than that remaining under the stated term of this Sublease and the right to relet the Subject Property and Terminal Building as a part of a larger area and the right to change the use made of the Subject Property). For the purpose of reletting, CBS may make any repairs, changes, alterations or additions in or to the Subject Property and improvements that may be reasonably necessary or convenient in CBS's judgment reasonably exercised; and if CBS shall be unable, after a reasonable effort to do so, to relet the Subject Property, or if the Subject Property and Terminal Building are relet and a sufficient sum shall not be realized from reletting after paying all of the costs and expenses of repairs, change, alterations and additions and the expense of reletting and the collection of the Rent accruing from it, to satisfy the Rent above provided to be paid, then Tenant shall pay to CBS as damages a sum equal to the amount of the Rent reserved in this Sublease for the period or periods as and when payable pursuant to this Sublease, or, if the Subject Property or any part of it has been relet, Tenant shall satisfy and pay any deficiency upon demand from time to time; and Tenant acknowledges that CBS may file suit to recover any sums falling due under the terms of this Section from time to time and that any suit or recovery of any portion due Tenant shall be no defense to any subsequent action brought for any amount not reduced to judgment in favor of CBS. Any personal property not removed after such termination shall be addressed as provided for in Section 1.4 above.

(c) In the event of any breach or threatened breach by Tenant of any of the terms, covenants, agreements, provisions or conditions in this Sublease, CBS shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as through reentry, summary proceedings, and other remedies were not provided for in this Sublease.

(d) Upon the termination of this Sublease and the Term created, or upon the termination of Tenant's right of possession, whether by lapse of time or at the option of CBS, Tenant will at once surrender possession of the Subject Property and dispose of personal property and improvements as described in Section 1.4. If possession is not immediately surrendered, CBS may reenter the Subject Property and Improvements and repossess itself of it as of its former estate and remove all persons and their personal property, using force as may be necessary without being deemed guilty of any manner of trespass or forcible entry or detainer. CBS may at its option seek expedited consideration to obtain possession if CBS determines that the Sublease has terminated as described in the first sentence of this paragraph, and Tenant agrees not to oppose such expedited consideration.

(e) In the event that Tenant shall fail to make any payment required to be made provided for in this Sublease or defaults in the performance of any other covenant or agreement which Tenant is required to perform under this Sublease during the period when work provided for in this Sublease shall be in process or shall be required by the terms of this Sublease to commence, CBS may treat the default as a breach of this Sublease and, in addition to the rights and remedies provided in this Article, but subject to the requirements of service of notice pursuant to this Sublease, CBS shall have the right to carry out or complete the work on behalf of Tenant without terminating this Sublease.

Section 14.4 Waivers and Surrenders To Be In Writing.

No covenant or condition of this Sublease shall be deemed to have been waived by CBS unless the waiver be in writing, signed by CBS or CBS's agent duly authorized in writing and shall apply only with respect to the particular act or matter to which the consent is given and shall not relieve Tenant from the obligation, wherever required under this Sublease, to obtain the consent of CBS to any other act or matter.

ARTICLE XV CBS'S TITLE AND LIEN

Section 15.1 CBS's Title and Lien Paramount.

CBS has title to the Terminal Building, and CBS's lien for Rent of the Terminal Building and other CBS charges shall be paramount to all other liens on the Subject Property.

Section 15.2 Tenant Not To Encumber CBS's Interest.

Tenant shall have no right or power to and shall not in any way encumber the title of CBS in and to the land and building of the Subject Property. The leasehold estate of CBS in the Land and its ownership of the Terminal Building in which the Subject Property is sublet shall not be in any way subject to any claim by way of lien or otherwise, whether claimed by operation of law or by virtue of any express or implied lease or contract or other instrument made by Tenant, and any claim to the lien or otherwise upon the Land arising from any act or omission of Tenant shall

accrue only against the Subleasehold estate of Tenant in the Subject Property and Tenant's interest in the Improvements, and shall in all respects be subject to the paramount rights of CBS in the Land.

ARTICLE XVI REMEDIES CUMULATIVE

Section 16.1 Remedies Cumulative.

No remedy conferred upon or reserved to CBS shall be considered exclusive of any other remedy, but shall be cumulative to every other remedy given under this Sublease, existing law, equity or by statute. Every power and remedy given by this Sublease to CBS may be exercised as may be deemed necessary by CBS. No delay or omission of CBS to exercise any right or power shall be construed to be a waiver of any default or any agreement in it.

Section 16.2 Waiver of Remedies Not To Be Inferred.

No waiver of any breach of any of the covenants or conditions of this Sublease shall be construed to be a waiver of any other breach or to be a waiver of, agreement in, or consent to any further or succeeding breach of it or similar covenant or condition.

Section 16.3 Right to Terminate Not Waived.

Neither the rights given to receive, sue for or distrain from any Rent, moneys or other payments, or to enforce any of the terms of this Sublease, or to prevent the breach or nonobservance of it, nor the exercise of any right or of any other right or remedy shall in any way impair or toll the right or power of CBS to declare ended the term granted and to terminate this Sublease because of any event of default.

ARTICLE XVII SURRENDER AND HOLDING OVER

Section 17.1 Surrender at End of Term.

On the last day of the last Sublease year of the original term, or on the earlier termination of the Sublease term, Tenant shall peaceably and quietly leave, surrender and deliver the entire Subject Property to CBS, subject to the provisions of Section 1.4, in good repair, order, and condition, reasonable use, wear and tear excepted, free and clear of any and all mortgages, liens, encumbrances, and claims. At the time of the surrender, Tenant shall also surrender any and all security deposits and Rent advances of sublessees to the extent of any amounts owing from Tenant to CBS. If the Subject Property is not so surrendered, Tenant shall repay CBS for all expenses which CBS shall incur by reason of it, and in addition, Tenant shall indemnify, defend and hold harmless CBS from and against all claims made by any succeeding Tenant against CBS, founded upon delay occasioned by the failure of Tenant to surrender the Subject Property.

Section 17.2 Rights Upon Holding Over.

At the termination of this Sublease, by lapse of time or otherwise, Tenant shall yield up immediately possession of the Subject Property to CBS and, failing to do so, agrees, at the option of CBS, to pay to CBS for the whole time such possession is withheld, a sum per day equal to one hundred and seventy-five percent (175%) times 1/30th of the aggregate of the Rent paid or payable to CBS during the last month of the term of the Sublease the day before the termination of the Sublease. The provisions of this Article shall not be held to be a waiver by CBS of any

right or reentry as set forth in this Sublease, nor shall the receipt of a sum, or any other act in apparent affirmance of the tenancy, operate as a waiver of the right to terminate this Sublease and the Term granted for the period still unexpired for any breach of Tenant under this Sublease.

ARTICLE XVIII MODIFICATION

Section 18.1 Modification.

None of the covenants, terms or conditions of this Sublease to be kept and performed by either Party to this Sublease shall in any manner be waived, modified, changed or abandoned except by a written instrument duly signed, acknowledged, and delivered by both CBS and Tenant.

ARTICLE XIX INVALIDITY OF PARTICULAR PROVISIONS

Section 19.1 Invalidity of Provisions.

If any provision of this Sublease or the application of it to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected, and each provision of this Sublease shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE XX APPLICABLE LAW AND VENUE

Section 20.1 Applicable Law.

This Sublease shall be construed and enforced in accordance with the laws of the State of Alaska. The forum and venue for any action seeking to interpret, construe, or enforce this Sublease shall be only in the Superior Court for the State of Alaska at Sitka, Alaska.

ARTICLE XXI NOTICES

Section 21.1 Manner of Mailing Notices.

In every case where it shall or may become necessary to give notice of any kind to CBS or Tenant, it shall be sufficient if a copy of any declaration or notice is sent by United States mail, postage prepaid, return receipt requested, addressed:

Mark Gorman, Municipal Administrator
City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835
Phone: (907) 747-1808
Fax: (907) 747-7403
Email: markgorman@cityofsitka.com

Nugget Restaurant
P.O. Box 797
Sitka, Alaska 99835
Phone: (907) 966-2480
Fax: (907) _____
Email: _____

with a copy to: Municipal Clerk at address listed above. Each Party shall give timely notice of change of address.

Section 21.2 Notice to Subleasehold Mortgagee and Secured Parties.

CBS shall provide each Subleasehold Mortgagee and Secured Party, who has so requested, copies of all notices from CBS to Tenant relating to existing or potential default under, or other noncompliance with the terms of, this Sublease. All notices, demands or requests which may be required to be given by CBS or Tenant to any Subleasehold Mortgagee and Secured Parties shall be sent in writing, by United States registered or certified mail or express mail, postage prepaid, addressed to the Subleasehold Mortgagee at a place as the Subleasehold Mortgagee may from time to time designate in a written notice to CBS and Tenant. Copies of all notices shall simultaneously be sent to the other of CBS or Tenant, as the case may be.

Section 21.3 Sufficiency of Service.

Service of any demand or notice as in this Article provided shall be sufficient for all purposes.

Section 21.4 When Notice Deemed Given or Received.

Whenever a notice is required by this Sublease to be given by any Party to the other Party or by any Party to a Subleasehold Mortgagee, the notice shall be considered as having been given when a registered or certified notice is mailed and shall be deemed received on the third business day after proof of mailing.

ARTICLE XXII MISCELLANEOUS PROVISIONS

Section 22.1 Captions.

The captions of this Sublease and the index preceding it are for convenience and reference only and in no way define, limit or describe the scope or intent of this Sublease, nor in any way affect this Sublease.

Section 22.2 Conditions and Covenants.

All the provisions of this Sublease shall be deemed and construed to be "conditions" as well as "covenants," as though the words specifically expressing or importing covenants and conditions were used in each separate provision.

Section 22.3 Entire Agreement.

This Sublease contains the entire agreement between the Parties and shall not be modified in any manner except by an instrument in writing executed by the Parties or their respective successors or assigns in interest.

Section 22.4 Time of Essence as to Covenants of Sublease.

Time is of the essence as to the covenants in this Sublease.

ARTICLE XXIII COVENANTS TO BIND AND BENEFIT RESPECTIVE PARTIES AND TO RUN WITH THE SUBJECT PROPERTY

Section 23.1 Covenants to Run with the Subject Property.

All covenants, agreements, conditions and undertakings in this Sublease shall be binding upon the successors and assigns of each of the Parties and they shall be construed as covenants running with the Subject Property. Wherever in this Sublease reference is made to any of the

Parties, it shall be held to include and apply to, wherever applicable, also the officers, directors, successors and assigns of each Party, the same as if in each and every case so expressed.

Section 23.2 Interest in Deposits Automatically Transferred.

The sale, conveyance or assignment of the interest of Tenant (pursuant to the terms of this Sublease) or of CBS in and to this Sublease shall act automatically as a transfer to the assignee of CBS or of Tenant, as the case may be, of its respective interest in any funds on deposit with and held by any Construction Lender and CBS, and every subsequent sale, conveyance or assignment by any assignee of CBS or of Tenant also shall act automatically as a transfer of their respective rights to the deposits with such Construction Lender and CBS to the subsequent assignee.

ARTICLE XXIV ADDITIONAL GENERAL PROVISIONS

Section 24.1 Absence of Personal Liability.

No member, official, or employee of CBS shall be personally liable to Tenant, its successors and assigns, or anyone claiming by, through or under Tenant or any successor in interest to the Subject Property, in the event of any default or breach by CBS or for any amount which may become due to Tenant, its successors and assigns, or any successor in interest to the Subject Property, or on any obligation under the terms of this Sublease. No member, official, or employee of Tenant shall be personally liable to CBS, its successors and assigns, or anyone claiming by, through, or under CBS or any successor in interest to the Subject Property, in the event of any default or breach by Tenant or for any amount which become due to CBS, its successors and assigns, or any successor in interest to the Subject Property, or on any obligation under the terms of this Sublease.

Section 24.2 Sublease Only Effective As Against CBS Upon Approval of Assembly and DOT&PF.

This Sublease and any renewals are effective against CBS only upon the approval of such Sublease and any renewals by the CBS Assembly and DOT&PF.

Section 24.3 Binding Effects and Attorneys Fees.

This Sublease shall be binding to the respective successors and assigns of the Parties. In the event of litigation over this Sublease, the Parties agree that the prevailing Party shall receive full reasonable attorneys' fees.

Section 24.4 Duplicate Originals.

Three signed and notarized originals of this Sublease shall be executed. The warranties, representations, agreements and undertakings shall not be deemed to have been made for the benefit of any person or entity, other than the Parties.

Section 24.5 Declaration of Termination.

With respect to CBS's rights to obtain possession of the Subject Property or to revest title in itself with respect to the Subleasehold estate of Tenant in the Subject Property, CBS shall have the right to institute such actions or proceedings as it may deem desirable to effectuate its rights including, without limitation, the right to execute and record or file with the Recorder of Sitka

Recording District, a written declaration of the termination of all rights and title of Tenant in the Subject Property, and the reversioning of any title in CBS as specifically provided in this Sublease.

Section 24.6 Authority.

CBS and Tenant represent to each other that each have exercised the required corporate power and authority and have complied with all applicable legal requirements necessary to adopt, execute and deliver this Sublease and perform its obligations. Both Parties also represent that this Sublease has been duly executed and delivered by each, and constitutes a valid and binding obligation of each enforceable in accordance with its terms, conditions, and provisions.

NUGGET RESTAURANT

Print Name _____
Its _____ (Title)

STATE OF ALASKA)
) ss:
FIRST JUDICIAL DISTRICT)

On this ____ day of _____, 2014, personally appeared before me _____, whose identity is personally known to me or proved to me on the basis of satisfactory evidence, and who by signing this agreement, swears or affirms that he/she is the _____ of Nugget Restaurant and is authorized to sign this document on behalf of the Tenant, and does so freely and voluntarily.

Notary Public for Alaska
My Commission Expires: _____

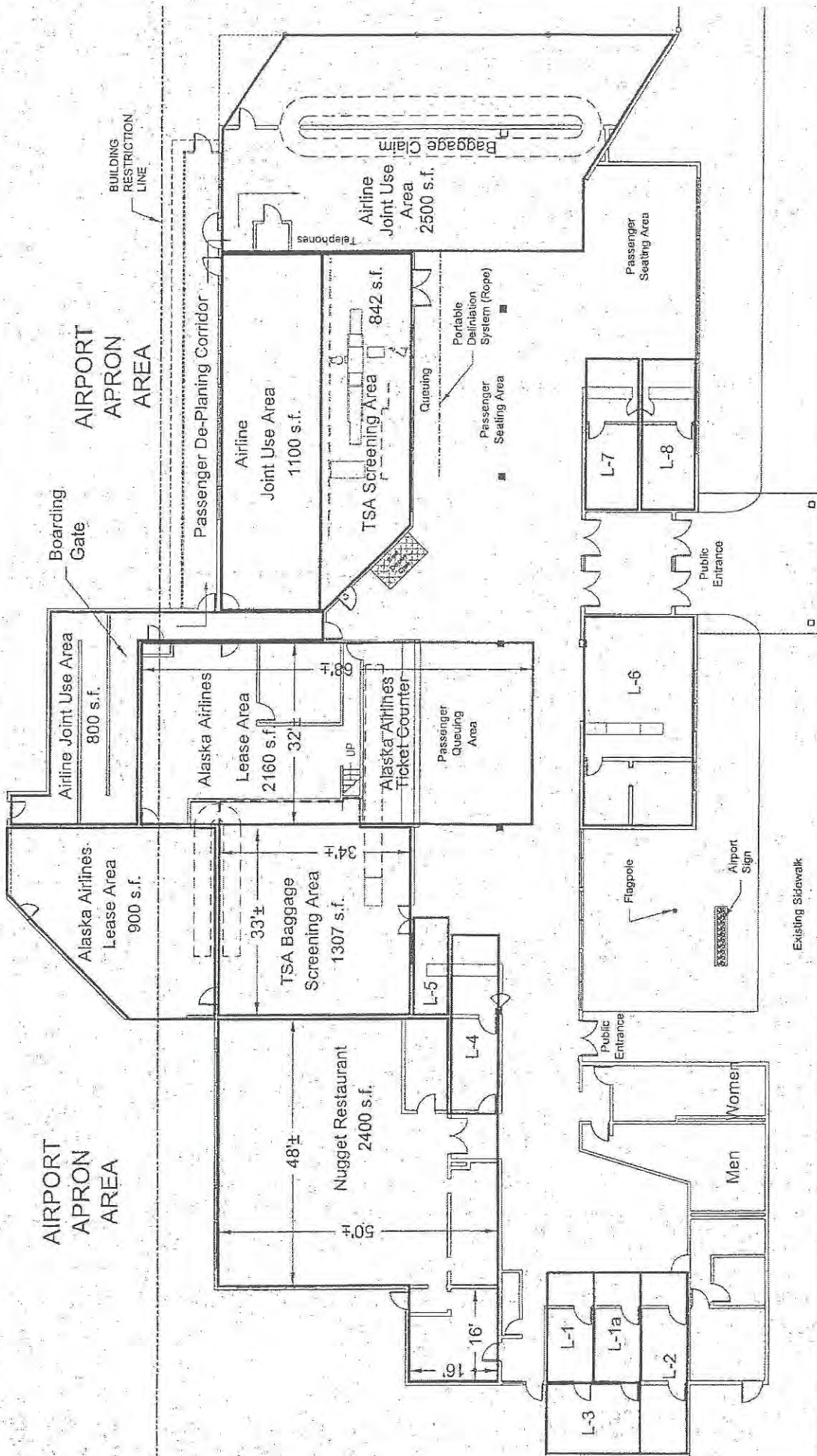
CITY AND BOROUGH OF SITKA

Mark Gorman, Municipal Administrator

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS CERTIFIES that on this ____ day of _____, 2014, before me, a Notary Public in and for the State of Alaska, personally appeared Mark Gorman, who is the Municipal Administrator of the City and Borough of Sitka, Alaska, a municipal corporation organized under the laws of the State of Alaska, that he has been authorized by to execute the foregoing document, and does so freely and voluntarily.


Notary Public for Alaska
My Commission Expires: _____



- L-1 Counter & Office Space 214 s.f.
- L-1a Counter & Office Space 214 s.f.
- L-2 Counter, Office & Outside Storage Space 260 s.f.
- L-3 Outside Storage Space 194 s.f.
- L-4 Counter & Office Space 255 s.f.
- L-5 Counter Space 114 s.f.
- L-6 Counter, Office & Storage Space 798 s.f.
- L-7 Counter & Office Space 243 s.f.
- L-8 Counter & Office Space 249 s.f.

DRAWN: PAR/TAD
 CHECKED: RAR
 SCALE: N.T.S.
 DATE: 10Feb05
 DRAWING NAME: Leases Feb 05
 SHEET NO. 1/1

SITKA-R.G. AIRPORT SUBLESSEE USE AREAS


City and Borough of Sitka
 DEPARTMENT OF PUBLIC WORKS
 100 LINCOLN STREET • SITKA, ALASKA 99835
 TEL (907) 747-1804 FAX (907) 747-3158

EXH. A

Airport

Exhibit E

Yours

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES

SITKA AIRPORT

LEASE NO. ADA-50103

LEASE AGREEMENT

THIS lease is made and entered into this 1st day of June, 1997, between the STATE OF ALASKA, acting through the DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, whose address is 6860 Glacier Highway, Juneau, Alaska 99801-7999, ("LESSOR"), and the CITY AND BOROUGH OF SITKA, ALASKA, whose address is 100 Lincoln Street, Sitka, Alaska 99835 ("LESSEE").

7461 2005

RECITALS

- (1) LESSOR owns the Sitka Airport ("Airport") at Sitka, Alaska;
- (2) LESSOR has constructed the runway and related facilities for the airport at Sitka, Alaska;
- (3) Lessor and Lessee entered into Lease Agreement ADA-01571, dated July 1, 1967, under which Lessee operated the Airport;
- (4) Under Lease Agreement ADA-01571, LESSEE constructed, expanded, and operated an airport terminal ("Terminal") building on the Airport;
- (5) July 1, 1994 Lessee terminated Lease Agreement ADA-01571. On October 11, 1995, Lessor and Lessee executed a Settlement Agreement setting out the conditions for resolution of financial disputes and other matters that resulted from Lessee's termination of Lease ADA-01571. Under the terms of the Settlement Agreement, the Lessor and Lessee agreed to enter into a lease of the Terminal site to permit the Lessee to continue operating the Terminal; and
- (6) LESSEE has operated the Terminal continuously since July 1, 1994;

THEREFORE, for and in consideration of the terms and conditions, set forth below, the parties agree as follows:

1. Leased Premises

LESSOR hereby leases to LESSEE, and LESSEE hereby leases from the LESSOR, the following real property located on Japonski Island, Sitka Recording District, First Judicial District, Alaska, described as follows ("Premises"):

Lot 3A, Block 600, Sitka Airport consisting of 65,445 square feet as described on attached Exhibit A.

2. Term

In consideration of Lessee's construction, maintenance, operation, and ownership of the Terminal, the term of this lease is 30 years beginning on July 1, 1994, and expiring on June 30, 2024.

EXH. B

3. Authorized Uses

Lessee is authorized to use the premises for operation of a public airline terminal building and for purposes commonly associated with a public airline terminal at airports in the United States, including aircraft parking, loading, servicing, and unloading; baggage and cargo processing; passenger ticketing, screening, and waiting; and concession services.

4. Rent

- (a) Beginning on July 1, 1995, the annual rental for the Premises is \$6,806.28 (65,445 square feet @ \$.104 per square foot). Rent for the period of July 1, 1995 to June 30, 1997 (\$13,612.56) is due upon execution of this lease by the Lessor and Lessee. After June 30, 1997, the rent shall be payable in advance of the first day of each year of the term specified in Covenant No. 3. The rent shall be prorated for any partial year in the term. All payments required by this lease must be made in U.S. currency.
- (b) Checks, bank drafts, or postal money orders are to be made payable to the State of Alaska and delivered to Accounting Section, Department of Transportation and Public Facilities, 6860 Glacier Highway, Juneau, Alaska 99801-7999, or any other address which the Lessor may designate in writing.
- (c) Any payment due from the Lessee and not received by the Lessor accrues interest from the due date until paid in full at the highest allowable lawful contract rate in Alaska, as defined AS 45.45.010 or as amended. Interest on disputed amounts will not be charged to the Lessee if the dispute is resolved in the Lessee's favor.
- (d) Any rent, charge, fee or other consideration which is due and unpaid at the expiration, termination, or cancellation of this lease will be a charge against Lessee and Lessee's property, real or personal.
- (e) Lessor may increase or decrease the rents or fees payable under this lease. During the first five years of the term stated in Covenant No. 2 of this lease, Lessor may neither increase nor decrease the rent fees payable under this lease. At any time after the end of the fifth year of the lease term, Lessor may, in its sole discretion, increase or decrease the rents or fees, provided that Lessor may neither increase nor decrease the rents or fees more than once in any 12 months period. Any change in rent is effective upon written notice to the Lessee.

Any rent increase or decrease must be consistent with applicable statutes or regulations, including AS 02.15.090 and 17 AAC 40.340(a), and any amendments. It is Lessor's intent that any rent established under this basic provision not exceed fair market rental as determined by a qualified real estate appraiser in an appraisal approved by Lessor. However, Lessor is under no obligation to appraise the Premises under any circumstances.

- (f) If Lessee believes that a change under (e) of this Covenant No. 4 rent exceeds the fair market rent for the Premises, Lessee may appeal to Lessor according to the following procedures:
 - (i) Lessee must pay the changed rent beginning on the effective date stated in Lessor's rent change notice and continue paying the changed rent throughout the appeal process.

- (ii) Within 30 days after the date of Lessor's written notice of the rent increase or decrease, Lessee must submit a written appeal to Lessor. The appeal must include the name, address, telephone number and professional qualifications of the real estate appraiser Lessee intends to retain to perform a fair market rent appraisal of the Premises.
- (iii) Lessor will review the appraiser's qualifications and approve or disapprove the appraiser in writing to Lessee. If Lessor disapproves the appraiser, Lessee will have 30 days from the date of Lessor's written disapproval to continue the appeal by submitting the name, address, phone number, and professional qualifications of another appraiser.
- (iv) If Lessor approves Lessee's appraiser, Lessee shall, at Lessee's sole expense, cause the Premises to be appraised according to appraisal instructions furnished by Lessor. The written appraisal must be received by Lessor within 90 days following the date of Lessor's written approval of Lessee's appraiser.
- (v) Lessor will review the appraisal for conformance with the appraisal instructions and issue a written approval or rejection to Lessee. Upon approval of the appraisal, the fair market rent determined by the appraisal will be the rent for the Premises, retroactive to the effective date of Lessor's rent change notice issued under (e) of this Covenant No. 4. Rejection of the appraisal by Lessor will constitute a denial of Lessee's appeal.

5. Operation As A Public Air Terminal

LESSEE agrees to operate the Terminal for the use and benefit of the public. Lessee shall make available, the Terminal and related facilities and services to the public, subject to reasonable fees and needs, on fair and reasonable terms and conditions and without discrimination. Lessee agrees to provide space in the terminal, to all qualified persons, firms, and corporations desiring to conduct airline operations in the Terminal. Nothing in this lease grants or authorizes the Lessee to grant any exclusive right prohibited by AS 02.15.210 or Section 308 of the Federal Aviation Act.

6. Economic Non-Discrimination

Each air carrier using the Terminal (whether as a tenant, nontenant, or subtenant of another air carrier tenant) shall be subject to nondiscriminatory and substantially comparable rates, fees, rentals, and charges with respect to facilities directly or substantially relating to providing air transportation and other nondiscriminatory and substantially comparable rules, regulations and conditions as are applicable to all such air carriers which make similar use of the Terminal.

7. Inspection of Lessee Records

During Lessee's normal business hours, Lessor shall have the right to inspect and copy the Lessee's files, books, and records related to this lease, the Premises, or the Terminal.

8. Continuous Operations

Except as provided in Covenant No. 13 of this lease, Lessee agrees to continuously operate an airline terminal building on the premises for use by the public throughout the term of this lease.

9. Existing Improvements

- (a) Lessor and Lessee acknowledge the presence on the Premises of the Terminal, sidewalks, and landscaped areas owned by Lessee, and security fencing and paved surface aircraft parking apron owned by Lessor. As of the date on which this lease is executed, Lessor and Lessee find the condition of these improvements to be acceptable for the purposes contemplated in this lease.
- (b) By no later than September 1, 1997, Lessee shall furnish to Lessor one complete set of as-built drawings showing the dimensions and construction of the Terminal.

10. Survey

Lessee agrees to cause the Premises to be surveyed by a land surveyor registered in the State of Alaska. The survey must be conducted at no expense to the Lessor and must establish the boundaries of the Premises, placing permanent markers at the corners. Lessee agrees to submit a plat of the survey, signed and stamped by the surveyor, to the Lessor on or before September 1, 1997. The survey plat must conform to the Lessor's reasonable requirements, must use the centerline of the airport runway as the basis of bearings and must show survey monuments recovered, survey monuments set, and bearings and distances between monuments. Following approval of the plat by the Lessor, the Lessor and Lessee will execute a supplement to this lease which will modify the Premises description as necessary to conform to the survey.

11. Construction

- (a) Before placing fill material or beginning construction of any improvements or additions on the Premises, Lessee must first obtain the written approval of Lessor in the form of an approved building permit. Detailed drawings of the proposed improvements or additions on the Premises must be submitted to Lessor. If a building or building addition is contemplated, Lessee must also submit comprehensive structural drawings showing front and side elevation views and floor plan, materials to be used, dimensions, elevations, the location of all proposed utility lines, and any additional data requested by Lessor. Lessor will review and approve or disapprove the proposed construction. Approval will not be withheld except where proposed construction does not comply with valid engineering principles, fire or building codes, generally recognized principles of sound airport development, or the proposed construction is inconsistent with the purposes of this lease. Lessee shall submit to Lessor evidence of Lessee's compliance with the Federal Aviation Regulations, 14 CFR Part 77, and all other municipal, state, or federal regulations governing construction of improvements on the airport.
- (b) Lessee, within thirty (30) days after completion of construction or placement of improvements upon the Premises, shall deliver to Lessor an as-built drawing showing the location and dimensions of the location and

dimensions of the improvements, giving bearings and distances to an established survey point. Furthermore, if Lessee constructs underground improvements, Lessee shall appropriately mark the surface of the land with adequate surface markers.

12. Maintenance

- (a) Lessee shall keep the Premises and all improvements neat and presentable at Lessee's own expense. Lessee shall not strip, waste, or remove any material from the Premises without the prior written permission of Lessor.
- (b) At no cost to Lessor, Lessee shall provide for all utilities, services, and maintenance, including snow removal, as is necessary to facilitate Lessee's use of the Premises.
- (c) The disposal on the airport of waste materials generated by Lessee, including slash, overburden, and construction waste, is prohibited, unless authorized in writing by Lessor.
- (d) Lessee agrees to coordinate the Lessee's snow removal and maintenance activities on the Airport with Lessor's Airport personnel. Lessee further agrees to comply with all reasonable decisions and directions of Lessor's airport management personnel regarding snow removal, maintenance, and general use of the airport by Lessee.

13. Damage or Destruction of the Terminal

- (a) Except as provided in (b) of this Covenant No. 13, if the Terminal is damaged or destroyed by fire, explosion, wind, or other events, Lessee shall cause the Terminal to be repaired or rebuilt, and restored to normal function as promptly as possible.
- (b) If the Terminal is damaged to the extent that more than 50% of the space in the Terminal is unusable and the damage occurs within five years of the expiration of the term of this lease, Lessee may terminate this lease, remove the damaged Terminal, and restore the Premises.

14. Lessor Obligations

- (a) Subject to the appropriation of sufficient funds, Lessor agrees to operate and maintain the Airport for the use and benefit of the public. Lessor's operation and maintenance of the Airport include:
 - (i) Maintenance of the runway and taxiway systems;
 - (ii) Maintenance of the road systems within the airport boundaries;
 - (iii) Maintenance of the public parking lot on the Airport; and
 - (iv) Comply with Federal Aviation Administration requirements for an airport served by commercial air carriers.
- (b) Lessor is responsible for the maintenance, operation, and management of the security lock system controlling points of access from the Terminal to the aircraft parking apron on the Premises. Lessee shall obtain Lessor's prior approval for any proposed change in the points of access. If Lessee installs additional points of access in the Terminal, the devices securing

the access shall be compatible with Lessor's system, installed at the Lessee's sole expense, and maintained and operated by Lessor.

15. Hazardous Substances

- (a) If fuel or any other hazardous substances are handled by Lessee on the Premises, Lessee agrees to have properly trained personnel and adequate procedures for safely storing, dispensing, and otherwise handling fuel or hazardous substances in accordance with 13 AAC 50 and other applicable federal, state, and local laws.
- (b) In the event of a hazardous substance spill on the Premises, Lessee shall immediately notify Lessor and act promptly to contain the spill, repair any damage, absorb and clean up the spill area, and restore the Premises to a condition satisfactory to Lessor and otherwise comply with the applicable portions of Title 17 and Title 18 of the Alaska Administrative Code.
- (c) Unless otherwise stipulated by this lease or amendment thereto, all bulk fuel on the Premises must be stored in fuel storage tanks installed and plumbed in accordance with 13 AAC 50 and other applicable federal, state, and local laws.

16. Environmental Indemnification by Lessee.

- (a) Except for environmental contamination demonstrated to have been caused by Lessor, or by third party prior to July 1, 1994, or to have originated before July 1, 1967, Lessee will be liable for any contamination on the Premises or for the presence of any hazardous substance on the Premises. To that extent only, Lessee shall defend and save harmless Lessor from all suits, claims, damages, judgments, penalties, fines, costs, and liabilities, including sums paid in settlement of claims, attorney's fees, and consultant fees, which arise as a result of contamination of the Premises by a hazardous substance, or of adjacent property if the contamination is demonstrated to have migrated from the Premises.
- (b) Nothing in this Covenant No. 16 shall bar or prevent Lessor or Lessee from seeking and obtaining cleanup efforts, costs, or damages from potentially responsible parties for contamination of the Premises or of adjacent properties.
- (c) Upon the cancellation, termination or expiration of this lease, Lessor will, in its discretion, require Lessee to perform an Environmental Site Assessment of the Premises. Lessee assumes financial responsibility to Lessor for any contamination or presence of hazardous substance in, on, and under the surface of the Premises, or adjacent property if the contamination migrated from the Premises, except for contamination or present of hazardous substance that is determined to have been caused by Lessor, or by third party prior to July 1, 1994, or to have originated before July 1, 1967. This is without prejudice to Lessee's right to seek contribution or indemnity either from prior occupant's properties adjacent to the Premises or other potentially responsible parties except Lessor.

17. Environmental Definition

- (a) For the purposes of this lease the following terms are defined:

- (i) Environmental Site Assessment - An assessment of property, consistent with generally accepted professional practices, that determines the environmental condition and is supported by reports and tests which determine the environmental condition and the present, type, concentration, and extent of hazardous substances in, on, and under the surface of the property.
- (ii) Hazardous Substance - Any substance designated pursuant to section 311(b) (2) (A) of the Clean Water Act; any element, compound, mixture, solution, or substance designated pursuant to section 102 of CERCLA; and hazardous waste having the characteristics identified under or listed pursuant to section 3001 of the Solid Waste Disposal Act; any toxic pollutant listed under section 307(a) of the Clean Water Act; any hazardous air pollutant listed under section 112 of the Clean Air Act; and any imminently hazardous chemical substance or mixture with respect to which the EPA Administrator has taken action pursuant to section 7 of the Toxic Substance Control Act.

18. Fuel Sales Prohibited

Unless specifically authorized by this lease or amendment thereto, the sale of aviation fuel or lubricating oil by Lessee or a sublessee on the Premises is prohibited.

19. Liability

Except for Lessor's own negligence, the Lessee shall indemnify, defend, and hold the Lessor harmless from any liability, action, claim, suit, loss property damage or personal injury of whatever kind resulting from or arising out of any act of commission or omission by the Lessee, or Lessee's agents, employees, sublessees or customers, or arising from or connected with the Lessee's use and occupation of the Premises, or the exercise of the rights and privileges granted by this lease.

20. Insurance

- (a) At no expense to Lessor, Lessee shall secure and keep in force during the term of this lease adequate insurance to protect both Lessor and Lessee against comprehensive public liability and property damage in no less than the following amounts:
 - (i) property damage arising from one occurrence in the amount of not less than \$1,000,000; and
 - (ii) personal injury or death in an amount of not less than \$1,000,000.
- (b) Lessee shall provide Lessor with proof of insurance coverage in the form of an insurance policy or a certificate of insurance. All insurance required by this covenant must:
 - (i) name Lessor as an additional assured;
 - (ii) provide that Lessor be notified at least thirty (30) days prior to any termination, cancellation, or material change in the insurance coverage; and

- (iii) include a waiver of subrogation by which the insurer waives all rights of subrogation against Lessor for payments made under the policy.
- (c) The requirement of insurance coverage does not relieve Lessee of any other obligations under this agreement.
- (d) With thirty (30) days advance written notice to Lessee, Lessor may increase or decrease the coverage limits for the insurance required by this Covenant No. 20 when Lessor reasonably determines that the increase or decrease is justified by changes in the potential risks involved in the use of the Premises by Lessee or the users of the Terminal.

21. Cancellation

- (a) Lessor may cancel this lease and recover possession of the Premises by giving Lessee 30 days prior written notice upon the happening of any of the events listed below, unless the breach is cured within the 30-day notice period:
 - (i) Lessee's failure to pay when due the rents or fees specified in this lease, including any increases made pursuant to this lease;
 - (ii) the return for insufficient funds of checks for payment of rents or fees;
 - (iii) the use of the Premises by Lessee for any purpose not authorized by this lease;
 - (iv) the filing of a petition in bankruptcy by or against Lessee;
 - (v) the entry by any court of a judgment of insolvency against Lessee;
 - (vi) the appointment of a trustee or receiver for Lessee's assets in a proceeding brought by or against Lessee;
 - (vii) the failure of Lessee to perform any provision or covenant in this lease.
- (b) If Lessee disputes Lessor's stated reasons for a cancellation, Lessee may appeal to Lessor for reconsideration if Lessee submits a written appeal to Lessor before the end of the 30-day notice period in (a) of this Covenant No. 21. Upon Lessor's timely receipt of an appeal, Lessor will suspend action on the cancellation until a decision is made on Lessee's appeal. If the appeal is successful, Lessor's notice of cancellation will be void. If the appeal is denied, the cancellation will be effective 30 days after the date of Lessor's written denial issued to Lessee.

22. Survival of Lessee Obligations

If this lease is terminated or cancelled by Lessor pursuant to this lease, or if Lessor reenters, regains or resumes possession of the Premises pursuant to this Lease, all of Lessee's obligations under this Lease except those obligations involving liability which evolves to an occupant based upon maintenance, hazardous conditions and hazardous waste occurring during the Lessor's possession of the premises, shall survive and shall remain in full force and effect for the full term of this Lease. Subject to the Lessor's obligation to mitigate

damages, the amount of the rents, fees, and charges shall become due and payable to Lessor to the same extent, at the same time, and in the same manner as if no termination, cancellation, reentry, regaining, or resumption of possession had taken place. Without limiting the foregoing, Lessee's duties, obligations, and responsibilities under this Lease shall survive the cancellation, termination, or expiration of this lease.

23. Disposition of Improvements and Personal Property

- (a) Within sixty (60) days following the effective date of the expiration, termination, or cancellation of this lease, improvements or personal property or other property, real or personal, owned by Lessee on the Premises must either:
 - (i) be removed by Lessee if required by Lessor or desired by Lessee and if Lessor determines that removal will not cause injury or damage to the Premises; or
 - (ii) with Lessor's consent, be sold to the succeeding Lessee.
- (b) Lessor may grant additional time for the removal of improvements if hardship is established by Lessee.
- (c) If Lessee fails to timely remove or sell the improvements or personal property under (a) or (b) of this covenant, title to the improvements or personal property vests in Lessor, and Lessor will, in its discretion, sell, lease, demolish, dispose, remove, or retain for its own use the improvements or personal property. Lessee shall reimburse Lessor for all costs incurred by the department, including legal costs, in the selling, leasing, demolishing, disposing, removing, or retaining of unremoved improvements or personal property.

24. Holding Over

If Lessee holds over and remains in possession of the Premises after the expiration of this agreement without a written renewal, the holding over will not operate as a renewal or extension of the term of this agreement but only creates a tenancy from month to month, regardless of any rent payments accepted by Lessor. Lessee's obligations for performance under this lease will continue until the month-to-month tenancy is terminated by Lessor. Lessor may terminate the tenancy at any time by giving the Lessee at least ten (10) days prior written notice.

25. Assignment or Sublease by Lessee

- (a) Except as provided in (b) of this Covenant No. 25, Lessee may not assign or sublet, either by grant or implication, the whole or any part of the Premises or the whole or any part of the Terminal without the written consent of Lessor. Any proposed assignment, lease, or sublease must be submitted to Lessor for approval in five (5), each bearing the original notarized signature of all parties.
- (b) Lessee may sublet portions of the Premises or space in the Terminal without Lessor's written consent, if the sublease term, including options, renewals, or extensions, does not exceed one year and the purpose of the sublease is consistent with the authorized uses in Covenant No. 3 of

this lease. Lessee shall deliver to Lessor a copy of the sublease within 30 days of the date on which the sublease is signed by Lessee.

- (c) Except as provided in (b) of this Covenant No. 24, an assignment or sublease is void without Lessor's written consent.
- (d) All covenants and provisions in this agreement extend to and bind the legal representatives, successors, and assigns of the parties in any assignment or sublease.
- (e) By no later than September 1, 1996, Lessee shall deliver to Lessor one copy of each sublease of space on the Premises that is in force on July 1, 1996.

26. Assignment By Lessor

Without the consent of Lessee, the Lessor may assign the Lessor's interest in this lease to any government agency, company, or person to whom the Lessor conveys, leases, or sells the Airport. No such assignment will operate to increase Lessee's obligations, or reduce Lessee's rights, under this lease.

27. Condemnation

If the Premises are condemned by any proper authority, the term of this lease will end on the date Lessee is required to surrender possession of the Premises. Lessor is entitled to all the condemnation proceeds except Lessee will be paid the portion of the proceeds attributable to the fair market value of any improvements placed on the Premises by Lessee according to the provisions of 17 AAC 40.330, amended. Rent will also be adjusted according to the provisions of 17 AAC 40.330, as amended.

28. Vacation

At the expiration, cancellation or termination of this lease, Lessee must peaceably and quietly vacate the Premises and return possession to Lessor. The Premises must be left in a clean, neat, and presentable condition to the satisfaction of Lessor.

29. Easements

Lessor reserves the right to make grants to third parties or reserve to Lessor easements or rights-of-way through, on, or above the Premises, provided that no such easements or rights-of-way may be granted or reserved which unreasonably interferes with Lessee's use of the Premises.

30. Quiet Enjoyment

Lessor covenants that upon Lessee's payment of the rent and performing and observing all of Lessee's other obligations under this lease, Lessee may peaceably and quietly have, hold, and enjoy the Premises for the lease term, subject and subordinate to all provisions of this lease.

31. Warranties and Title Representations

The interests transferred or conveyed by this lease are subject to any and all of the covenants, terms, and conditions that are contained in the instruments conveying title or other interests or improvements to Lessor or contained in the public records recorded in the District Recorder's Office, Sitka, Alaska.

The Lessor makes no specific warranties, express or implied, concerning the title or condition of the property, including survey, access, or suitability for any use, including those uses authorized by this lease.

32. Reservation of Rights

Rights and privileges granted to Lessee in this lease are the only rights and privileges granted to Lessee by this lease. Lessee has no easements, rights or privileges, express or implied, other than those specifically granted by this lease.

33. Discrimination

Lessee covenants and agrees that discrimination on the grounds of race, color, religion, national origin, ancestry, age, or sex will not be permitted against any patron, employee, applicant for employment, or other person or group of persons in any manner prohibited by federal or state law. Lessee recognizes the right of Lessor to take any action necessary to enforce this covenant, including actions required pursuant to any federal or state law.

34. Affirmative Action

Lessee agrees to undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person will be excluded from participating in any employment activities covered by 14 CFR Part 152, Subpart E on the grounds of race, creed, color, national origin, or sex. Lessee hereby agrees that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by Subpart E.

35. Radio Interference

At Lessor's request, Lessee shall discontinue the use of any transmitter, machine, or device which may interfere with any government operated transmitter, receiver, or navigation aid until the cause of the interference is eliminated.

36. Laws and Taxes

- (a) This lease is issued subject to all requirements of the laws and regulations of the State of Alaska relating to the leasing of lands and facilities and the granting of privileges at State airports.
- (b) At no expense to Lessor, Lessee will conduct all activities or business authorized by this lease in compliance with all federal, state, and local laws, ordinances, rules and regulations now or hereafter in force which apply to the activities or business authorized by this lease or to the use, care, operation, maintenance, and protection of the Airport, including but not limited to matters of health, safety, sanitation, and pollution. Lessee

must obtain all necessary licenses and permits, pay all taxes and special assessments lawfully imposed upon the Premises, and pay any other fees and charges assessed under applicable public statutes or ordinances.

- (c) Lessee shall abide by the rules and procedures, applicable to the operation and use of the Terminal, in the Federal Aviation Administration approved airport security program and airport certification manual adopted for the Airport by Lessor to comply with 14 C.F.R. Parts 107 and 139. If the Federal Aviation Administration assesses a fine against Lessor for a breach by Lessee of the airport security program or the airport certification manual, Lessee shall reimburse Lessor for the amount of the fine and legal costs upon receipt of a written demand for reimbursement issued by Lessor.
- (d) In any dispute between the parties, the laws of the State of Alaska will govern and any lawsuit must be brought in the courts of the State of Alaska. The Lessee agrees to notify Lessor of any claim, demand, or lawsuit arising out of Lessee's occupation or use of the Premises. Upon the Lessor's request Lessee will cooperate and assist in the investigation and litigation of any claim, demand, or lawsuit affecting the Premises.

37. Liens

Lessee shall keep the Premises free of all liens, pay all costs for labor and materials arising out of any construction or improvements by Lessee on the Premises, and hold Lessor harmless from liability for any liens, including costs and attorney fees. By this provision, Lessor does not recognize that it is in any way liable for any liens on the Premises.

38. No Waiver

Failure of Lessor to insist in any one or more instances upon the strict performance by Lessee of any provision or covenant in this lease may not be considered as a waiver or relinquishment for the future, but the provision or covenant will continue in full force. A waiver by Lessor of any provision or covenant in this lease cannot be enforced or relied upon unless the waiver is in writing signed on behalf of Lessor.

39. Modification

Lessor may modify this lease to meet the revised requirements of federal or state grants or to conform to the requirements of any revenue bond covenant to which the State of Alaska is a party, provided that a modification may not act to reduce the rights or privileges granted Lessee by this lease nor act to cause Lessee financial loss.

40. Validity of Parts

If any provision or covenant of this lease is declared to be invalid by a court of competent jurisdiction, the remaining covenants and provisions will continue in full force.

41. Interrelationship Of Provisions

The provisions, amendments, supplements, and exhibits are essential parts of this lease and are intended to be co-operative, to provide for the use of the Premises, and to describe the respective rights and obligations of the parties to this agreement. In case of a discrepancy, figured dimensions govern over scaled dimensions unless obviously incorrect.

42. Natural Disasters

In the event any cause which is not due to the fault or negligence of either Lessee or Lessor renders the Airport or the Premises unusable and makes the performance of this lease impossible, this agreement may be terminated by either party upon written notice to the other party. Causes include acts of God, acts of public enemy, acts of the United States, fires, floods, epidemics, quarantine restrictions.

43. Notices

Any written notice required by this agreement must be hand delivered or sent by registered or certified mail to the appropriate party at the address set forth on page one of this lease or to any other address which the parties subsequently designate in writing.

44. Integration and Merger

This agreement sets forth all the terms, conditions, and agreements of the parties and supersedes any previous understandings or agreements regarding the Premises whether oral or written. No modification or amendment of this lease is effective unless in writing and signed by both the parties.

45. National Emergency

In case of any national emergency declared by the federal government, Lessee may not hold Lessor liable for any inability to perform any part of this agreement as a result of the national emergency.

46. Approval By Lessor

Any approvals required of Lessor by this lease will not be unreasonably withheld.

47. Lessor Ingress and Egress for Inspection, Repair, and Construction

- (a) Lessor reserves the right of ingress to and egress from the Premises and the right to enter any part of the Premises, including the Terminal, for the purpose of inspection at any reasonable time. Lessor shall also have the right to enter the Premises, including the terminal, for the purpose of posting public notices required by 14 C.F.R. Parts 107 and 139.
- (b) Lessor reserves the right of ingress to and egress from the aircraft parking apron on the Premises for the purpose of inspecting, repairing,

constructing, or reconstructing the apron surface and related improvements.

- (c) Except in the case of an emergency, Lessor will coordinate all repairs, construction, inspections, and notice posting with Lessee in order to minimize interference with Lessee's activities on the Premises.

48. Execution by Lessor


This lease is of no effect until it has been signed by the Commissioner of the Department of Transportation and Public Facilities or his designated representative.

STATE OF ALASKA)
(SEAL)

STATE OF ALASKA)
) ss:
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on the 8 day of September, ¹⁹⁹⁷~~1995~~, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared JAMES H. Merrill, known to me and to me know to be the Acting Regional Director Department of Transportation and Public Facilities, and he acknowledged to me that he executed the foregoing instrument freely and voluntarily on behalf of the State of Alaska, Department of Transportation and Public Facilities, for the uses and purposes therein set forth and that he is authorized by said State of Alaska so to do.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year first written above.



Notary Public in and for Alaska
My Commission Expires: June 24, 2001

WHEREFORE, the parties have entered into this lease the date and year first above written at the City of Sitka, Alaska.

LESSEE:

CITY AND BOROUGH OF SITKA
ALASKA

By: *Mary L. [Signature]*

ATTEST:

Kathy Hope Erickson
Borough Clerk

APPROVED AS TO FORM:

[Signature]
Municipal Attorney

STATE OF ALASKA)
) ss:
FIRST JUDICIAL DISTRICT)

On this 27th day of August, 1997, before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared Cathy L. Paxton, Borough Manager, and Kathy Hope Erickson, Borough Clerk, to me known to be the persons whose names are subscribed to the foregoing Lease as officers of the CITY AND BOROUGH OF SITKA, and acknowledged that they and each of them executed said instrument as their knowing and voluntary act and deed; as the voluntary act and deed of the CITY AND BOROUGH OF SITKA; and that they and each of them were duly authorized to sign said Lease by authority of the Assembly of the CITY AND BOROUGH OF SITKA.

WITNESS my hand and official seal the day and year in this certificate above written.

STATE OF ALASKA
NOTARY PUBLIC
TAMARA J. O'NEILL
My Commission Expires Nov. 18, 1997

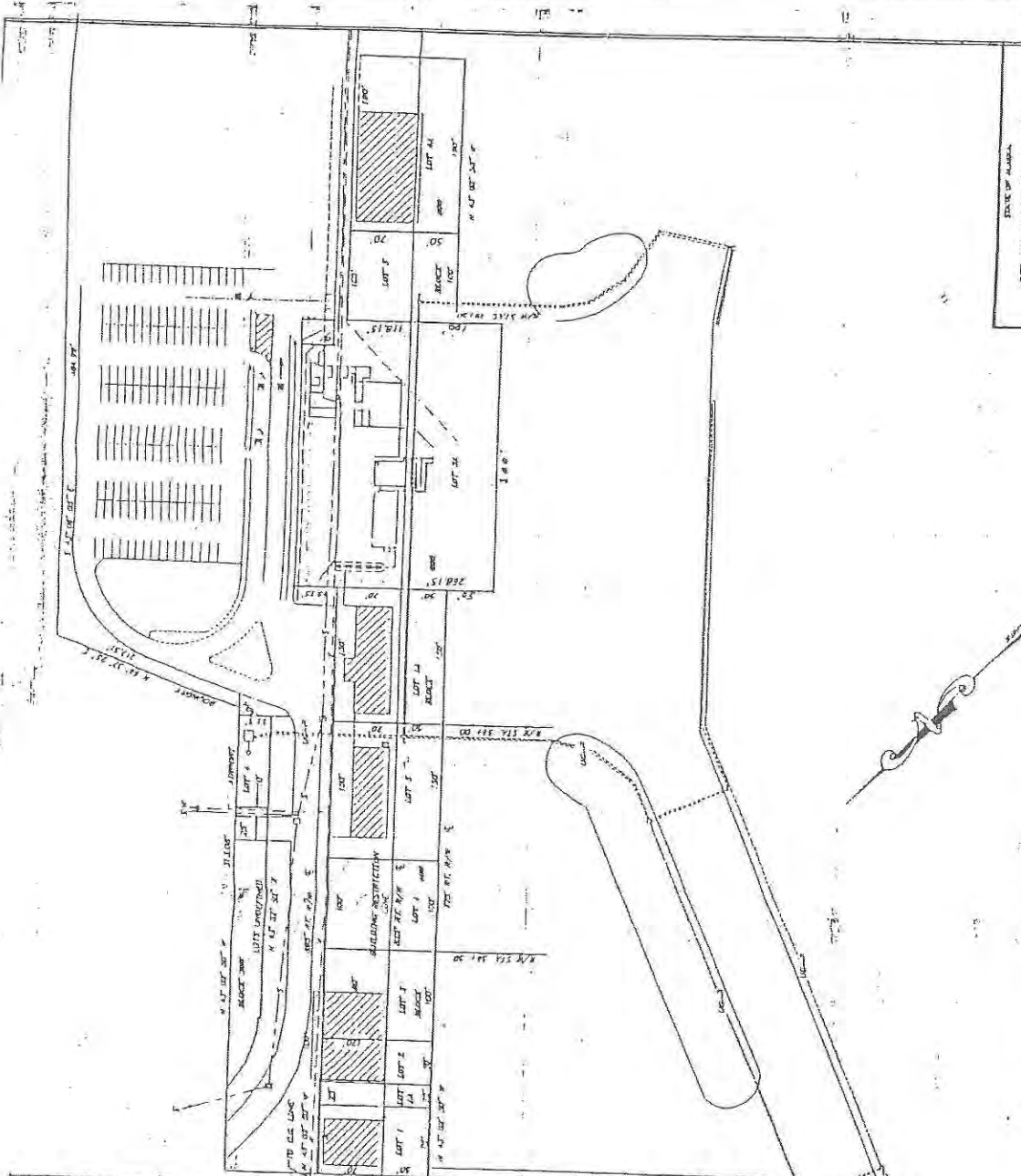
Tamara J. O'Neill
NOTARY PUBLIC FOR ALASKA
My Commission Expires: 11/18/97

LESSOR:

STATE OF ALASKA, by and through the
DEPARTMENT OF TRANSPORTATION AND
PUBLIC FACILITIES

BY: *[Signature]*
[Signature]
9/8/97

BLOCK	LOT	ACR. NO.	AREA	OCCUPANT	EXP. DATE
200	4			ADM. SEC. BLDG. BENTLEY ALBERT	INDEFINITE
400	1824	50155	12,000	MOUNTAIN AVIATION	10/01/2002
400	2		8,000	DOT/FP	INDEFINITE
400	3		12,000	DOT/FP	INDEFINITE
400	4	50263	12,000	ALCO SERVICES, INC.	4/15/2001
400	5		18,000	DOT/FP	INDEFINITE
600	1A	03025	18,000	ALASKA AIRLINES, INC.	3/24/1997
600	2A	50103	4,544	CITY OF SITKA	6/30/2024
800	5		12,000	VACANT	
800	6A	50275	22,800	MOUNTAIN AVIATION	3/15/1997
300	30189	1,750		K AND R ENTERPRISES	8/1/1985
ITEM	2	03147	10,507	U.S. COAST GUARD	INDEFINITE



STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
AND PUBLIC UTILITIES
SITKA AIRPORT
LAND OCCUPANCY

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
AND PUBLIC UTILITIES
[Signature]
DATE



CONSENT TO SUBLEASE

The State of Alaska, Department of Transportation and Public Facilities, Southeast Region Airport Leasing/Property Management, Lessor in Lease Agreement ADA-50103 (Prime Lease), acknowledges a sublease dated _____, between the City and Borough of Sitka, the lessee under said prime lease, and _____, the Sublessee for the use of operating _____, at the Sitka Airport. The term of the sublease begins _____ and ends _____.

The Lessor consents to the lessee entering into said sublease provided that the Lessee shall remain responsible to the Lessor for compliance with all the terms of said Prime Lease.

This consent is given subject to the following conditions:

- 1. If there is a conflict between the above referenced Prime State Lease Agreement and the sublease or its underlying documents, the terms of the Prime State Lease govern.
2. The Sublessee is prohibited from subleasing without the prior written consent of both the Lessee and the Lessor. Further a Sublessee may not assign or hypothecate a subleasehold.

Dated this _____ day of _____, 20__.

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION AND
PUBLIC FACILITIES

Chief, Juneau Office, Aviation Leasing and Airport
Land Development

STATE OF ALASKA)
) ss.
First Judicial District)

THIS IS TO CERTIFY that on the _____ day of _____, 20__ before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared _____, known to me and to me known to be the Chief, Leasing and Property Management, Southeast Region, Department of Transportation and Public Facilities, and s/he acknowledged to me that s/he executed the foregoing instrument freely and voluntarily on behalf of the State of Alaska, Department of Transportation and Public Facilities, for the uses and purposes therein set forth and that s/he is authorized by said State of Alaska to do so.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the date and year first written above.

Notary Public in and for Alaska
My Commission Expires: _____

EXH.C

SUBLEASE GUIDELINES FOR TENANTS

17 AAC 45.990(80): "sublease' means a transaction or agreement under which a lessee, permittee or concessionaire leases, rents or otherwise grants occupancy rights to all or a portion of a premises or improvements on a premises to another person; 'sublease' does not include the assignment of a lease, permit or concession"

17 AAC 45.270(a): "...a lessee, permittee, or concessionaire may not sublease all or a portion of a lease, permit or concession premises without the prior written consent of the department under 17 AAC 17.275. A sublease made contrary to the requirements of this section and 17 AAC 45.275 is void."

17 AAC 45.270(d): "A sublessee of a lease, permit or concession may not occupy the premises before the department consents to the sublease in writing."

A request for a consent to a sublease must be submitted in writing and must include:

A. SUBLEASE. The following items must be included in all subleases. Failure to provide these items may result in the State/Lessor withholding its consent to a sublease.

17 AAC 45.270(B)

1. The name, address, and telephone contact number (including a fax number) of the proposed sublessee and the existing lessee. The sublease should name DOT&PF as the Lessor, DOT&PF's tenant as the Lessee, and Lessee's tenant as the Sublessee. Appropriate e-mail addresses should be provided.
2. Emergency contact names and telephone numbers (including fax numbers) for both parties; one of these needs to be for a person located at or near the airport where the sublease is located. Also please include e-mail addresses, if available.
3. A description of property to be subleased (e.g.: "portion of Lot 1, Block 1, as shown on Exhibit A attached"). Attach exhibit showing the specific area being subleased (whether a portion of a building, land, or any combination thereof). If areas of the land or in the building are used in common with the Lessee or other Sublessees, the sublease must so state, and the exhibit must clearly show the common use areas.
4. A description of the proposed sublessee's intended use of the premises. Authorized uses must be specific and cannot authorize more than the original lease. If food, beverage, liquor or hotel/lodging sales will occur, the lease must contain related concession fee language or a sublease for these purposes will not receive DOT&PF's consent.
5. The expiration date of the sublease. The term of a sublease cannot extend past the original (prime) lease expiration date. The beginning date of a sublease must also be included. All renewals or extensions of subleases must be submitted for review and approval, and shall be treated the same as new sublease approvals.
6. A statement of the proposed sublease rent to be paid per month of occupancy.
7. A guarantee of indemnification by the Sublessee under which the Sublessee provides to the State the same level of indemnity that the Sublessee would provide to the State if the Sublessee were a direct Lessee under the lease.

8. A statement identifying the party/ies (Lessee or Sublessee) responsible for providing the State with proof of premises liability and/or products insurance coverage (as applicable per the lease requirements). Depending upon the subleased area, all parties (State, Lessee and Sublessee) may be required to be named as co-insured. Unless a sublease is for the entire premises, including all facilities maintenance, both the Lessee and the Sublessee will be required to maintain the insurance required by the lease, with both naming the State of Alaska as additional insured.

9. A statement acknowledging that the prime State lease governs over the sublease and that the Sublessee agrees to abide by all provisions and covenants of the State lease.

*Example: Mars Airlines, Inc., Lessee, and John Doe, dba Jupiter Air, Sublessee, enter into this sublease dated _____. This sublease is subject to all requirements and conditions of the Lessee's prime lease ADA-_____ with the State of Alaska, DOT&PF, Lessor. The Sublessee agrees to abide by all provisions and covenants of the prime lease.

10. A statement acknowledging that Sublessees are prohibited from subleasing without the prior written consent of both the Lessee and the Lessor. Further, a Sublessee may not assign or hypothecate a subleasehold.

11. A provision that no improvements, grading, fill, construction, etc. may take place until the Sublessee and Lessee have obtained the Lessor's approval.

12. Three originals of the executed sublease documents with notarized signatures of the Sublessee and the Sublessor.

13. If either party is a corporation, the corporate seal must be applied to the sublease, or a corporate resolution submitted; also a copy of the Certificate of Incorporation must be submitted. If an LLC, copies of the Certificate of Organization, Articles of Organization and Operating Agreement (if applicable) must be submitted.

B. INSURANCE. A binder for, or certificate of, insurance covering the operations and activities of the Sublessee to the same extent that the Sublessee would be required to maintain insurance if the Sublessee were a direct Lessee under the lease.

C. FEE. A non-refundable \$55 sublease processing fee, made payable to the State of Alaska.

17 AAC 45.275:

(c) The department will approve or deny a request under this section in writing. If the department denies the request, the department will state the reasons for the denial in writing. The department will make a determination on a request for consent to assignment, assignment for security purposes, or sublease within 60 days after the assignor or sublessor has submitted a complete request.

(d) An applicant may protest a denial of an assignment, assignment for security purposes, or sublease in accordance with 17 AAC 45.910.



Legislation Details

File #: 14-026 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 2/5/2014 In control: City and Borough Assembly

On agenda: 2/11/2014 Final action:

Title: Discussion/Direction/Decision on inclusion of up to \$25,000 for the RIDE's fixed route public transit service in the FY15 budget

Sponsors:

Indexes:

Code sections:

Attachments: [Discussion Decision Direction the RIDE](#)
[the RIDE maps](#)

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

DISCUSSION/ DIRECTION/ DECISION on inclusion of up to \$25,000 for the RIDE's fixed route public transit service in the FY15 budget.

MEMORANDUM

To: Mayor McConnell and Members of the Assembly
Mark Gorman, Municipal Administrator

From: Jay Sweeney, Finance Director

Date: February 6, 2014

Subject: Appropriation for The Ride

If the requested appropriation for The Ride is approved by the Assembly, the budget for account 500-008-5212.000, General Fund, Administration, Other, Contracted/Purchased Services would be increased by the amount of the appropriation.

The effect of the appropriation would be to increase authorized spending.

As discussed previously, the CBS has unanticipated revenue this fiscal year (secure rural schools) and appropriations that won't be spent (General Fund debt service), so these sources would be used to offset the increased spending, if approved.



CENTER for COMMUNITY

Providing services to enhance quality of life

700 Katlian Street, Suite B
Sitka, Alaska 99835
907-747-6960

February 5, 2014

Mayor Mim McConnell and Assembly Members
City and Borough of Sitka

Dear Mayor McConnell and Assembly Members:

Please consider this request from Center for Community for City financial assistance in City Fiscal Year 2015 (July 1, 2014 through June 30, 2015). This grant would be used by Center for Community to help fund the Green Line, originally created and funded by Sitka Tribe of Alaska with its federal tribal transit grant.

The financial assistance requested is a grant to Center for Community of up to \$25,000 for support of "the RIDE's" fixed route public transit service—to maintain current levels of service on that system.

The need for financial assistance arises because of changes to formula funding for federal transit grants to tribes, a change made by Congress in 2012 in a bill reauthorizing the Federal Transit Authority Act. Fortunately, the reduction to Sitka Tribe's grant level from \$239,000 per year to \$111,000 per year takes a couple of years to have its full impact, partially because the FTA is spending older monies first, and Center for Community happens to have some carry-forward money in its State grants. Therefore, for City Fiscal Year 2015, the need for maintaining current levels of service is about \$20,000, maybe up to \$25,000.

We respectfully request that the grant be made on a reimbursable grant basis, meaning that Center for Community will only request the funds from the City after spending them on transit services. Therefore, if we only need to use \$20,000 out of \$25,000, that is all we will request for reimbursement. We will make only one request during the City Fiscal Year 2015, so as to not unnecessarily increase work for the City fiscal shop. If somehow our State funding is increased, and we do not need any of the grant, we will not request any.

As we discussed in the January 28 work session on public transit, "the RIDE" system may be in much greater fiscal need in City Fiscal Year 2016, but we do not consider that FY15 fiscal assistance is any guarantee of assistance by the City in FY16.

A brief recap of updated statistics: "the RIDE" provides 67,673 one way rides per year, an average of 266 rides per day, on the three fixed route lines, with the blue buses. Riders on the blue buses contributed \$49,000 in fares in FY13. Another 16,800 rides a year are provided by the Care-A-Van, which is also partially funded by Center for Community and by pass through grants from Sitka Tribe of Alaska. The budget for all transit services—from state grants through CFC, federal grants to and tribal money from STA, and state grants to Care A Van---puts nearly \$1million per year into the Sitka economy.

Thank you. I will not be able to attend Feb. 11th's Assembly meeting, but Gerry Hope, STA Transportation Director, will attend and can speak to this request.

Sincerely,

Connie J. Sipe, Executive Director





SITKA TRIBE OF ALASKA

456 Katlian Street

Sitka, AK 99835

Ph: (907) 747-3207 Fax: (907) 747-4915

Mayor Mim McConnell and Assembly Members
City & Borough of Sitka
100 Lincoln Street,
Sitka, Alaska 99835

February 4, 2014

Dear Mayor McConnell and Assembly Members:

Please consider Center for Community's request for City financial assistance in City Fiscal Year 2015 (July 1, 2014 through June 30, 2015). The funding would be used by Center for Community to help fund the Green Line, originally created and funded by Sitka Tribe of Alaska with its federal tribal transit grant.

The financial assistance requested is a grant to Center for Community of up to \$25,000 for support of "the RIDE's" fixed route public transit service—to maintain current levels of service on that system.

The need for financial assistance arises because of changes to formula funding for federal transit grants to tribes, a change made by Congress in 2012 in a bill reauthorizing the Federal Transit Authority Act. Fortunately, the reduction to Sitka Tribe of Alaska's (STA) grant level from \$239,000 per year to \$111,000 per year takes a couple of years to have its full impact, partially because the FTA is spending older monies first, and Center for Community happens to have some carry-forward money in its State grants. Therefore, for City Fiscal Year 2015, the need for maintaining current levels of service is about \$20,000, or up to \$25,000.

STA understands, and supports, the request that the grant be made on a reimbursable grant basis, meaning that Center for Community will only request the funds from the City after spending them on transit services. In other words, if "the RIDE" only needs to use \$20,000 out of \$25,000, that is all that will be requested for reimbursement. STA understands "the RIDE" will make only one request during the City Fiscal Year 2015, in order to make it simple and efficient. If somehow "the RIDE's" State funding is increased, and there is no need for any of the grant, STA further understands "the RIDE" will not request any of the grant from the City.

Here are updated statistics: "the RIDE" provides 67,673 one way rides per year, an average of 266 rides per day, on the three fixed route lines, with the blue buses. Riders on the blue buses contributed \$49,000 in fares in FY13. In addition, 16,800 rides a year are provided by the Care-A-Van, which is also partially funded by Center for Community and an annual pass through grant from Sitka Tribe of Alaska. The budget for all transit services puts nearly \$1million per year into the Sitka economy.

Thank you for your consideration. If you have any questions please feel free to contact Gerry Hope, STA Transportation Director, at 747-5910 or gerry.hope@sitkatriben-sn.gov.

Sincerely,


Michael Baines, Chairman

Reductions in Public Transit Service if the Green Line must be eliminated due to budget shortfalls.

The two maps/schedules that follow show:

1. The Green Line—which is now funded by a federal Tribal Transit grant to Sitka Tribe. This grant was slashed by Congress in 2012. **Crossed-out areas in orange show services to be eliminated** or put back to 2007 service areas if Green Line is eliminated. (Green Line was first put into service into 2008).
2. The Blue and the Red Lines. If the Green Line is eliminated, then the Blue and Red Lines **would also be cut back—as shown by the crossed out areas in orange.** The Blue Line on Sawmill Creek would pick up the service to Japonski Island sites, but only on a one-hour basis, not the Green Line's ½ hour basis of service.



BUS SCHEDULE

Catch the RIDE:
Monday - Friday*
6:30a - 7:30p
 Effective August 2011

MONTHLY BUS PASSES
 & Punch Cards for 12 or 24 Trips
 MAY BE PURCHASED AT:

Sitka Tribal Enterprises

204 Katlian Street

Mon-Fri, 8:30a-4:30p

Old Harbor Books

201 Lincoln Street

Mon-Sat, 10:00a-6:00p

Bear Country Gifts

401 Lincoln Street

Mon-Sat, 9:00a-6:00p

Seamart

1867 Hallbut Point Road

Sun-Sat, 7:00a-11:00p

SINGLE-RIDE TICKETS & DAILY PASSES
 are SOLD ON BUSES

PARATRANSIT SERVICES
 To Request a Paratransit RIDE
 Call Monday-Friday, 8:00am - 5:00pm:
 (907) 747-8617

PARATRANSIT FARE STRUCTURE:
 Under 60 yrs: \$2/one way & \$4/round trip
 Seniors 60+ yrs: Donation Requested

PARATRANSIT HOURS OF OPERATION:
 Monday through Friday, 6:30 am to 9:00 pm
 Saturday and Sunday by reservation only
 Please call 24 hours in advance for a reservation.

ALL BUSES WHEELCHAIR ACCESSIBLE
 Community RIDE can take you where you want to go in
 Sitka: shopping, to the doctor, or to visit a friend!

Swan Lake Senior Center, through the RIDE,
 provides door-to-door transportation services for
 seniors, age 60 and older and individuals with
 disabilities. You are eligible to ride IF: a) you are age
 60 or older OR b) you are under 60 but need assisted
 transportation due to a permanent or temporary
 disability. If you are under 60, please provide a
 document from a physician attesting to your disability.

**ALL OF OUR BUSES ARE
 WHEELCHAIR ACCESSIBLE**



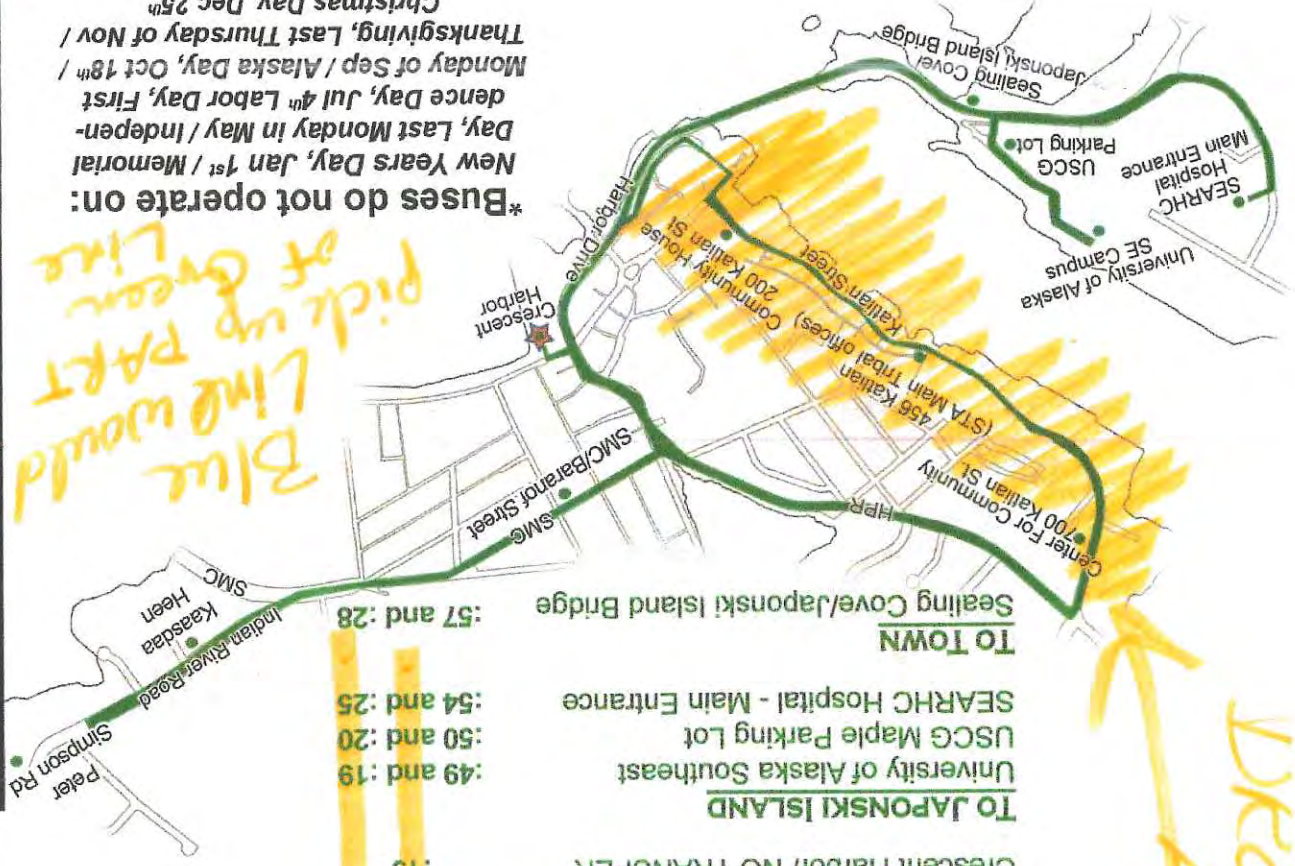
Call the Hotline:
 Mon-Fri, 8:00am - 5:00pm at
 (907) 747-7103

**Need door-to-door RIDES?
 Please see the back panel of
 this schedule for info about our
 "PARATRANSIT SERVICES"**

Have Questions?
 Call the RIDE Hotline
 Mon-Fri, 8:00am - 5:00pm at
 (907) 747-7103

THE GREEN LINE: DOWNTOWN/ISLAND ROUTE

IN TOWN	DEPARTS	TO JAPONSKI ISLAND	TO TOWN
Community House - 200 Katlian St	:30 and :59	456 Katlian (STA Main Tribal offices)	Sealing Cove/Japonski Island Bridge
Center For Community - 700 Katlian St	:31 and :00	SMC & Baranof Street	
SMC & Baranof Street	:35 and :05	Indian River: Kaasdaa Heen	
Indian River: Kaasdaa Heen	:37 and :07	Indian River: Peter Simpson Road	
Indian River: Peter Simpson Road	:38 and :08	Crescent Harbor/ALL LINE TRANSFER	
Crescent Harbor/ALL LINE TRANSFER	:45	Crescent Harbor/ NO TRANSFER	
Crescent Harbor/ NO TRANSFER	:15	University of Alaska Southeast	
University of Alaska Southeast	:49 and :19	USCG Maple Parking Lot	
USCG Maple Parking Lot	:50 and :20	SEARCHC Hospital - Main Entrance	
SEARCHC Hospital - Main Entrance	:54 and :25		
	:57 and :28		



***Buses do not operate on:**
 New Years Day, Jan 1st / Memorial
 Day, Last Monday in May / Indepen-
 dence Day, Jul 4th Labor Day, First
 Monday of Sep / Alaska Day, Oct 18th /
 Thanksgiving, Last Thursday of Nov /
 Christmas Day, Dec 25th



FARE STRUCTURE

Child= 6 - 17 Yrs
 Adult= 18 - 59 Yrs
 Senior= 60+ Yrs
 Disabled= Any Age

	Child	Adult	Senior/ Disabled
One Way:	\$1	\$2	\$1
Day Pass:	\$3	\$5	\$3
Month Pass:	\$25	\$50	\$25
12-Ride Pass:	\$10	\$20	\$10

FOR FARE INFO
 Call 747-7103

***Buses do not operate on:**

*New Years Day, Jan 1st /
 Memorial Day, Last Monday
 in May / Independence Day,
 Jul 4th / Labor Day, First
 Monday of Sep / Alaska Day,
 Oct 18th / Thanksgiving, Last
 Thursday of Nov / Christmas
 Day, Dec 25th*



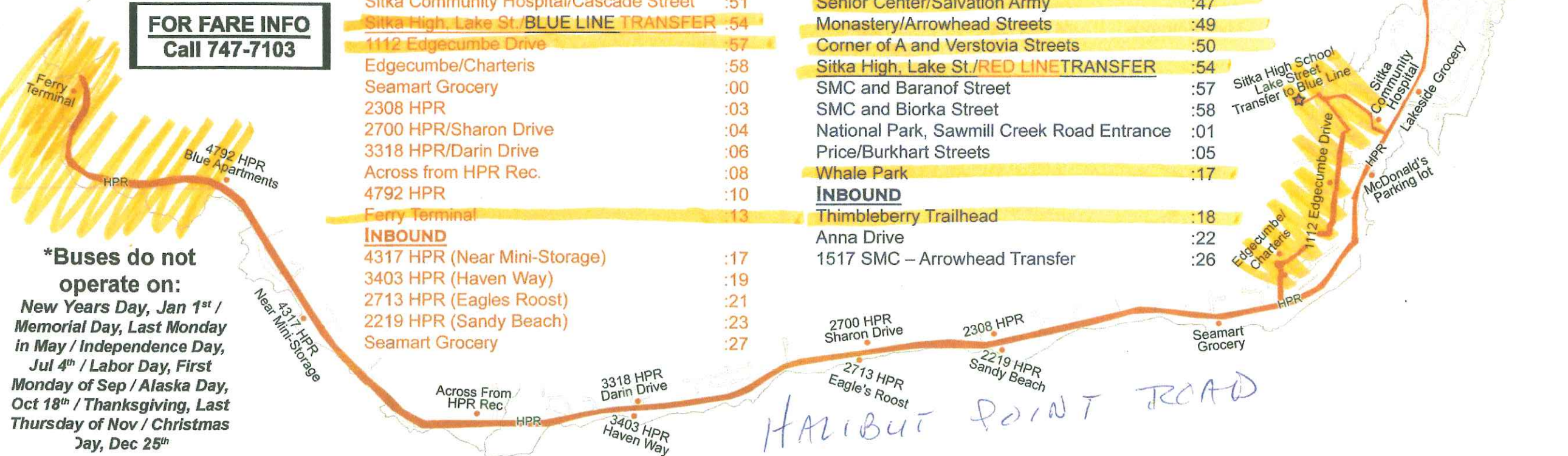
THE RED LINE HALIBUT POINT ROAD ROUTE

INBOUND	DEPARTS
McDonald's Parking lot	:30
Lakeside Grocery	:33
Random House/Ernie's	:39
Crescent Harbor/ALL LINE TRANSFER	:45
OUTBOUND	
Lakeside Grocery	:49
Sitka Community Hospital/Cascade Street	:51
Sitka High, Lake St./BLUE LINE TRANSFER	:54
1112 Edgumbe Drive	:57
Edgumbe/Charteris	:58
Seamart Grocery	:00
2308 HPR	:03
2700 HPR/Sharon Drive	:04
3318 HPR/Darin Drive	:06
Across from HPR Rec.	:08
4792 HPR	:10
Ferry Terminal	:13
INBOUND	
4317 HPR (Near Mini-Storage)	:17
3403 HPR (Haven Way)	:19
2713 HPR (Eagles Roost)	:21
2219 HPR (Sandy Beach)	:23
Seamart Grocery	:27

THE BLUE LINE SAWMILL CREEK BOULEVARD ROUTE

INBOUND	DEPARTS
Price/Burkhart Streets	:30
1211 Sawmill Creek (Cascade Laundry)	:34
S.J. Daycare	:36
National Park, Main Entrance (Lincoln St.)	:39
Crescent Harbor/ ALL LINE TRANSFER	:45
OUTBOUND	
Senior Center/Salvation Army	:47
Monastery/Arrowhead Streets	:49
Corner of A and Verstovia Streets	:50
Sitka High, Lake St./RED LINE TRANSFER	:54
SMC and Baranof Street	:57
SMC and Biorka Street	:58
National Park, Sawmill Creek Road Entrance	:01
Price/Burkhart Streets	:05
Whale Park	:17
INBOUND	
Thimbleberry Trailhead	:18
Anna Drive	:22
1517 SMC - Arrowhead Transfer	:26

ORANGE AREAS WOULD BE DROPPED





Legislation Details

File #: 14-027 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 2/5/2014 In control: City and Borough Assembly

On agenda: 2/11/2014 Final action:

Title: Approve a loan in the amount of \$350,000 to the Baranof Island Brewing Company from the Southeast Alaska Economic Development Revolving Loan Fund

Sponsors:

Indexes:

Code sections:

Attachments: [Memos from CBS and BIBCO](#)
[Promissory Note May 2011](#)
[Promissory Note April 2012](#)
[Promissory Note October 2012](#)
[BIBCO Pro Forma Financial Plan and Forecast](#)

Date	Ver.	Action By	Action	Result
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POSSIBLE MOTION

I MOVE TO approve a loan in the amount of \$350,000 to the Baranof Island Brewing Company from the Southeast Alaska Economic Development Revolving Loan Fund with the following terms:

- 1) A term of 20 years with equal monthly payments of interest and principal;
- 2) An interest rate equal to the 30 year Treasury bill (currently 3.6%);
- 3) Collateralization of a superior lien on all assets of the business;
- 4) Personal guarantees of the owners;
- 5) A requirement that Baranof Island Brewing Company allow for the CBS Finance Director or Deputy Finance Director to inspect their financial records and discuss financial position and performance at such times as the CBS requests, but not more often than quarterly.

MEMORANDUM

To: Mayor McConnell and Members of the Assembly
Mark Gorman, Municipal Administrator

From: Jay Sweeney, Finance Director

CC: Mark Gorman, Municipal Administrator

Date: February 3, 2014

Subject: Baranof Island Brewing Company Economic Development Loan

Issue/Decision:

The Baranof Island Brewing Company (BIBC) is requesting an additional loan in the amount of \$350,000.00 from the Southeast Alaska Economic Development Revolving Loan Fund (Stevens Fund). It is the purview of the Assembly as to whether or not to grant the loan. Administration is recommending approval of the loan..

Background:

On May 4, 2011, the City and Borough of Sitka (CBS) loaned \$282,080 from the Stevens Fund to the BIBC with terms of 3.5% interest and monthly payments for 20 years (240 payments of \$1,635.52) (enclosure)

In the spring of 2012, the BIBC approached the CBS for an additional loan of \$75,000. The Assembly approved a short-term, interest only loan of \$75,000.00 at 3.5% interest on April 6, 2012 to mature on October 1, 2012 (enclosure). The Assembly directed, however, that both the May 4, 2011 and the April 6, 2012 loans could be restructured and consolidated into one new loan if the BIBC prepared and submitted a business plan to the CBS which demonstrated how the restructured loan was to be repaid and the CBS's security for the loan.

Having prepared and submitted a business plan, the Assembly approved the restructuring of the May 4, 2011 and the April 6, 2012 loans into one new loan in the amount of \$345,796 on October 2, 2012 with terms of 3.5% interest and monthly payments for 20 years (240 payments of \$2,005.25).

In December 2013, the BIBC approached the CBS to borrow an additional \$350,000.00 to expand further. Specifically, the BIBC wants to purchase additional equipment to be able to meet demand for its products, including higher quality grain processing equipment and a canning line (enclosure).

During December and January, CBS Finance personnel met on several occasions with BIBC management and stressed that a much more detailed business plan and pro forma financial forecast to accompany the business plan would be required before the CBS would consider any additional loans. The BIBC submitted several business plans which were returned for being insufficient in detail and scope before a solid, well developed plan and pro forma was received on January 27 (enclosure).

On January 28, CBS Finance personnel met with BIBC management for 2 hours and discussed all aspects of the BIBC business plan in detail. The pro forma financial projections submitted by BIBC were thoroughly questioned and examined. Based on the refined final business plan and management discussion on January 28, CBS Financial personnel are satisfied with the BIBC plan and are convinced that adequate security and ability to repay have been demonstrated by the BIBC.

As of February 3, 2014, BIBC is current on all loan payments. The balance owed on the October 2, 2012 loan is \$330,456.90 plus accrued interest. BIBC and its owners are also current on all other financial obligations to the CBS.

Discussion

BIBC management has demonstrated a willingness to engage in detailed financial planning to ensure the success of their business. In particular, BIBC has engaged financial consultants to advise them and assist them with the development of a realistic business plan and pro forma financial forecast.

BIBC has also explained what business opportunities they wish to pursue and why the additional loan is necessary in order to pursue the opportunities. In particular, BIBC has the opportunity to expand production to fill unmet need for their products but requires additional capital to do so. Without additional capital, this expansion can't take place.

In its business plan, BIBC provides for the employment of two additional Sitkans if it is able to expand and increase production. As the goal of the Stevens Fund was to diversify the local economy and provide for new jobs in non-timber harvesting industries, this proposed loan and business expansion meets the goals of the Stevens Fund.

In the opinion, the CBS will be adequately collateralized for the additional loan, as it has a priority lien on all assets of the BIBC, and CBS Finance personnel feel that the BIBC business plan is realistic and adequately demonstrates the ability to repay.

Recommendation

CBS Finance recommend the approval of the BIBC loan request with the following terms: a term of 20 years with equal monthly payments of interest and principal; an interest rate equal to the 30 year Treasury bill (currently 3.6%); collateralization of a

superior lien on all assets of the business; personal guarantees of the owners; and, a requirement that BIBC allow for the CBS Finance Director or Deputy Finance Director inspect their financial records and discuss financial position and performance at such times as the CBS requests, but not more often than quarterly.



Baranof Island Brewing Company
215 Smith Street
Sitka, AK 99835
907-747-2791



Baranof Island Brewing Company has come a long way since its very humble beginnings in 2009. What started as a dream to open a local Sitka brewery has developed into a successful company with 6 full time employees, 5 part time employees and distribution of Sitka beer throughout Alaska and Washington State.

Our plan for the next five years involves increasing production to meet current demand and grow distribution while decreasing costs and improving efficiency of production. We have identified several points along the production process that need to be addressed in order to meet the above goals.

The first area of production where efficiency needs to be improved is the malt mill. Our current mill gives us around 67% efficiency rate for the malted grains used. The purchase of a new mill that would crush malt more effectively would increase our efficiency rate from around 67% to between 87%-92%. This would decrease our grain bill and the associated shipping costs plus enable us to produce additional beer with the same amount of raw materials.

BIBCO's actual brewing equipment is currently at capacity. We produced 992 gallons of beer during 2010, our first year of operation. The following years we produced 2,635 gallons and 11,532 gallons. We finished up 2013 with production at around 21,700 gallons. Our conservative goal for 2014 is to produce 37,975 gallons. To reach this goal we plan to add four 15 barrel fermenters. (One barrel=31 gallons). This will amount to an additional 1,356 gallons of beer produced per month in compared to 2013. The additional beer will be packaged and sold outside of Sitka to meet the current demand. In addition to increased production, the new fermenters will increase the efficiency of production. The new fermenters can hold additional beer and can be used to ferment and condition the beer. Our current system requires us to transfer beer to separate conditioning tanks where the beer is chilled and carbonated. Labor and chemical costs incurred in the transfer and cleaning of the tanks will be eliminated.

Currently BIBCO packages its beer in kegs or 22oz bottles for distribution. Because of our location and the time, cost and logistics involved in returning the kegs, the majority of distribution outside of Southeast Alaska has been in 22 oz bottles. The 22oz bottles are expensive to ship in to Sitka empty and even more expensive to ship out full. This has cut into the profit margin as distributors are not concerned with the shipping expense and are more concerned with if our product can compete pricewise on the shelves with the other beers. Canning has emerged in the last few years as a popular and economical method to distribute beer in the craft beer industry. In order for us to remain competitive in the market we have identified the need to install a canning line. Shipping costs would decrease both in and out of Sitka making the product more attractive to distributors and beer drinkers alike. An additional benefit to a can versus a bottle is that a can is basically a mini keg. It doesn't allow light to spoil the product and increases



Baranof Island Brewing Company
215 Smith Street
Sitka, AK 99835
907-747-2791



the shelf life which is a concern to us when looking to increase our range of distribution. When asked for the opinion of our main distributor on cans he said the only problem is keeping it on the shelf. Consumers are familiar with canned microbrews and appreciate the portability as well as being friendly to the environment in terms of recycling and carbon footprint.

According to the Brewers Association publications in 2013, United States Craft Breweries production grew in volumes by 13% in 2011 and 15% in 2012 yet craft breweries still have only 6% of the entire beer market in the United States. The total amount of beer produced and imported in the United States in 2012 was 227,741,185 barrels. Craft Breweries made only 13,235,917 barrels of that total. Given our anticipated production of 1,225 barrels for 2014 we would only have .00000538 share of the market. It is difficult at this time to determine our true market share in Alaska. We have not been able to fill our orders to Anchorage for distribution and have only been able to fill half of our orders to Juneau with our current system operating at capacity.

Our distributors and customers have been more than receptive to our beer. Our product stands out from the rest due to our location, the draw of "Alaska" products and of course some outstanding beer.

We are requesting a loan for \$350,000.00 from the Southeast Economic Development fund. We would ask that we are able to consolidate the loans together and obtain the same terms. With this loan and the installation of the equipment we will be able to fill our current orders and expand our distribution while hiring 2 more full time employees.

We have provided the City Finance Director a proforma, profit and loss statement and balance sheet for Baranof Island Brewing Company. Please call or email us anytime with questions or concerns you may have at 907-747-2739 or rick@baranofislandbrewing.com or suzan@baranofislandbrewing.com

Thank you for your time and consideration

Rick Armstrong and Suzan Hess Armstrong

**PROMISSORY NOTE ENTERED INTO WITH ARMSTRONG, LLC RELATING TO
CITY AND BOROUGH OF SITKA SOUTHEAST ECONOMIC DEVELOPMENT FUND
LOAN TO BARANOF ISLAND BREWING COMPANY, LLC**

\$282,080.00

**May 4, 2011
Sitka, Alaska**

FOR CONSIDERATION RECEIVED, **ARMSTRONG, LLC**, a limited liability company, PO Box 3144, Sitka, Alaska 99835 (“Debtor”), on behalf of **Baranof Island Brewing Company, LLC**, a limited liability company, 212 Smith Street, PO Box 1647, Sitka, Alaska 99835, signs this Promissory Note (“Note”) relating to Assembly approval on April 26, 2011 of a City and Borough of Sitka Southeast Economic Development Fund (“SEDF”) loan to Baranof Island Brewing Company, LLC. Debtor promises to pay the loan costs to City and Borough of Sitka (“CBS”) in the sum of **Two Hundred Eighty Two Thousand Eighty and 00/100 Dollars (\$282,080.00)**, with a fixed rate of interest at **three and one-half percent (3.5%)** per annum on the balance, to be paid as follows in accordance with attached payment schedule and the provision in this Note:

Monthly payments of **\$1,635.52** must be received by CBS on the 1st day of each month. The first payment is due on June 1, 2011. The length of this payment arrangement is for a period of twenty (20) years. The last payment of **\$1,634.80** is due on May 1, 2031. See attached payment schedule.

CBS may cause additional parties to be added or release any party, either with or without notice to the undersigned, either as co-maker, endorsers, or guarantors, or may extend the time for making any installment, or may accept an installment in advance, without affecting the liability of the undersigned.

The Debtor may prepay without penalty.

Should CBS take any action to collect on this Note or any partial payment or to protect its interest in this Note, Debtor agrees to pay all reasonable attorney fees, court costs (including fees and court costs in any appeal or bankruptcy proceeding and including on any matter this is specific to a bankruptcy proceeding), plus any actual expenditures incurred to secure the payment of or to collect on this Note.

Debtor waives demand, protest and notice of demand, protest and nonpayment, and expressly agrees that this Note or any provision on this Note may be extended from time to time and consents to the acceptance of further security, including other types of security, all without in any way affecting its liability.

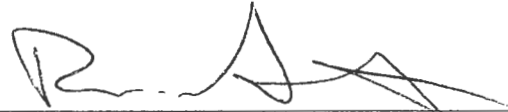
If default in the payment of any installment due under this Note occurs and such default is not cured within ten (10) days after the due date, then the entire principal sum and accrued interest due under this Note shall become at once due and payable at the written option of CBS regarding this Note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

Debtor is personally obligated and fully liable for the amount due under this Note. The CBS has the right to sue on this Note and obtain a personal judgment against Debtor for satisfaction for the amount due under this Note either before or after a judicial foreclosure of the deed of trust under AS 09.45.170-9.45.220.

Debtor agrees to pay the loan in full as set out in this Note and agrees to sign and record a Deed of Trust Regarding Promissory Note to be filed against the property it owns at 212 Smith Street.

Debtor

ARMSTRONG, LLC



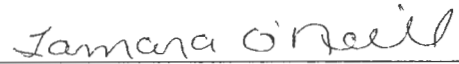
RICK A. ARMSTRONG
Member Manager



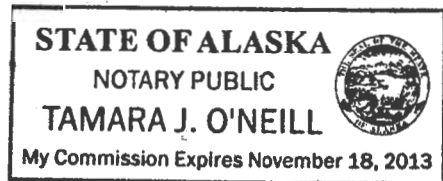
SUSAN HESS-ARMSTRONG
Member Manager

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

On this 4th day of May, 2011, personally appeared before me Rick A. Armstrong and Susan Hess-Armstrong, whose identities are personally known to me or proved to me on the basis of satisfactory evidence, and who by signing this document, swear or affirm that they are member managers of Armstrong, LLC and are authorized to sign this document on behalf of Armstrong, LLC, and do so freely and voluntarily.



Notary Public for Alaska
My Commission Expires: 11/18/13



PAYMENT SCHEDULE

Baranof Island Brewing Company
20 years, 3.5% interest

Pmt	Due Date	Total Payment	Payment applied to		Principal Balance
			Interest	Principal	
					\$282,080.00
1	6/1/2011	\$1,635.62	\$757.37	\$878.25	\$281,201.75
2	7/1/2011	\$1,635.62	\$808.94	\$826.68	\$280,375.06
3	8/1/2011	\$1,635.62	\$833.44	\$802.18	\$279,572.89
4	9/1/2011	\$1,635.62	\$831.06	\$804.56	\$278,768.33
5	10/1/2011	\$1,635.62	\$801.94	\$833.68	\$277,934.65
6	11/1/2011	\$1,635.62	\$826.19	\$809.43	\$277,125.22
7	12/1/2011	\$1,635.62	\$797.21	\$838.41	\$276,286.81
8	1/1/2012	\$1,635.62	\$821.29	\$814.33	\$275,472.48
9	2/1/2012	\$1,635.62	\$818.87	\$816.75	\$274,655.74
10	3/1/2012	\$1,635.62	\$737.43	\$898.19	\$273,757.55
11	4/1/2012	\$1,635.62	\$813.77	\$821.85	\$272,935.71
12	5/1/2012	\$1,635.62	\$785.16	\$850.46	\$272,085.24
13	6/1/2012	\$1,635.62	\$808.80	\$826.82	\$271,258.42
14	7/1/2012	\$1,635.62	\$780.33	\$855.29	\$270,403.15
15	8/1/2012	\$1,635.62	\$803.80	\$831.82	\$269,571.33
16	9/1/2012	\$1,635.62	\$801.33	\$834.29	\$268,737.04
17	10/1/2012	\$1,635.62	\$773.08	\$862.54	\$267,874.50
18	11/1/2012	\$1,635.62	\$796.28	\$839.34	\$267,035.16
19	12/1/2012	\$1,635.62	\$768.18	\$867.44	\$266,167.72
20	1/1/2013	\$1,635.62	\$791.21	\$844.41	\$265,323.31
21	2/1/2013	\$1,635.62	\$788.70	\$846.92	\$264,476.40
22	3/1/2013	\$1,635.62	\$710.10	\$925.52	\$263,550.88
23	4/1/2013	\$1,635.62	\$783.43	\$852.19	\$262,698.69
24	5/1/2013	\$1,635.62	\$755.71	\$879.91	\$261,818.78
25	6/1/2013	\$1,635.62	\$778.28	\$857.34	\$260,961.44
26	7/1/2013	\$1,635.62	\$750.71	\$884.91	\$260,076.53
27	8/1/2013	\$1,635.62	\$773.10	\$862.52	\$259,214.01
28	9/1/2013	\$1,635.62	\$770.54	\$865.08	\$258,348.93
29	10/1/2013	\$1,635.62	\$743.20	\$892.42	\$257,456.50
30	11/1/2013	\$1,635.62	\$765.32	\$870.30	\$256,586.20
31	12/1/2013	\$1,635.62	\$738.12	\$897.50	\$255,688.70
32	1/1/2014	\$1,635.62	\$760.06	\$875.56	\$254,813.14
33	2/1/2014	\$1,635.62	\$757.46	\$878.16	\$253,934.97
34	3/1/2014	\$1,635.62	\$681.80	\$953.82	\$252,981.15
35	4/1/2014	\$1,635.62	\$752.01	\$883.61	\$252,097.54
36	5/1/2014	\$1,635.62	\$725.21	\$910.41	\$251,187.14
37	6/1/2014	\$1,635.62	\$746.68	\$888.94	\$250,298.20
38	7/1/2014	\$1,635.62	\$720.04	\$915.58	\$249,382.62

PAYMENT SCHEDULE

Baranof Island Brewing Company
20 years, 3.5% interest

Pmt	Due Date	Total Payment	Payment applied to		Principal Balance
			Interest	Principal	
39	8/1/2014	\$1,635.62	\$741.32	\$894.30	\$248,488.31
40	9/1/2014	\$1,635.62	\$738.66	\$896.96	\$247,591.34
41	10/1/2014	\$1,635.62	\$712.25	\$923.37	\$246,667.97
42	11/1/2014	\$1,635.62	\$733.25	\$902.37	\$245,765.60
43	12/1/2014	\$1,635.62	\$707.00	\$928.62	\$244,836.97
44	1/1/2015	\$1,635.62	\$727.80	\$907.82	\$243,929.15
45	2/1/2015	\$1,635.62	\$725.10	\$910.52	\$243,018.63
46	3/1/2015	\$1,635.62	\$652.49	\$983.13	\$242,035.50
47	4/1/2015	\$1,635.62	\$719.48	\$916.14	\$241,119.35
48	5/1/2015	\$1,635.62	\$693.63	\$941.99	\$240,177.37
49	6/1/2015	\$1,635.62	\$713.95	\$921.67	\$239,255.70
50	7/1/2015	\$1,635.62	\$688.27	\$947.35	\$238,308.35
51	8/1/2015	\$1,635.62	\$708.40	\$927.22	\$237,381.11
52	9/1/2015	\$1,635.62	\$705.64	\$929.98	\$236,451.13
53	10/1/2015	\$1,635.62	\$680.20	\$955.42	\$235,495.71
54	11/1/2015	\$1,635.62	\$700.04	\$935.58	\$234,560.13
55	12/1/2015	\$1,635.62	\$674.76	\$960.86	\$233,599.27
56	1/1/2016	\$1,635.62	\$694.40	\$941.22	\$232,658.05
57	2/1/2016	\$1,635.62	\$691.60	\$944.02	\$231,714.03
58	3/1/2016	\$1,635.62	\$622.14	\$1,013.48	\$230,700.55
59	4/1/2016	\$1,635.62	\$685.78	\$949.84	\$229,750.71
60	5/1/2016	\$1,635.62	\$660.93	\$974.69	\$228,776.01
61	6/1/2016	\$1,635.62	\$680.06	\$955.56	\$227,820.45
62	7/1/2016	\$1,635.62	\$655.37	\$980.25	\$226,840.20
63	8/1/2016	\$1,635.62	\$674.31	\$961.31	\$225,878.88
64	9/1/2016	\$1,635.62	\$671.45	\$964.17	\$224,914.71
65	10/1/2016	\$1,635.62	\$647.01	\$988.61	\$223,926.11
66	11/1/2016	\$1,635.62	\$665.64	\$969.98	\$222,956.13
67	12/1/2016	\$1,635.62	\$641.38	\$994.24	\$221,961.89
68	1/1/2017	\$1,635.62	\$659.80	\$975.82	\$220,986.07
69	2/1/2017	\$1,635.62	\$656.90	\$978.72	\$220,007.36
70	3/1/2017	\$1,635.62	\$590.70	\$1,044.92	\$218,962.44
71	4/1/2017	\$1,635.62	\$650.89	\$984.73	\$217,977.71
72	5/1/2017	\$1,635.62	\$627.06	\$1,008.56	\$216,969.15
73	6/1/2017	\$1,635.62	\$644.96	\$990.66	\$215,978.49
74	7/1/2017	\$1,635.62	\$621.31	\$1,014.31	\$214,964.18
75	8/1/2017	\$1,635.62	\$639.00	\$996.62	\$213,967.56
76	9/1/2017	\$1,635.62	\$636.04	\$999.58	\$212,967.98
77	10/1/2017	\$1,635.62	\$612.65	\$1,022.97	\$211,945.00

PAYMENT SCHEDULE

Baranof Island Brewing Company
20 years, 3.5% interest

Pmt	Due Date	Total Payment	Payment applied to		Principal Balance
			Interest	Principal	
78	11/1/2017	\$1,635.62	\$630.03	\$1,005.59	\$210,939.41
79	12/1/2017	\$1,635.62	\$606.81	\$1,028.81	\$209,910.60
80	1/1/2018	\$1,635.62	\$623.98	\$1,011.64	\$208,898.95
81	2/1/2018	\$1,635.62	\$620.97	\$1,014.65	\$207,884.31
82	3/1/2018	\$1,635.62	\$558.16	\$1,077.46	\$206,806.84
83	4/1/2018	\$1,635.62	\$614.75	\$1,020.87	\$205,785.98
84	5/1/2018	\$1,635.62	\$591.99	\$1,043.63	\$204,742.35
85	6/1/2018	\$1,635.62	\$608.62	\$1,027.00	\$203,715.35
86	7/1/2018	\$1,635.62	\$586.03	\$1,049.59	\$202,665.76
87	8/1/2018	\$1,635.62	\$602.44	\$1,033.18	\$201,632.59
88	9/1/2018	\$1,635.62	\$599.37	\$1,036.25	\$200,596.33
89	10/1/2018	\$1,635.62	\$577.06	\$1,058.56	\$199,537.77
90	11/1/2018	\$1,635.62	\$593.15	\$1,042.47	\$198,495.31
91	12/1/2018	\$1,635.62	\$571.01	\$1,064.61	\$197,430.70
92	1/1/2019	\$1,635.62	\$586.88	\$1,048.74	\$196,381.96
93	2/1/2019	\$1,635.62	\$583.77	\$1,051.85	\$195,330.11
94	3/1/2019	\$1,635.62	\$524.45	\$1,111.17	\$194,218.94
95	4/1/2019	\$1,635.62	\$577.34	\$1,058.28	\$193,160.66
96	5/1/2019	\$1,635.62	\$555.67	\$1,079.95	\$192,080.71
97	6/1/2019	\$1,635.62	\$570.98	\$1,064.64	\$191,016.06
98	7/1/2019	\$1,635.62	\$549.50	\$1,086.12	\$189,929.95
99	8/1/2019	\$1,635.62	\$564.59	\$1,071.03	\$188,858.91
100	9/1/2019	\$1,635.62	\$561.40	\$1,074.22	\$187,784.70
101	10/1/2019	\$1,635.62	\$540.20	\$1,095.42	\$186,689.29
102	11/1/2019	\$1,635.62	\$554.95	\$1,080.67	\$185,608.62
103	12/1/2019	\$1,635.62	\$533.94	\$1,101.68	\$184,506.95
104	1/1/2020	\$1,635.62	\$548.47	\$1,087.15	\$183,419.79
105	2/1/2020	\$1,635.62	\$545.23	\$1,090.39	\$182,329.41
106	3/1/2020	\$1,635.62	\$489.54	\$1,146.08	\$181,183.34
107	4/1/2020	\$1,635.62	\$538.59	\$1,097.03	\$180,086.29
108	5/1/2020	\$1,635.62	\$518.06	\$1,117.56	\$178,968.73
109	6/1/2020	\$1,635.62	\$532.00	\$1,103.62	\$177,865.11
110	7/1/2020	\$1,635.62	\$511.67	\$1,123.95	\$176,741.16
111	8/1/2020	\$1,635.62	\$525.38	\$1,110.24	\$175,630.92
112	9/1/2020	\$1,635.62	\$522.08	\$1,113.54	\$174,517.38
113	10/1/2020	\$1,635.62	\$502.04	\$1,133.58	\$173,383.79
114	11/1/2020	\$1,635.62	\$515.40	\$1,120.22	\$172,263.58
115	12/1/2020	\$1,635.62	\$495.55	\$1,140.07	\$171,123.51
116	1/1/2021	\$1,635.62	\$508.68	\$1,126.94	\$169,996.57

PAYMENT SCHEDULE

Baranof Island Brewing Company
20 years, 3.5% interest

Pmt	Due Date	Total Payment	Payment applied to		Principal Balance
			Interest	Principal	
117	2/1/2021	\$1,635.62	\$505.33	\$1,130.29	\$168,866.29
118	3/1/2021	\$1,635.62	\$453.39	\$1,182.23	\$167,684.06
119	4/1/2021	\$1,635.62	\$498.46	\$1,137.16	\$166,546.90
120	5/1/2021	\$1,635.62	\$479.11	\$1,156.51	\$165,390.39
121	6/1/2021	\$1,635.62	\$491.64	\$1,143.98	\$164,246.41
122	7/1/2021	\$1,635.62	\$472.49	\$1,163.13	\$163,083.28
123	8/1/2021	\$1,635.62	\$484.78	\$1,150.84	\$161,932.44
124	9/1/2021	\$1,635.62	\$481.36	\$1,154.26	\$160,778.18
125	10/1/2021	\$1,635.62	\$462.51	\$1,173.11	\$159,605.07
126	11/1/2021	\$1,635.62	\$474.44	\$1,161.18	\$158,443.90
127	12/1/2021	\$1,635.62	\$455.80	\$1,179.82	\$157,264.08
128	1/1/2022	\$1,635.62	\$467.48	\$1,168.14	\$156,095.93
129	2/1/2022	\$1,635.62	\$464.01	\$1,171.61	\$154,924.34
130	3/1/2022	\$1,635.62	\$415.96	\$1,219.66	\$153,704.68
131	4/1/2022	\$1,635.62	\$456.90	\$1,178.72	\$152,525.96
132	5/1/2022	\$1,635.62	\$438.77	\$1,196.85	\$151,329.10
133	6/1/2022	\$1,635.62	\$449.84	\$1,185.78	\$150,143.32
134	7/1/2022	\$1,635.62	\$431.92	\$1,203.70	\$148,939.63
135	8/1/2022	\$1,635.62	\$442.74	\$1,192.88	\$147,746.75
136	9/1/2022	\$1,635.62	\$439.19	\$1,196.43	\$146,550.32
137	10/1/2022	\$1,635.62	\$421.58	\$1,214.04	\$145,336.29
138	11/1/2022	\$1,635.62	\$432.03	\$1,203.59	\$144,132.69
139	12/1/2022	\$1,635.62	\$414.63	\$1,220.99	\$142,911.71
140	1/1/2023	\$1,635.62	\$424.82	\$1,210.80	\$141,700.91
141	2/1/2023	\$1,635.62	\$421.22	\$1,214.40	\$140,486.51
142	3/1/2023	\$1,635.62	\$377.20	\$1,258.42	\$139,228.09
143	4/1/2023	\$1,635.62	\$413.87	\$1,221.75	\$138,006.33
144	5/1/2023	\$1,635.62	\$397.00	\$1,238.62	\$136,767.71
145	6/1/2023	\$1,635.62	\$406.56	\$1,229.06	\$135,538.65
146	7/1/2023	\$1,635.62	\$389.91	\$1,245.71	\$134,292.94
147	8/1/2023	\$1,635.62	\$399.20	\$1,236.42	\$133,056.53
148	9/1/2023	\$1,635.62	\$395.52	\$1,240.10	\$131,816.43
149	10/1/2023	\$1,635.62	\$379.20	\$1,256.42	\$130,560.01
150	11/1/2023	\$1,635.62	\$388.10	\$1,247.52	\$129,312.48
151	12/1/2023	\$1,635.62	\$371.99	\$1,263.63	\$128,048.86
152	1/1/2024	\$1,635.62	\$380.64	\$1,254.98	\$126,793.87
153	2/1/2024	\$1,635.62	\$376.91	\$1,258.71	\$125,535.17
154	3/1/2024	\$1,635.62	\$337.05	\$1,298.57	\$124,236.61
155	4/1/2024	\$1,635.62	\$369.31	\$1,266.31	\$122,970.29

PAYMENT SCHEDULE

Baranof Island Brewing Company
20 years, 3.5% interest

Pmt	Due Date	Total Payment	Payment applied to		Principal Balance
			Interest	Principal	
156	5/1/2024	\$1,635.62	\$353.75	\$1,281.87	\$121,688.42
157	6/1/2024	\$1,635.62	\$361.73	\$1,273.89	\$120,414.53
158	7/1/2024	\$1,635.62	\$346.40	\$1,289.22	\$119,125.32
159	8/1/2024	\$1,635.62	\$354.11	\$1,281.51	\$117,843.80
160	9/1/2024	\$1,635.62	\$350.30	\$1,285.32	\$116,558.49
161	10/1/2024	\$1,635.62	\$335.31	\$1,300.31	\$115,258.18
162	11/1/2024	\$1,635.62	\$342.62	\$1,293.00	\$113,965.17
163	12/1/2024	\$1,635.62	\$327.85	\$1,307.77	\$112,657.40
164	1/1/2025	\$1,635.62	\$334.89	\$1,300.73	\$111,356.66
165	2/1/2025	\$1,635.62	\$331.02	\$1,304.60	\$110,052.07
166	3/1/2025	\$1,635.62	\$295.48	\$1,340.14	\$108,711.93
167	4/1/2025	\$1,635.62	\$323.16	\$1,312.46	\$107,399.46
168	5/1/2025	\$1,635.62	\$308.96	\$1,326.66	\$106,072.79
169	6/1/2025	\$1,635.62	\$315.31	\$1,320.31	\$104,752.50
170	7/1/2025	\$1,635.62	\$301.34	\$1,334.28	\$103,418.21
171	8/1/2025	\$1,635.62	\$307.42	\$1,328.20	\$102,090.01
172	9/1/2025	\$1,635.62	\$303.47	\$1,332.15	\$100,757.86
173	10/1/2025	\$1,635.62	\$289.85	\$1,345.77	\$99,412.10
174	11/1/2025	\$1,635.62	\$295.51	\$1,340.11	\$98,071.99
175	12/1/2025	\$1,635.62	\$282.12	\$1,353.50	\$96,718.50
176	1/1/2026	\$1,635.62	\$287.51	\$1,348.11	\$95,370.38
177	2/1/2026	\$1,635.62	\$283.50	\$1,352.12	\$94,018.26
178	3/1/2026	\$1,635.62	\$252.43	\$1,383.19	\$92,635.07
179	4/1/2026	\$1,635.62	\$275.37	\$1,360.25	\$91,274.82
180	5/1/2026	\$1,635.62	\$262.57	\$1,373.05	\$89,901.76
181	6/1/2026	\$1,635.62	\$267.24	\$1,368.38	\$88,533.39
182	7/1/2026	\$1,635.62	\$254.69	\$1,380.93	\$87,152.46
183	8/1/2026	\$1,635.62	\$259.07	\$1,376.55	\$85,775.90
184	9/1/2026	\$1,635.62	\$254.98	\$1,380.64	\$84,395.26
185	10/1/2026	\$1,635.62	\$242.78	\$1,392.84	\$83,002.43
186	11/1/2026	\$1,635.62	\$246.73	\$1,388.89	\$81,613.55
187	12/1/2026	\$1,635.62	\$234.78	\$1,400.84	\$80,212.71
188	1/1/2027	\$1,635.62	\$238.44	\$1,397.18	\$78,815.53
189	2/1/2027	\$1,635.62	\$234.29	\$1,401.33	\$77,414.19
190	3/1/2027	\$1,635.62	\$207.85	\$1,427.77	\$75,986.43
191	4/1/2027	\$1,635.62	\$225.88	\$1,409.74	\$74,576.68
192	5/1/2027	\$1,635.62	\$214.54	\$1,421.08	\$73,155.61
193	6/1/2027	\$1,635.62	\$217.46	\$1,418.16	\$71,737.44
194	7/1/2027	\$1,635.62	\$206.37	\$1,429.25	\$70,308.19

PAYMENT SCHEDULE

Baranof Island Brewing Company
20 years, 3.5% interest

Pmt	Due Date	Total Payment	Payment applied to		Principal Balance
			Interest	Principal	
195	8/1/2027	\$1,635.62	\$209.00	\$1,426.62	\$68,881.58
196	9/1/2027	\$1,635.62	\$204.76	\$1,430.86	\$67,450.71
197	10/1/2027	\$1,635.62	\$194.04	\$1,441.58	\$66,009.13
198	11/1/2027	\$1,635.62	\$196.22	\$1,439.40	\$64,569.73
199	12/1/2027	\$1,635.62	\$185.75	\$1,449.87	\$63,119.86
200	1/1/2028	\$1,635.62	\$187.63	\$1,447.99	\$61,671.88
201	2/1/2028	\$1,635.62	\$183.33	\$1,452.29	\$60,219.57
202	3/1/2028	\$1,635.62	\$161.69	\$1,473.93	\$58,745.64
203	4/1/2028	\$1,635.62	\$174.63	\$1,460.99	\$57,284.66
204	5/1/2028	\$1,635.62	\$164.79	\$1,470.83	\$55,813.83
205	6/1/2028	\$1,635.62	\$165.91	\$1,469.71	\$54,344.12
206	7/1/2028	\$1,635.62	\$156.33	\$1,479.29	\$52,864.83
207	8/1/2028	\$1,635.62	\$157.15	\$1,478.47	\$51,386.35
208	9/1/2028	\$1,635.62	\$152.75	\$1,482.87	\$49,903.49
209	10/1/2028	\$1,635.62	\$143.56	\$1,492.06	\$48,411.43
210	11/1/2028	\$1,635.62	\$143.91	\$1,491.71	\$46,919.72
211	12/1/2028	\$1,635.62	\$134.97	\$1,500.65	\$45,419.08
212	1/1/2029	\$1,635.62	\$135.01	\$1,500.61	\$43,918.46
213	2/1/2029	\$1,635.62	\$130.55	\$1,505.07	\$42,413.40
214	3/1/2029	\$1,635.62	\$113.88	\$1,521.74	\$40,891.65
215	4/1/2029	\$1,635.62	\$121.55	\$1,514.07	\$39,377.59
216	5/1/2029	\$1,635.62	\$113.28	\$1,522.34	\$37,855.25
217	6/1/2029	\$1,635.62	\$112.53	\$1,523.09	\$36,332.15
218	7/1/2029	\$1,635.62	\$104.52	\$1,531.10	\$34,801.06
219	8/1/2029	\$1,635.62	\$103.45	\$1,532.17	\$33,268.89
220	9/1/2029	\$1,635.62	\$98.90	\$1,536.72	\$31,732.17
221	10/1/2029	\$1,635.62	\$91.28	\$1,544.34	\$30,187.84
222	11/1/2029	\$1,635.62	\$89.74	\$1,545.88	\$28,641.96
223	12/1/2029	\$1,635.62	\$82.39	\$1,553.23	\$27,088.73
224	1/1/2030	\$1,635.62	\$80.52	\$1,555.10	\$25,533.64
225	2/1/2030	\$1,635.62	\$75.90	\$1,559.72	\$23,973.92
226	3/1/2030	\$1,635.62	\$64.37	\$1,571.25	\$22,402.68
227	4/1/2030	\$1,635.62	\$66.59	\$1,569.03	\$20,833.64
228	5/1/2030	\$1,635.62	\$59.93	\$1,575.69	\$19,257.95
229	6/1/2030	\$1,635.62	\$57.25	\$1,578.37	\$17,679.58
230	7/1/2030	\$1,635.62	\$50.86	\$1,584.76	\$16,094.81
231	8/1/2030	\$1,635.62	\$47.84	\$1,587.78	\$14,507.03
232	9/1/2030	\$1,635.62	\$43.12	\$1,592.50	\$12,914.54
233	10/1/2030	\$1,635.62	\$37.15	\$1,598.47	\$11,316.07

PAYMENT SCHEDULE

Baranof Island Brewing Company
 20 years, 3.5% interest

Pmt	Due Date	Total Payment	Payment applied to		Principal Balance
			Interest	Principal	
234	11/1/2030	\$1,635.62	\$33.64	\$1,601.98	\$9,714.08
235	12/1/2030	\$1,635.62	\$27.94	\$1,607.68	\$8,106.41
236	1/1/2031	\$1,635.62	\$24.10	\$1,611.52	\$6,494.89
237	2/1/2031	\$1,635.62	\$19.31	\$1,616.31	\$4,878.57
238	3/1/2031	\$1,635.62	\$13.10	\$1,622.52	\$3,256.05
239	4/1/2031	\$1,635.62	\$9.68	\$1,625.94	\$1,630.11
240	5/1/2031	\$1,634.80	\$4.69	\$1,630.11	\$0.00

NOTE: Interest begins calculating as of 05/04/11.

**PROMISSORY NOTE ENTERED INTO WITH RICK A. ARMSTRONG,
SUSAN HESS-ARMSTRONG, ARMSTRONG, LLC, AND BARANOF ISLAND
BREWING COMPANY, LLC, RELATING TO CITY AND BOROUGH OF SITKA
SOUTHEAST ECONOMIC DEVELOPMENT FUND LOAN FOR BARANOF ISLAND
BREWING COMPANY, LLC**

\$75,000.00

April 6, 2012
Sitka, Alaska

FOR CONSIDERATION RECEIVED, **RICK A. ARMSTRONG** and **SUSAN HESS-ARMSTRONG**, individuals, P.O. Box 3144, Sitka, Alaska 99835, **ARMSTRONG, LLC**, a limited liability company, P.O. Box 3144, Sitka, Alaska 99835, and **Baranof Island Brewing Company, LLC**, a limited liability company, 212 Smith Street, P.O. Box 1647, Sitka, Alaska 99835 (collectively referred to as "Debtor"), individually and severally sign and are liable regarding this Promissory Note ("Note") relating to Assembly approval on March 27, 2012 of a City and Borough of Sitka Southeast Economic Development Fund ("SEDF") loan for Baranof Island Brewing Company, LLC. Debtor promises to repay the loan from the City and Borough of Sitka ("CBS") in the sum of **Seventy Five Thousand and 00/100 Dollars (\$75,000.00)**, to be paid in full by October 1, 2012 at **three and one-half percent (3.5%)** per annum interest rate by that date, and in accordance with this Note and any conditions specified in the Deed of Trust Regarding Promissory Note, executed at the same time as this Note.

The loan shall only be used for the following for Baranof Island Brewing Company, LLC.: deposits on kegs and bottling lines; purchase and installation of glycol chiller; and working capital. The loan may not be used to repay investments or loans made by the owners to the business, Baranof Island Brewing Company, LLC.

Debtor agrees to use as collateral for this loan to the fullest extent allowed by applicable laws, all Baranof Island Brewing Co., LLC accounts receivable, equipment, supplies and inventory. Debtor shall execute all necessary documents and pay any costs associated with the filing of a lien and/or other security interest documents relating to such collateral. In particular, the Debtor agrees to the filing and assisting with the preparation of any UCC filings regarding any equipment as listed in the above paragraph purchased with these loan proceeds, as well as regarding any current equipment of Baranof Island Brewing Co., LLC.

During the loan period, from the date of this Note until October 1, 2012, and for any extended period if such an extension is granted by CBS, Debtor shall remain current with any payments owed the CBS, including but not limited to payments for loans, leases, sales taxes, property taxes, utility payments, and any other CBS accounts. Additionally during this same period, Debtor shall comply with all CBS laws, including any building code, building permits, zoning code provisions, etc.

CBS may cause additional parties to be added or release any party, either with or without notice to the undersigned, either as co-maker, endorsers, or guarantors, or may extend the time for making any payment, or may accept an installment or full payment in advance, without affecting the liability of the undersigned.

The Debtor may prepay without penalty.

Should CBS take any action regarding default or to collect on this Note or any partial payment, or to protect its interest in this Note, Debtor agrees to pay all reasonable attorney fees, court costs (including fees and court costs in any appeal or bankruptcy proceeding and including on any matter this is specific to a bankruptcy proceeding), plus any actual expenditures incurred to secure the payment of or to collect on this Note.

Debtor waives demand, protest and notice of demand, protest and nonpayment, and expressly agrees that this Note or any provision on this Note may be extended from time to time and consents to the acceptance of further security, including other types of security, all without in any way affecting its liability.

If default in the payment or any breach of the conditions set out in this Note or in the Deed occur, or in the prior Note and Deed executed on May 4, 2011, and such default or breach is not cured within ten (10) days after the written notice is mailed by CBS to Debtor regarding the default or breach, then the entire principal sum on this Note as well as the May 4, 2011 Note shall become at once due and payable at the CBS's option, as well as interest on any amount still owed at the interest rate of **twelve percent (12%)** instead of **three and one-half percent (3.5%)** per annum for this Note and for the May 4, 2011 Note.

Debtor is personally obligated and fully liable for the amount due under this Note. The CBS has the right to sue on this Note and obtain a personal judgment against Debtor for satisfaction for the amount due under this Note, in addition to, and either before or after, a judicial foreclosure of the deed of trust under AS 09.45.170-9.45.220.

Debtor agrees to pay the loan in full as set out in this Note and agrees to sign and record a Deed of Trust Regarding Promissory Note to be filed against the property it owns at 212 Smith Street.

Debtor, Individually and Severally

R. A. Armstrong

RICK A. ARMSTRONG, individual

RICK A. ARMSTRONG,

Member Manager ARMSTRONG, LLC

RICK A. ARMSTRONG,

Member Manager BARANOF ISLAND

BREWING COMPANY, LLC

Susan Hess Armstrong

SUSAN HESS-ARMSTRONG, individual

SUSAN HESS-ARMSTRONG,

Member Manager ARMSTRONG, LLC

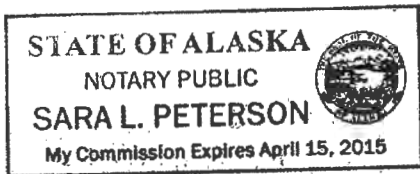
SUSAN HESS-ARMSTRONG,

Member Manager BARANOF ISLAND

BREWING COMPANY, LLC

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

On this 6 day of April, 2012, personally appeared before me Rick A. Armstrong and Susan Hess-Armstrong, whose identities are personally known to me or proved to me on the basis of satisfactory evidence, and who by signing this document, swear or affirm that they individually and severally execute this document as individuals, and as member managers of Armstrong, LLC and Baranof Island Brewing Co., LLC, and are authorized to sign this document on behalf of themselves, Armstrong, LLC, and Baranof Island Brewing Co., LLC, and do so freely and voluntarily.



Sara L Peterson
Notary Public for Alaska
My Commission Expires: 4-15-2015

RECORD AND RETURN TO:
Municipal Clerk
City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835

DEED OF TRUST REGARDING PROMISSORY NOTE

This Deed of Trust Regarding Promissory Note ("Deed of Trust") is made this 6 day of April, 2012, between Armstrong, LLC, a limited liability company, ("Armstrong" or "Trustor"), whose address is P.O. Box 3144, Sitka, Alaska 99835, on behalf of Baranof Island Brewing Co., LLL, a limited liability company, and City and Borough of Sitka ("CBS" or "Beneficiary"), a municipal corporation, whose address is 100 Lincoln Street, Sitka, Alaska, 99835.

WITNESSETH:

For purposes of securing payment on a loan of **Seventy Five Thousand and 00/100 Dollars (\$75,000.00)**, to be paid in full by October 1, 2012, with interest at the rate of **three and one-half percent (3.5%)** per annum, based on the Promissory Note Entered Into With Rick A. Armstrong, Susan Hess-Armstrong, Armstrong, LLC, and Baranof Island Brewing Co., LLC Relating To City And Borough Of Sitka Southeast Economic Development Fund Loan To Baranof Island Brewing Company, LLC ("Note"), dated April 6, 2012, made by Trustor and payable to the order of the Beneficiary, Trustor irrevocably grants, transfers and assigns to Beneficiary in trust, with power of sale, real property in Sitka, Alaska, the following property (hereinafter referred to as "Property"), with the address of 212 Smith Street, Sitka, Alaska, more particular described as follows:

Lot Six B (6B), Licari Subdivision, according to plat thereof filed April 23, 2003 as Plat 2003-10, Sitka Recording District, First Judicial District, State of Alaska.

In addition to provisions contained in the Note, which is attached to this Deed of Trust and incorporated by reference, Trustor further agrees to protect the security of this Deed of Trust and agrees to the following conditions as set out in this Deed of Trust:

1. **Insurance.** Trustor shall maintain property damage and comprehensive general liability insurance, including standard fire coverage insurance, in a minimum amount equal to the unpaid balance of the Note held by Beneficiary. Beneficiary shall be named as an additional insured.

2. **Default and Foreclosure.**

In the event of default under the provisions of this Deed of Trust and/or Note, Beneficiary may, at its option, execute or cause to execute a written notice of such default and of its election to cause the Property to be sold to satisfy the obligations secured by this Deed of Trust and in accordance with the Deed of Trusts Act of the State of Alaska, AS 34.10.070-135, as now enacted or amended, and the Uniform Commercial Code of the State of Alaska where applicable.

The power of sale conferred by this Deed of Trust and by the Deed of Trusts Act is not an exclusive remedy.

If Beneficiary elects to judicially foreclose this Deed of Trust as a mortgage, Beneficiary shall to the extent the Note represents a recourse debt be entitled to a deficiency judgment against Trustor, Trustor's assigns, surety or guarantor of the Note subject to statutory right of redemption.

3. **Transfer of the Property.** In the event that Trustor shall sell, gift, convey, assign, further encumber or alienate the Property, or any part of or interest in the Property, or be divested of title or any interest (all of the foregoing being hereinafter called "transfer"), in any manner whatsoever, whether voluntarily or involuntarily, without prior written approval from Beneficiary, Beneficiary may, in addition to any other rights or remedies, at its option, declare all obligations secured by this Deed of Trust immediately due and payable. Beneficiary's option to declare all obligations secured by this Deed of Trust immediately due and payable may be exercised at any time after transfer is made, and acceptance of one (1) or more monthly payments made by Trustor or transferee shall not constitute a waiver of Beneficiary's option, nor shall be construed as a waiver of the provisions regarding any subsequent purchaser or transferee concerning the Property. Consent by Beneficiary to such transaction shall not be deemed to waive the right to require such consent to future transactions, and any consent given may be conditional.

4. **Miscellaneous Provisions.**

A. This Deed of Trust, together with the Note, set forth the entire agreement of the parties as to the subject matter and supersedes all prior discussions and understandings between them. This Deed of Trust may not be amended, changed, altered, or rescinded in any manner except by an instrument in writing signed by a duly authorized officer or representative of each party.

B. This Deed of Trust, together with the Note, shall be governed by and construed and enforced in accordance with the laws of the State of Alaska, except as otherwise provided in this Deed of Trust or Note.

C. Should any of the provisions of this Deed of Trust and/or Note be found to be invalid, illegal or unenforceable by any court of competent jurisdiction, such provision shall be stricken and the remainder of this Deed of Trust or Note shall nonetheless remain in full force and effect unless striking such provision shall materially alter the intention of the parties.

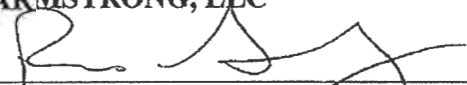
D. In the event any action is brought to enforce this Deed of Trust and/or Note, the parties agree that in any such action, venue shall be exclusively at Sitka, Alaska, First Judicial District, State of Alaska.

E. Paragraph headings contained in this Deed of Trust are included for convenience only and form no part of the agreement between the parties. This Deed of Trust shall not be construed for or against the drafter or any party, but instead fairly according to its terms.

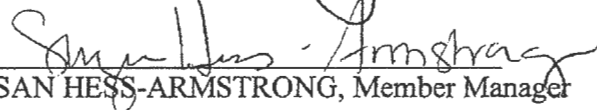
F. Unless otherwise provided in this Deed of Trust, all notices or requests required or permitted under this Deed of Trust shall be in writing, personally delivered or sent by certified mail, return receipt requested, postage prepaid and deemed given when so delivered or mailed, irrespective of whether such notice or request is actually received by the addressee. Notice shall be sent to the parties at the addresses set forth in the introductory paragraph of this Deed of Trust. Either party may change the address to which notices shall be sent by notice to the other party.

G. This Deed of Trust shall be binding upon, and inure to the benefit of, the parties and their respective successors and assigns.

Trustee
ARMSTRONG, LLC



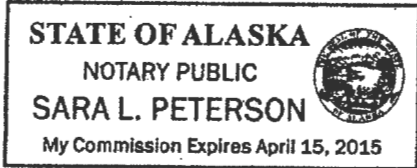
RICK A. ARMSTRONG, Member Manager




SUSAN HESS-ARMSTRONG, Member Manager

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)


On this 6 day of April, 2012, personally appeared before me Rick A. Armstrong and Susan Hess-Armstrong, whose identities are personally known to me or proved to me on the basis of satisfactory evidence, and by signing this document, swear or affirm that they are member managers of Armstrong, LLC and are authorized to sign this document and do so freely and voluntarily.





Notary Public for Alaska
My Commission Expires: 4-15-2015

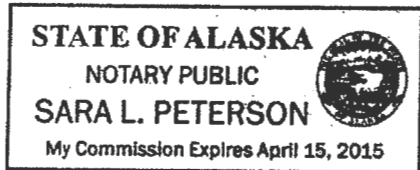
Beneficiary
CITY AND BOROUGH OF SITKA

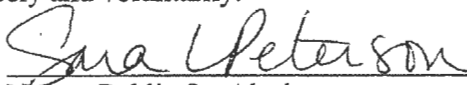


Jim Dinley
Municipal Administrator

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS CERTIFIES that on the 6 day of April, 2012, before me, a Notary Public in and for the State of Alaska, personally appeared Jim Dinley, Municipal Administrator of the City and Borough of Sitka, Alaska, a municipality organized under the laws of the State of Alaska, and by signing this document verifies that he has been authorized to execute this document on its behalf, and he signs freely and voluntarily.





Notary Public for Alaska
My Commission expires: 4-15-2015

01.19

PROMISSORY NOTE ENTERED INTO WITH RICK A. ARMSTRONG, SUZAN HESS-ARMSTRONG, ARMSTRONG, LLC, AND BARANOF ISLAND BREWING COMPANY, LLC, RELATING TO CITY AND BOROUGH OF SITKA SOUTHEAST ECONOMIC DEVELOPMENT FUND LOAN FOR BARANOF ISLAND BREWING COMPANY, LLC

\$345,796

October 2, 2012
Sitka, Alaska

FOR CONSIDERATION RECEIVED, **RICK A. ARMSTRONG and SUZAN HESS-ARMSTRONG**, individuals, P.O. Box 3144, Sitka, Alaska 99835, **ARMSTRONG, LLC**, a limited liability company, P.O. Box 3144, Sitka, Alaska 99835, and **Baranof Island Brewing Company, LLC**, a limited liability company, 212 Smith Street, P.O. Box 1647, Sitka, Alaska 99835 (collectively referred to as "Debtor"), individually and severally sign and are liable regarding this Promissory Note ("Note") relating to Assembly approval on September 26, 2012 of a City and Borough of Sitka Southeast Economic Development Fund ("SEDF") loan for Baranof Island Brewing Company, LLC. Debtor promises to repay the loan from the City and Borough of Sitka ("CBS") in the sum of **Three Hundred Forty Five Thousand Seven Hundred and Ninety Six and 00/100 Dollars (\$345,796)**, to be paid in full by October 1, 2032 at **three and one-half percent (3.5%)** per annum interest rate by that date, and in accordance with this Note and any conditions specified in the Deed of Trust Regarding Promissory Note, executed at the same time as this Note.

The loan shall only be used to refinance the balance of principal and accrued interest due on existing Promissory Notes, dated May 4, 2011 and April 6, 2012, from Debtor to CBS. Upon execution of this loan agreement by Debtor, existing Promissory Notes, dated May 4, 2011 and April 6, 2012, from Debtor to CBS shall be deemed paid in full. No additional proceeds shall be distributed to Debtor under the terms of this loan agreement.

Debtor agrees to use as collateral for this loan, to the fullest extent allowed by applicable laws, all Baranof Island Brewing Co., LLC accounts receivable, equipment, supplies, and finished goods and resale merchandise inventories. Debtor shall execute all necessary documents and pay any costs associated with the filing of a lien and/or other security interest documents relating to such collateral. In particular, the Debtor agrees to the filing and assisting with the preparation of any UCC filings regarding any equipment as listed in the above paragraph purchased with these loan proceeds, as well as regarding any current equipment of Baranof Island Brewing Co., LLC.

During the loan period, from the date of this Note until October 1, 2032, Debtor shall remain current with any payments owed the CBS, including but not limited to payments for loans, leases, sales taxes, property taxes, utility payments, and any other CBS accounts. Additionally during this same period, Debtor shall comply with all CBS laws, including any building code, building permits, zoning code provisions, etc.

CBS may cause additional parties to be added or release any party, either with or without notice to the undersigned, either as co-maker, endorsers, or guarantors, or may extend the time for making any payment, or may accept an installment or full payment in advance, without affecting the liability of the undersigned.

The Debtor may prepay without penalty.

Failure to make any required payment required by this note within in seven (14) calendar days of the due date; failure to remit any other payments for loans, land leases, sales taxes, property taxes, utility payments, and any other CBS accounts within seven (14) calendar days of the due date; failure to comply with any CBS laws, including any building code, building permits, or zoning code provision; or, breach of any other conditions of this Note shall constitute an Event of Default. Upon occurrence of an Event of Default, CBS may, at its sole discretion, concurrently undertake one or more of the following remedies:

- 1) Declare the entire amount unpaid balance of this Promissory Note, including all accrued interest, due and payable; and/or
- 2) Apply any payments currently due to Debtor by any organizational element of the CBS towards the unpaid balance of this Promissory Note; and/or
- 3) Seek a judgment against Debtors; and/or,
- 4) Issue a Demand to Debtors for Repossession of Secured Collateral, sell any repossessed collateral, and apply the net proceeds from sale of any repossessed collateral against the unpaid balance of this note.

Should CBS seek to undertake one or more remedies afforded to it upon Occurrence of Default by Debtor, CBS shall provide Debtor written notice of default, sent by United States certified mail. Debtor shall be afforded a Right to Cure any default within a seven (21) day period, commencing on the day written notice of default is received by Debtor. If any default is not cured by Debtor within a seven (21) day period, commencing on the day written notice of default is received by Debtor, CBS shall have the right to enforce any remedy without further written notice to debtor, this right being expressly waived by Debtor.

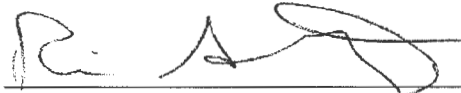
Should CBS take any action regarding default or to collect on this Note or any partial payment, or to protect its interest in this Note, Debtor agrees to pay all reasonable attorney fees, court costs (including fees and court costs in any appeal or bankruptcy proceeding and including on any matter this is specific to a bankruptcy proceeding), plus any actual expenditures incurred to secure the payment of or to collect on this Note.

Debtor is personally obligated and fully liable for the amount due under this Note. The CBS has the right to sue on this Note and obtain a personal judgment against Debtor for satisfaction for the amount due under this Note, in addition to, and either before or after, a judicial foreclosure of the deed of trust under AS 09.45.170-9.45.220.

If any part of this Promissory Note is found to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired.

This Promissory Note (and any other terms and conditions referenced herein) constitutes the entire agreement between Debtor and CBS and it supersedes all prior or contemporaneous communications and proposals, whether electronic, oral, or written, between CBS and Debtor.

Debtor, Individually and Severally



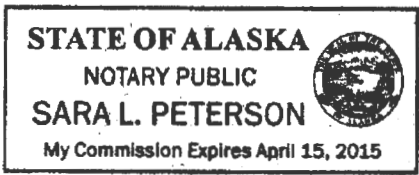
RICK A. ARMSTRONG,
Member Manager **BARANOF ISLAND
BREWING COMPANY, LLC**



SUZAN HESS-ARMSTRONG,
Member Manager **BARANOF ISLAND
BREWING COMPANY, LLC**

STATE OF ALASKA)
)
 s
 s
 .
FIRST JUDICIAL DISTRICT)

On this 3rd Day of October, 2012, personally appeared before me Rick A. Armstrong and SUZAN Hess-Armstrong, whose identities are personally known to me or proved to me on the basis of satisfactory evidence, and who by signing this document, swear or affirm that they individually and severally execute this document as individuals, and as member managers of Armstrong, LLC and Baranof Island Brewing Co., LLC, and are authorized to sign this document on behalf of themselves, Armstrong, LLC, and Baranof Island Brewing Co., LLC, and do so freely and voluntarily.



Sara L Peterson
Notary Public For Alaska
My Commission Expires 4-15-2015

**Payment Schedule
For Promissory Note
in the Amount of \$345,796
Between**

**Rick A. Armstrong, Suzan Hess-Armstrong, and Baranoff Island Brewing Company, LLC
October 2, 2012**

Terms:

Number of Payments: 240
Annual Interest Rate: 3.50%
Daily Interest Rate: 0.00959% (365/366 Day Basis)
Periodic Payment: \$ 2,005.25

<u>Payment Number</u>	<u>Payment Date</u>	<u>Beginning Principal Balance</u>	<u>Payment</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Beginning Principal Balance</u>
1	11/1/2012	\$ 345,796.00	\$ 2,005.25	\$ 928.44	\$ 1,076.82	\$ 344,719.18
2	12/1/2012	\$ 344,719.18	\$ 2,005.25	\$ 991.66	\$ 1,013.60	\$ 343,705.59
3	1/1/2013	\$ 343,705.59	\$ 2,005.25	\$ 1,021.70	\$ 983.55	\$ 342,722.03
4	2/1/2013	\$ 342,722.03	\$ 2,005.25	\$ 1,018.78	\$ 986.48	\$ 341,735.56
5	3/1/2013	\$ 341,735.56	\$ 2,005.25	\$ 917.54	\$ 1,087.72	\$ 340,647.84
6	4/1/2013	\$ 340,647.84	\$ 2,005.25	\$ 1,012.61	\$ 992.64	\$ 339,655.19
7	5/1/2013	\$ 339,655.19	\$ 2,005.25	\$ 977.09	\$ 1,028.16	\$ 338,627.03
8	6/1/2013	\$ 338,627.03	\$ 2,005.25	\$ 1,006.60	\$ 998.65	\$ 337,628.38
9	7/1/2013	\$ 337,628.38	\$ 2,005.25	\$ 971.26	\$ 1,033.99	\$ 336,594.38
10	8/1/2013	\$ 336,594.38	\$ 2,005.25	\$ 1,000.56	\$ 1,004.69	\$ 335,589.69
11	9/1/2013	\$ 335,589.69	\$ 2,005.25	\$ 997.57	\$ 1,007.68	\$ 334,582.01
12	10/1/2013	\$ 334,582.01	\$ 2,005.25	\$ 962.50	\$ 1,042.76	\$ 333,539.25
13	11/1/2013	\$ 333,539.25	\$ 2,005.25	\$ 991.48	\$ 1,013.77	\$ 332,525.48
14	12/1/2013	\$ 332,525.48	\$ 2,005.25	\$ 956.58	\$ 1,048.67	\$ 331,476.80
15	1/1/2014	\$ 331,476.80	\$ 2,005.25	\$ 985.35	\$ 1,019.91	\$ 330,456.90
16	2/1/2014	\$ 330,456.90	\$ 2,005.25	\$ 982.32	\$ 1,022.94	\$ 329,433.96
17	3/1/2014	\$ 329,433.96	\$ 2,005.25	\$ 884.51	\$ 1,120.75	\$ 328,313.21
18	4/1/2014	\$ 328,313.21	\$ 2,005.25	\$ 975.94	\$ 1,029.31	\$ 327,283.90
19	5/1/2014	\$ 327,283.90	\$ 2,005.25	\$ 941.50	\$ 1,063.75	\$ 326,220.15
20	6/1/2014	\$ 326,220.15	\$ 2,005.25	\$ 969.72	\$ 1,035.53	\$ 325,184.62
21	7/1/2014	\$ 325,184.62	\$ 2,005.25	\$ 935.46	\$ 1,069.79	\$ 324,114.83
22	8/1/2014	\$ 324,114.83	\$ 2,005.25	\$ 963.46	\$ 1,041.79	\$ 323,073.04
23	9/1/2014	\$ 323,073.04	\$ 2,005.25	\$ 960.37	\$ 1,044.89	\$ 322,028.15
24	10/1/2014	\$ 322,028.15	\$ 2,005.25	\$ 926.38	\$ 1,078.87	\$ 320,949.28
25	11/1/2014	\$ 320,949.28	\$ 2,005.25	\$ 954.05	\$ 1,051.20	\$ 319,898.08
26	12/1/2014	\$ 319,898.08	\$ 2,005.25	\$ 920.25	\$ 1,085.00	\$ 318,813.08
27	1/1/2015	\$ 318,813.08	\$ 2,005.25	\$ 947.70	\$ 1,057.55	\$ 317,755.53
28	2/1/2015	\$ 317,755.53	\$ 2,005.25	\$ 944.56	\$ 1,060.69	\$ 316,694.84
29	3/1/2015	\$ 316,694.84	\$ 2,005.25	\$ 850.30	\$ 1,154.95	\$ 315,539.89
30	4/1/2015	\$ 315,539.89	\$ 2,005.25	\$ 937.97	\$ 1,067.28	\$ 314,472.61
31	5/1/2015	\$ 314,472.61	\$ 2,005.25	\$ 904.65	\$ 1,100.61	\$ 313,372.00
32	6/1/2015	\$ 313,372.00	\$ 2,005.25	\$ 931.53	\$ 1,073.72	\$ 312,298.28
33	7/1/2015	\$ 312,298.28	\$ 2,005.25	\$ 898.39	\$ 1,106.86	\$ 311,191.41
34	8/1/2015	\$ 311,191.41	\$ 2,005.25	\$ 925.05	\$ 1,080.21	\$ 310,111.21
35	9/1/2015	\$ 310,111.21	\$ 2,005.25	\$ 921.84	\$ 1,083.42	\$ 309,027.79
36	10/1/2015	\$ 309,027.79	\$ 2,005.25	\$ 888.98	\$ 1,116.27	\$ 307,911.52
37	11/1/2015	\$ 307,911.52	\$ 2,005.25	\$ 915.30	\$ 1,089.96	\$ 306,821.56
38	12/1/2015	\$ 306,821.56	\$ 2,005.25	\$ 882.64	\$ 1,122.62	\$ 305,698.95
39	1/1/2016	\$ 305,698.95	\$ 2,005.25	\$ 908.72	\$ 1,096.53	\$ 304,602.41
40	2/1/2016	\$ 304,602.41	\$ 2,005.25	\$ 905.46	\$ 1,099.79	\$ 303,502.62
41	3/1/2016	\$ 303,502.62	\$ 2,005.25	\$ 843.99	\$ 1,161.27	\$ 302,341.35
42	4/1/2016	\$ 302,341.35	\$ 2,005.25	\$ 898.74	\$ 1,106.51	\$ 301,234.84
43	5/1/2016	\$ 301,234.84	\$ 2,005.25	\$ 866.57	\$ 1,138.69	\$ 300,096.15
44	6/1/2016	\$ 300,096.15	\$ 2,005.25	\$ 892.07	\$ 1,113.19	\$ 298,982.96
45	7/1/2016	\$ 298,982.96	\$ 2,005.25	\$ 860.09	\$ 1,145.17	\$ 297,837.80
46	8/1/2016	\$ 297,837.80	\$ 2,005.25	\$ 885.35	\$ 1,119.90	\$ 296,717.90
47	9/1/2016	\$ 296,717.90	\$ 2,005.25	\$ 882.02	\$ 1,123.23	\$ 295,594.67
48	10/1/2016	\$ 295,594.67	\$ 2,005.25	\$ 850.34	\$ 1,154.91	\$ 294,439.75

**Payment Schedule
For Promissory Note
in the Amount of \$345,796**

**Between
Rick A. Armstrong, Suzan Hess-Armstrong, and Baranoff Island Brewing Company, LLC
October 2, 2012**

Terms:

Number of Payments: 240
Annual Interest Rate: 3.50%
Daily Interest Rate: 0.00959% (365/366 Day Basis)
Periodic Payment: \$ 2,005.25

<u>Payment Number</u>	<u>Payment Date</u>	<u>Beginning Principal Balance</u>	<u>Payment</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Beginning Principal Balance</u>
49	11/1/2016	\$ 294,439.75	\$ 2,005.25	\$ 875.25	\$ 1,130.00	\$ 293,309.75
50	12/1/2016	\$ 293,309.75	\$ 2,005.25	\$ 843.77	\$ 1,161.49	\$ 292,148.26
51	1/1/2017	\$ 292,148.26	\$ 2,005.25	\$ 868.44	\$ 1,136.81	\$ 291,011.45
52	2/1/2017	\$ 291,011.45	\$ 2,005.25	\$ 865.06	\$ 1,140.19	\$ 289,871.26
53	3/1/2017	\$ 289,871.26	\$ 2,005.25	\$ 778.28	\$ 1,226.97	\$ 288,644.29
54	4/1/2017	\$ 288,644.29	\$ 2,005.25	\$ 858.02	\$ 1,147.23	\$ 287,497.06
55	5/1/2017	\$ 287,497.06	\$ 2,005.25	\$ 827.05	\$ 1,178.21	\$ 286,318.85
56	6/1/2017	\$ 286,318.85	\$ 2,005.25	\$ 851.11	\$ 1,154.14	\$ 285,164.71
57	7/1/2017	\$ 285,164.71	\$ 2,005.25	\$ 820.34	\$ 1,184.92	\$ 283,979.79
58	8/1/2017	\$ 283,979.79	\$ 2,005.25	\$ 844.16	\$ 1,161.10	\$ 282,818.69
59	9/1/2017	\$ 282,818.69	\$ 2,005.25	\$ 840.71	\$ 1,164.55	\$ 281,654.15
60	10/1/2017	\$ 281,654.15	\$ 2,005.25	\$ 810.24	\$ 1,195.02	\$ 280,459.13
61	11/1/2017	\$ 280,459.13	\$ 2,005.25	\$ 833.69	\$ 1,171.56	\$ 279,287.57
62	12/1/2017	\$ 279,287.57	\$ 2,005.25	\$ 803.43	\$ 1,201.82	\$ 278,085.75
63	1/1/2018	\$ 278,085.75	\$ 2,005.25	\$ 826.64	\$ 1,178.62	\$ 276,907.13
64	2/1/2018	\$ 276,907.13	\$ 2,005.25	\$ 823.13	\$ 1,182.12	\$ 275,725.01
65	3/1/2018	\$ 275,725.01	\$ 2,005.25	\$ 740.30	\$ 1,264.95	\$ 274,460.06
66	4/1/2018	\$ 274,460.06	\$ 2,005.25	\$ 815.86	\$ 1,189.39	\$ 273,270.66
67	5/1/2018	\$ 273,270.66	\$ 2,005.25	\$ 786.12	\$ 1,219.13	\$ 272,051.53
68	6/1/2018	\$ 272,051.53	\$ 2,005.25	\$ 808.70	\$ 1,196.55	\$ 270,854.98
69	7/1/2018	\$ 270,854.98	\$ 2,005.25	\$ 779.17	\$ 1,226.08	\$ 269,628.90
70	8/1/2018	\$ 269,628.90	\$ 2,005.25	\$ 801.50	\$ 1,203.75	\$ 268,425.14
71	9/1/2018	\$ 268,425.14	\$ 2,005.25	\$ 797.92	\$ 1,207.33	\$ 267,217.81
72	10/1/2018	\$ 267,217.81	\$ 2,005.25	\$ 768.71	\$ 1,236.55	\$ 265,981.26
73	11/1/2018	\$ 265,981.26	\$ 2,005.25	\$ 790.66	\$ 1,214.60	\$ 264,766.66
74	12/1/2018	\$ 264,766.66	\$ 2,005.25	\$ 761.66	\$ 1,243.60	\$ 263,523.07
75	1/1/2019	\$ 263,523.07	\$ 2,005.25	\$ 783.35	\$ 1,221.91	\$ 262,301.16
76	2/1/2019	\$ 262,301.16	\$ 2,005.25	\$ 779.72	\$ 1,225.54	\$ 261,075.62
77	3/1/2019	\$ 261,075.62	\$ 2,005.25	\$ 700.97	\$ 1,304.28	\$ 259,771.34
78	4/1/2019	\$ 259,771.34	\$ 2,005.25	\$ 772.20	\$ 1,233.06	\$ 258,538.28
79	5/1/2019	\$ 258,538.28	\$ 2,005.25	\$ 743.74	\$ 1,261.51	\$ 257,276.77
80	6/1/2019	\$ 257,276.77	\$ 2,005.25	\$ 764.78	\$ 1,240.47	\$ 256,036.30
81	7/1/2019	\$ 256,036.30	\$ 2,005.25	\$ 736.54	\$ 1,268.71	\$ 254,767.58
82	8/1/2019	\$ 254,767.58	\$ 2,005.25	\$ 757.32	\$ 1,247.93	\$ 253,519.65
83	9/1/2019	\$ 253,519.65	\$ 2,005.25	\$ 753.61	\$ 1,251.64	\$ 252,268.01
84	10/1/2019	\$ 252,268.01	\$ 2,005.25	\$ 725.70	\$ 1,279.55	\$ 250,988.46
85	11/1/2019	\$ 250,988.46	\$ 2,005.25	\$ 746.09	\$ 1,259.17	\$ 249,729.29
86	12/1/2019	\$ 249,729.29	\$ 2,005.25	\$ 718.40	\$ 1,286.86	\$ 248,442.44
87	1/1/2020	\$ 248,442.44	\$ 2,005.25	\$ 738.52	\$ 1,266.73	\$ 247,175.70
88	2/1/2020	\$ 247,175.70	\$ 2,005.25	\$ 734.76	\$ 1,270.50	\$ 245,905.21
89	3/1/2020	\$ 245,905.21	\$ 2,005.25	\$ 683.82	\$ 1,321.44	\$ 244,583.77
90	4/1/2020	\$ 244,583.77	\$ 2,005.25	\$ 727.05	\$ 1,278.20	\$ 243,305.57
91	5/1/2020	\$ 243,305.57	\$ 2,005.25	\$ 699.92	\$ 1,305.33	\$ 242,000.23
92	6/1/2020	\$ 242,000.23	\$ 2,005.25	\$ 719.37	\$ 1,285.88	\$ 240,714.35
93	7/1/2020	\$ 240,714.35	\$ 2,005.25	\$ 692.47	\$ 1,312.79	\$ 239,401.56
94	8/1/2020	\$ 239,401.56	\$ 2,005.25	\$ 711.65	\$ 1,293.61	\$ 238,107.95
95	9/1/2020	\$ 238,107.95	\$ 2,005.25	\$ 707.80	\$ 1,297.45	\$ 236,810.50
96	10/1/2020	\$ 236,810.50	\$ 2,005.25	\$ 681.24	\$ 1,324.02	\$ 235,486.48

**Payment Schedule
For Promissory Note
in the Amount of \$345,796**

**Between
Rick A. Armstrong, Suzan Hess-Armstrong, and Baranoff Island Brewing Company, LLC
October 2, 2012**

Terms:

Number of Payments: 240
Annual Interest Rate: 3.50%
Daily Interest Rate: 0.00959% (365/366 Day Basis)
Periodic Payment: \$ 2,005.25

<u>Payment Number</u>	<u>Payment Date</u>	<u>Beginning Principal Balance</u>	<u>Payment</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Beginning Principal Balance</u>
97	11/1/2020	\$ 235,486.48	\$ 2,005.25	\$ 700.01	\$ 1,305.25	\$ 234,181.23
98	12/1/2020	\$ 234,181.23	\$ 2,005.25	\$ 673.67	\$ 1,331.58	\$ 232,849.65
99	1/1/2021	\$ 232,849.65	\$ 2,005.25	\$ 692.17	\$ 1,313.08	\$ 231,536.56
100	2/1/2021	\$ 231,536.56	\$ 2,005.25	\$ 688.27	\$ 1,316.99	\$ 230,219.57
101	3/1/2021	\$ 230,219.57	\$ 2,005.25	\$ 618.12	\$ 1,387.13	\$ 228,832.44
102	4/1/2021	\$ 228,832.44	\$ 2,005.25	\$ 680.23	\$ 1,325.03	\$ 227,507.42
103	5/1/2021	\$ 227,507.42	\$ 2,005.25	\$ 654.47	\$ 1,350.78	\$ 226,156.64
104	6/1/2021	\$ 226,156.64	\$ 2,005.25	\$ 672.27	\$ 1,332.98	\$ 224,823.66
105	7/1/2021	\$ 224,823.66	\$ 2,005.25	\$ 646.75	\$ 1,358.50	\$ 223,465.15
106	8/1/2021	\$ 223,465.15	\$ 2,005.25	\$ 664.27	\$ 1,340.98	\$ 222,124.17
107	9/1/2021	\$ 222,124.17	\$ 2,005.25	\$ 660.29	\$ 1,344.97	\$ 220,779.21
108	10/1/2021	\$ 220,779.21	\$ 2,005.25	\$ 635.12	\$ 1,370.14	\$ 219,409.07
109	11/1/2021	\$ 219,409.07	\$ 2,005.25	\$ 652.22	\$ 1,353.04	\$ 218,056.03
110	12/1/2021	\$ 218,056.03	\$ 2,005.25	\$ 627.28	\$ 1,377.97	\$ 216,678.06
111	1/1/2022	\$ 216,678.06	\$ 2,005.25	\$ 644.10	\$ 1,361.16	\$ 215,316.90
112	2/1/2022	\$ 215,316.90	\$ 2,005.25	\$ 640.05	\$ 1,365.20	\$ 213,951.70
113	3/1/2022	\$ 213,951.70	\$ 2,005.25	\$ 574.45	\$ 1,430.81	\$ 212,520.89
114	4/1/2022	\$ 212,520.89	\$ 2,005.25	\$ 631.74	\$ 1,373.51	\$ 211,147.38
115	5/1/2022	\$ 211,147.38	\$ 2,005.25	\$ 607.41	\$ 1,397.84	\$ 209,749.53
116	6/1/2022	\$ 209,749.53	\$ 2,005.25	\$ 623.50	\$ 1,381.75	\$ 208,367.78
117	7/1/2022	\$ 208,367.78	\$ 2,005.25	\$ 599.41	\$ 1,405.84	\$ 206,961.94
118	8/1/2022	\$ 206,961.94	\$ 2,005.25	\$ 615.22	\$ 1,390.04	\$ 205,571.90
119	9/1/2022	\$ 205,571.90	\$ 2,005.25	\$ 611.08	\$ 1,394.17	\$ 204,177.73
120	10/1/2022	\$ 204,177.73	\$ 2,005.25	\$ 587.36	\$ 1,417.89	\$ 202,759.84
121	11/1/2022	\$ 202,759.84	\$ 2,005.25	\$ 602.72	\$ 1,402.53	\$ 201,357.31
122	12/1/2022	\$ 201,357.31	\$ 2,005.25	\$ 579.25	\$ 1,426.01	\$ 199,931.30
123	1/1/2023	\$ 199,931.30	\$ 2,005.25	\$ 594.32	\$ 1,410.94	\$ 198,520.36
124	2/1/2023	\$ 198,520.36	\$ 2,005.25	\$ 590.12	\$ 1,415.13	\$ 197,105.23
125	3/1/2023	\$ 197,105.23	\$ 2,005.25	\$ 529.21	\$ 1,476.04	\$ 195,629.19
126	4/1/2023	\$ 195,629.19	\$ 2,005.25	\$ 581.53	\$ 1,423.73	\$ 194,205.46
127	5/1/2023	\$ 194,205.46	\$ 2,005.25	\$ 558.67	\$ 1,446.58	\$ 192,758.88
128	6/1/2023	\$ 192,758.88	\$ 2,005.25	\$ 573.00	\$ 1,432.26	\$ 191,326.62
129	7/1/2023	\$ 191,326.62	\$ 2,005.25	\$ 550.39	\$ 1,454.86	\$ 189,871.76
130	8/1/2023	\$ 189,871.76	\$ 2,005.25	\$ 564.41	\$ 1,440.84	\$ 188,430.92
131	9/1/2023	\$ 188,430.92	\$ 2,005.25	\$ 560.13	\$ 1,445.12	\$ 186,985.80
132	10/1/2023	\$ 186,985.80	\$ 2,005.25	\$ 537.90	\$ 1,467.35	\$ 185,518.44
133	11/1/2023	\$ 185,518.44	\$ 2,005.25	\$ 551.47	\$ 1,453.78	\$ 184,064.66
134	12/1/2023	\$ 184,064.66	\$ 2,005.25	\$ 529.50	\$ 1,475.75	\$ 182,588.91
135	1/1/2024	\$ 182,588.91	\$ 2,005.25	\$ 542.76	\$ 1,462.49	\$ 181,126.42
136	2/1/2024	\$ 181,126.42	\$ 2,005.25	\$ 538.42	\$ 1,466.84	\$ 179,659.58
137	3/1/2024	\$ 179,659.58	\$ 2,005.25	\$ 499.60	\$ 1,505.65	\$ 178,153.93
138	4/1/2024	\$ 178,153.93	\$ 2,005.25	\$ 529.58	\$ 1,475.67	\$ 176,678.26
139	5/1/2024	\$ 176,678.26	\$ 2,005.25	\$ 508.25	\$ 1,497.00	\$ 175,181.25
140	6/1/2024	\$ 175,181.25	\$ 2,005.25	\$ 520.74	\$ 1,484.51	\$ 173,696.74
141	7/1/2024	\$ 173,696.74	\$ 2,005.25	\$ 499.68	\$ 1,505.58	\$ 172,191.16
142	8/1/2024	\$ 172,191.16	\$ 2,005.25	\$ 511.86	\$ 1,493.40	\$ 170,697.77
143	9/1/2024	\$ 170,697.77	\$ 2,005.25	\$ 507.42	\$ 1,497.84	\$ 169,199.93
144	10/1/2024	\$ 169,199.93	\$ 2,005.25	\$ 486.74	\$ 1,518.51	\$ 167,681.41

**Payment Schedule
For Promissory Note
in the Amount of \$345,796**

**Between
Rick A. Armstrong, Suzan Hess-Armstrong, and Baranoff Island Brewing Company, LLC
October 2, 2012**

Terms:

Number of Payments: 240
Annual Interest Rate: 3.50%
Daily Interest Rate: 0.00959% (365/366 Day Basis)
Periodic Payment: \$ 2,005.25

<u>Payment Number</u>	<u>Payment Date</u>	<u>Beginning Principal Balance</u>	<u>Payment</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Beginning Principal Balance</u>
145	11/1/2024	\$ 167,681.41	\$ 2,005.25	\$ 498.45	\$ 1,506.80	\$ 166,174.61
146	12/1/2024	\$ 166,174.61	\$ 2,005.25	\$ 478.04	\$ 1,527.22	\$ 164,647.39
147	1/1/2025	\$ 164,647.39	\$ 2,005.25	\$ 489.43	\$ 1,515.82	\$ 163,131.57
148	2/1/2025	\$ 163,131.57	\$ 2,005.25	\$ 484.93	\$ 1,520.33	\$ 161,611.24
149	3/1/2025	\$ 161,611.24	\$ 2,005.25	\$ 433.92	\$ 1,571.34	\$ 160,039.90
150	4/1/2025	\$ 160,039.90	\$ 2,005.25	\$ 475.74	\$ 1,529.52	\$ 158,510.38
151	5/1/2025	\$ 158,510.38	\$ 2,005.25	\$ 455.99	\$ 1,549.27	\$ 156,961.11
152	6/1/2025	\$ 156,961.11	\$ 2,005.25	\$ 466.58	\$ 1,538.67	\$ 155,422.44
153	7/1/2025	\$ 155,422.44	\$ 2,005.25	\$ 447.11	\$ 1,558.15	\$ 153,864.29
154	8/1/2025	\$ 153,864.29	\$ 2,005.25	\$ 457.38	\$ 1,547.88	\$ 152,316.42
155	9/1/2025	\$ 152,316.42	\$ 2,005.25	\$ 452.78	\$ 1,552.48	\$ 150,763.94
156	10/1/2025	\$ 150,763.94	\$ 2,005.25	\$ 433.70	\$ 1,571.55	\$ 149,192.39
157	11/1/2025	\$ 149,192.39	\$ 2,005.25	\$ 443.49	\$ 1,561.76	\$ 147,630.62
158	12/1/2025	\$ 147,630.62	\$ 2,005.25	\$ 424.69	\$ 1,580.56	\$ 146,050.06
159	1/1/2026	\$ 146,050.06	\$ 2,005.25	\$ 434.15	\$ 1,571.11	\$ 144,478.95
160	2/1/2026	\$ 144,478.95	\$ 2,005.25	\$ 429.48	\$ 1,575.78	\$ 142,903.18
161	3/1/2026	\$ 142,903.18	\$ 2,005.25	\$ 383.69	\$ 1,621.57	\$ 141,281.61
162	4/1/2026	\$ 141,281.61	\$ 2,005.25	\$ 419.97	\$ 1,585.28	\$ 139,696.33
163	5/1/2026	\$ 139,696.33	\$ 2,005.25	\$ 401.87	\$ 1,603.39	\$ 138,092.94
164	6/1/2026	\$ 138,092.94	\$ 2,005.25	\$ 410.50	\$ 1,594.76	\$ 136,498.18
165	7/1/2026	\$ 136,498.18	\$ 2,005.25	\$ 392.67	\$ 1,612.59	\$ 134,885.59
166	8/1/2026	\$ 134,885.59	\$ 2,005.25	\$ 400.96	\$ 1,604.29	\$ 133,281.30
167	9/1/2026	\$ 133,281.30	\$ 2,005.25	\$ 396.19	\$ 1,609.06	\$ 131,672.24
168	10/1/2026	\$ 131,672.24	\$ 2,005.25	\$ 378.78	\$ 1,626.47	\$ 130,045.77
169	11/1/2026	\$ 130,045.77	\$ 2,005.25	\$ 386.57	\$ 1,618.68	\$ 128,427.09
170	12/1/2026	\$ 128,427.09	\$ 2,005.25	\$ 369.45	\$ 1,635.81	\$ 126,791.28
171	1/1/2027	\$ 126,791.28	\$ 2,005.25	\$ 376.90	\$ 1,628.35	\$ 125,162.93
172	2/1/2027	\$ 125,162.93	\$ 2,005.25	\$ 372.06	\$ 1,633.19	\$ 123,529.73
173	3/1/2027	\$ 123,529.73	\$ 2,005.25	\$ 331.67	\$ 1,673.59	\$ 121,856.15
174	4/1/2027	\$ 121,856.15	\$ 2,005.25	\$ 362.23	\$ 1,643.02	\$ 120,213.12
175	5/1/2027	\$ 120,213.12	\$ 2,005.25	\$ 345.82	\$ 1,659.44	\$ 118,553.68
176	6/1/2027	\$ 118,553.68	\$ 2,005.25	\$ 352.41	\$ 1,652.84	\$ 116,900.84
177	7/1/2027	\$ 116,900.84	\$ 2,005.25	\$ 336.29	\$ 1,668.96	\$ 115,231.88
178	8/1/2027	\$ 115,231.88	\$ 2,005.25	\$ 342.54	\$ 1,662.72	\$ 113,569.16
179	9/1/2027	\$ 113,569.16	\$ 2,005.25	\$ 337.60	\$ 1,667.66	\$ 111,901.50
180	10/1/2027	\$ 111,901.50	\$ 2,005.25	\$ 321.91	\$ 1,683.35	\$ 110,218.16
181	11/1/2027	\$ 110,218.16	\$ 2,005.25	\$ 327.63	\$ 1,677.62	\$ 108,540.54
182	12/1/2027	\$ 108,540.54	\$ 2,005.25	\$ 312.24	\$ 1,693.01	\$ 106,847.52
183	1/1/2028	\$ 106,847.52	\$ 2,005.25	\$ 317.62	\$ 1,687.64	\$ 105,159.89
184	2/1/2028	\$ 105,159.89	\$ 2,005.25	\$ 312.60	\$ 1,692.66	\$ 103,467.23
185	3/1/2028	\$ 103,467.23	\$ 2,005.25	\$ 287.72	\$ 1,717.53	\$ 101,749.70
186	4/1/2028	\$ 101,749.70	\$ 2,005.25	\$ 302.46	\$ 1,702.79	\$ 100,046.91
187	5/1/2028	\$ 100,046.91	\$ 2,005.25	\$ 287.81	\$ 1,717.45	\$ 98,329.46
188	6/1/2028	\$ 98,329.46	\$ 2,005.25	\$ 292.29	\$ 1,712.96	\$ 96,616.50
189	7/1/2028	\$ 96,616.50	\$ 2,005.25	\$ 277.94	\$ 1,727.32	\$ 94,889.18
190	8/1/2028	\$ 94,889.18	\$ 2,005.25	\$ 282.07	\$ 1,723.19	\$ 93,165.99
191	9/1/2028	\$ 93,165.99	\$ 2,005.25	\$ 276.95	\$ 1,728.31	\$ 91,437.69
192	10/1/2028	\$ 91,437.69	\$ 2,005.25	\$ 263.04	\$ 1,742.21	\$ 89,695.47

**Payment Schedule
For Promissory Note
in the Amount of \$345,796**

**Between
Rick A. Armstrong, Suzan Hess-Armstrong, and Baranoff Island Brewing Company, LLC
October 2, 2012**

Terms:

Number of Payments: 240
Annual Interest Rate: 3.50%
Daily Interest Rate: 0.00959% (365/366 Day Basis)
Periodic Payment: \$ 2,005.25

<u>Payment Number</u>	<u>Payment Date</u>	<u>Beginning Principal Balance</u>	<u>Payment</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Beginning Principal Balance</u>
193	11/1/2028	\$ 89,695.47	\$ 2,005.25	\$ 266.63	\$ 1,738.63	\$ 87,956.85
194	12/1/2028	\$ 87,956.85	\$ 2,005.25	\$ 253.03	\$ 1,752.23	\$ 86,204.62
195	1/1/2029	\$ 86,204.62	\$ 2,005.25	\$ 256.25	\$ 1,749.00	\$ 84,455.62
196	2/1/2029	\$ 84,455.62	\$ 2,005.25	\$ 251.05	\$ 1,754.20	\$ 82,701.41
197	3/1/2029	\$ 82,701.41	\$ 2,005.25	\$ 222.05	\$ 1,783.21	\$ 80,918.21
198	4/1/2029	\$ 80,918.21	\$ 2,005.25	\$ 240.54	\$ 1,764.72	\$ 79,153.49
199	5/1/2029	\$ 79,153.49	\$ 2,005.25	\$ 227.70	\$ 1,777.55	\$ 77,375.94
200	6/1/2029	\$ 77,375.94	\$ 2,005.25	\$ 230.01	\$ 1,775.25	\$ 75,600.69
201	7/1/2029	\$ 75,600.69	\$ 2,005.25	\$ 217.48	\$ 1,787.77	\$ 73,812.92
202	8/1/2029	\$ 73,812.92	\$ 2,005.25	\$ 219.42	\$ 1,785.84	\$ 72,027.08
203	9/1/2029	\$ 72,027.08	\$ 2,005.25	\$ 214.11	\$ 1,791.15	\$ 70,235.93
204	10/1/2029	\$ 70,235.93	\$ 2,005.25	\$ 202.05	\$ 1,803.21	\$ 68,432.73
205	11/1/2029	\$ 68,432.73	\$ 2,005.25	\$ 203.42	\$ 1,801.83	\$ 66,630.90
206	12/1/2029	\$ 66,630.90	\$ 2,005.25	\$ 191.68	\$ 1,813.58	\$ 64,817.32
207	1/1/2030	\$ 64,817.32	\$ 2,005.25	\$ 192.68	\$ 1,812.58	\$ 63,004.74
208	2/1/2030	\$ 63,004.74	\$ 2,005.25	\$ 187.29	\$ 1,817.97	\$ 61,186.78
209	3/1/2030	\$ 61,186.78	\$ 2,005.25	\$ 164.28	\$ 1,840.97	\$ 59,345.80
210	4/1/2030	\$ 59,345.80	\$ 2,005.25	\$ 176.41	\$ 1,828.84	\$ 57,516.96
211	5/1/2030	\$ 57,516.96	\$ 2,005.25	\$ 165.46	\$ 1,839.79	\$ 55,677.17
212	6/1/2030	\$ 55,677.17	\$ 2,005.25	\$ 165.51	\$ 1,839.75	\$ 53,837.42
213	7/1/2030	\$ 53,837.42	\$ 2,005.25	\$ 154.87	\$ 1,850.38	\$ 51,987.04
214	8/1/2030	\$ 51,987.04	\$ 2,005.25	\$ 154.54	\$ 1,850.72	\$ 50,136.32
215	9/1/2030	\$ 50,136.32	\$ 2,005.25	\$ 149.04	\$ 1,856.22	\$ 48,280.10
216	10/1/2030	\$ 48,280.10	\$ 2,005.25	\$ 138.89	\$ 1,866.37	\$ 46,413.73
217	11/1/2030	\$ 46,413.73	\$ 2,005.25	\$ 137.97	\$ 1,867.28	\$ 44,546.45
218	12/1/2030	\$ 44,546.45	\$ 2,005.25	\$ 128.15	\$ 1,877.11	\$ 42,669.34
219	1/1/2031	\$ 42,669.34	\$ 2,005.25	\$ 126.84	\$ 1,878.42	\$ 40,790.93
220	2/1/2031	\$ 40,790.93	\$ 2,005.25	\$ 121.26	\$ 1,884.00	\$ 38,906.93
221	3/1/2031	\$ 38,906.93	\$ 2,005.25	\$ 104.46	\$ 1,900.79	\$ 37,006.14
222	4/1/2031	\$ 37,006.14	\$ 2,005.25	\$ 110.00	\$ 1,895.25	\$ 35,110.89
223	5/1/2031	\$ 35,110.89	\$ 2,005.25	\$ 101.00	\$ 1,904.25	\$ 33,206.63
224	6/1/2031	\$ 33,206.63	\$ 2,005.25	\$ 98.71	\$ 1,906.54	\$ 31,300.09
225	7/1/2031	\$ 31,300.09	\$ 2,005.25	\$ 90.04	\$ 1,915.21	\$ 29,384.88
226	8/1/2031	\$ 29,384.88	\$ 2,005.25	\$ 87.35	\$ 1,917.90	\$ 27,466.97
227	9/1/2031	\$ 27,466.97	\$ 2,005.25	\$ 81.65	\$ 1,923.61	\$ 25,543.37
228	10/1/2031	\$ 25,543.37	\$ 2,005.25	\$ 73.48	\$ 1,931.77	\$ 23,611.59
229	11/1/2031	\$ 23,611.59	\$ 2,005.25	\$ 70.19	\$ 1,935.07	\$ 21,676.53
230	12/1/2031	\$ 21,676.53	\$ 2,005.25	\$ 62.36	\$ 1,942.90	\$ 19,733.63
231	1/1/2032	\$ 19,733.63	\$ 2,005.25	\$ 58.66	\$ 1,946.59	\$ 17,787.03
232	2/1/2032	\$ 17,787.03	\$ 2,005.25	\$ 52.87	\$ 1,952.38	\$ 15,834.65
233	3/1/2032	\$ 15,834.65	\$ 2,005.25	\$ 44.03	\$ 1,961.22	\$ 13,873.43
234	4/1/2032	\$ 13,873.43	\$ 2,005.25	\$ 41.24	\$ 1,964.01	\$ 11,909.42
235	5/1/2032	\$ 11,909.42	\$ 2,005.25	\$ 34.26	\$ 1,970.99	\$ 9,938.42
236	6/1/2032	\$ 9,938.42	\$ 2,005.25	\$ 29.54	\$ 1,975.71	\$ 7,962.71
237	7/1/2032	\$ 7,962.71	\$ 2,005.25	\$ 22.91	\$ 1,982.35	\$ 5,980.36
238	8/1/2032	\$ 5,980.36	\$ 2,005.25	\$ 17.78	\$ 1,987.48	\$ 3,992.89
239	9/1/2032	\$ 3,992.89	\$ 2,005.25	\$ 11.87	\$ 1,993.39	\$ 1,999.50
240	10/1/2032	\$ 1,999.50	\$ 2,005.25	\$ 5.75	\$ 1,999.50	\$ 0.00

Baranoff Island Brewing Company
Pro Forma Financial Plan and Forecast

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues	508,775	726,821	1,108,403	1,326,449	1,526,325	1,755,274
Less Variable Manufacturing Expenses						
Direct Labor	94,400	141,725	147,158	152,948	232,241	241,436
Direct materials	155,000	221,429	326,607	374,527	412,237	453,460
	<u>249,400</u>	<u>363,154</u>	<u>473,765</u>	<u>527,476</u>	<u>644,478</u>	<u>694,896</u>
Contribution Margin	259,375	363,667	634,637	798,974	881,847	1,060,378
Contribution margin Percentage	50.98%	50.04%	57.26%	60.23%	57.78%	60.41%
Less Fixed Manufacturing Expenses						
Indirect Labor	26,550	39,860	41,388	43,017	65,318	67,904
Indirect materials	24,700	30,587	40,733	46,654	52,121	58,349
Other Indirect Manufacturing Costs	41,600	42,022	43,474	43,979	44,519	45,072
	<u>92,850</u>	<u>112,469</u>	<u>125,596</u>	<u>133,650</u>	<u>161,959</u>	<u>171,325</u>
Gross Profit (Gross Margin)	166,525	251,198	509,042	665,323	719,888	889,053
Gross Profit Percentage	32.73%	34.56%	45.93%	50.16%	47.16%	50.65%
Selling, General and Administrative Costs						
Selling and Administrative Labor	26,550	39,860	41,388	43,017	65,318	67,904
Other Selling, General and Administrative Costs	104,700	109,590	103,257	115,028	117,386	119,775
	<u>131,250</u>	<u>149,450</u>	<u>144,646</u>	<u>158,045</u>	<u>182,704</u>	<u>187,678</u>
Net Income From Operations (EBIT - Earning Before Interest and Taxes)	35,275	101,748	364,396	507,279	537,185	701,374
EBIT Percentage	6.93%	14.00%	32.88%	38.24%	35.19%	39.96%
Other Revenue						
Interest Revenue	-	2,003	11,489	23,919	38,297	56,159
Gains	-	-	-	-	-	-
	<u>-</u>	<u>2,003</u>	<u>11,489</u>	<u>23,919</u>	<u>38,297</u>	<u>56,159</u>
Other Costs						
Interest Expense	10,708	13,965	23,264	22,383	21,471	20,527
Losses	-	-	-	-	-	-
Taxes	17,000	24,286	37,036	44,321	51,000	58,650
	<u>27,708</u>	<u>38,251</u>	<u>60,300</u>	<u>66,704</u>	<u>72,471</u>	<u>79,177</u>
Net Income	<u>7,567</u>	<u>65,500</u>	<u>315,585</u>	<u>464,493</u>	<u>503,011</u>	<u>678,356</u>
	1.49%	9.01%	28.47%	35.02%	32.96%	38.65%

Cash Flow Statement

Beginning Cash	1,486	40,057	229,777	478,373	765,944	1,123,183
Net Income (+)	7,567	65,500	315,585	464,493	503,011	678,356
New Contributed Capital (+)	50,000	-	-	-	-	-
Owner's Draws (-)	-	-	(50,000)	(100,000)	(150,000)	(200,000)
Depreciation (+)	4,000	8,000	12,000	12,000	12,000	12,000

Principal Repayment (-)	(21,245)	(17,353)	(24,757)	(25,637)	(26,549)	(27,493)
New Loan Proceeds (+)	-	350,000	-	-	-	-
Investment In Fixed Assets (-)	-	(212,500)	-	-	-	-
All Other Adjustments (+/-)	(1,751)	(3,927)	(4,232)	(63,285)	18,777	19,005
Net Cash Adjustments:	38,571	189,720	248,596	287,571	357,239	481,868
Ending Cash	40,057	229,777	478,373	765,944	1,123,183	1,605,052

Balance Sheet For Manufacturing Company

Assets:

Current Assets

Cash	40,057	229,777	478,373	765,944	1,123,183	1,605,052
Accounts Receivable	6,000	8,571	13,071	15,643	18,000	20,700
Inventory	6,000	21,000	36,000	111,000	96,000	81,000
Other Current Assets	7,500	7,500	7,500	7,500	7,500	7,500

Total Current Assets:	59,557	266,849	534,945	900,087	1,244,683	1,714,252
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Property Plant & Equipment

Land	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Equipment	150,360	362,860	362,860	362,860	362,860	362,860
Less Accumulated depreciation	(17,000)	(25,000)	(37,000)	(49,000)	(61,000)	(73,000)

Total Property, Plant & Equipment:	133,360	337,860	325,860	313,860	301,860	289,860
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Total Assets:	192,917	604,709	860,805	1,213,947	1,546,543	2,004,112
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Liabilities & Member Equity

Liabilities

Current Liabilities

Accounts Payable	22,000	31,429	46,357	53,159	58,511	64,362
Interest Payable	-	-	-	-	-	-
Payroll Liabilities	7,500	11,716	12,056	19,540	20,322	21,176
Other Current Liabilities	(5,850)	(5,850)	(5,850)	(5,850)	(5,850)	(5,850)

Total Current Liabilities	23,650	37,295	52,563	66,849	72,983	79,688
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Long Term Liabilities

Long Term Debt	330,000	662,647	637,890	612,253	585,704	558,211
Long Term deposits	-	-	-	-	-	-

Total Long Term Liabilities	330,000	662,647	637,890	612,253	585,704	558,211
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Total Liabilities	353,650	699,942	690,453	679,102	658,687	637,899
Member Equity						
Retained earnings	(147,000)	(139,433)	(73,933)	241,652	706,145	1,209,156
Current Period Net Income/Loss	7,567	65,500	315,585	464,493	503,011	678,356
Member Contributions	53,000	53,000	53,000	53,000	53,000	53,000
Member Draws/Distributions	<u>(74,300)</u>	<u>(74,300)</u>	<u>(124,300)</u>	<u>(224,300)</u>	<u>(374,300)</u>	<u>(574,300)</u>
Total Member Equity	<u>(160,733)</u>	<u>(95,233)</u>	<u>170,352</u>	<u>534,845</u>	<u>887,856</u>	<u>1,366,213</u>
Total Liabilities and Member Equity	<u>192,917</u>	<u>604,709</u>	<u>860,805</u>	<u>1,213,947</u>	<u>1,546,543</u>	<u>2,004,111</u>



Legislation Details

File #: 14-028 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 2/5/2014 In control: City and Borough Assembly

On agenda: 2/11/2014 Final action:

Title: Approve a special emergency grant submitted by the Sitka Community Development Corporation in the amount of \$7500

Sponsors:

Indexes:

Code sections:

Attachments: [SCDC grant request](#)

Date	Ver.	Action By	Action	Result
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POSSIBLE MOTION

I MOVE TO approve a special emergency grant submitted by the Sitka Community Development Corporation in the amount of \$7,500.

Note: Within the category of General Fund Grants for Non-Profit Organizations there is a category for Special Emergency Grants that fall outside of the routine annual grants. The FY14 Non-Profit Grants were awarded in September 2014.

There is \$10,050 available to fund this request.

Originally Budgeted:

<i>Account #</i>	<i>Description</i>	<i>Amount</i>
<i>500-008-5228.000</i>	<i>Non-Governmental Community Support</i>	<i>\$100,000</i>
	<i>SAFV</i>	<i>\$ 50,000</i>
		<i>\$150,000</i>

Expenditures to date:

	<i>Balance</i>	<i>\$150,000</i>
<i>SAFV</i>		<i>(50,000)</i>
<i>FY14 Non-Profit Grants</i>		<i>(82,450)</i>
<i>Alaska Arts Southeast</i>		<i>(7,500)</i>
<i>(Hames PE Center parking lot work)</i>		<i>_____</i>
	<i>Unexpended</i>	<i>\$10,050</i>

City and Borough of Sitka
ANNUAL GRANTS FROM GENERAL FUND
SUMMARY SHEET

Name of Organization: Sitka Community Development Corporation

Name of Contact Person: Randy Hughey

Phone: 738-2999 Email: randywhughey@gmail.com

Mailing address: 220 Lakeview Drive, Sitka

Grant Category (check either annual or special emergency grant, and check type of services for annual grant):

- Annual Grant:
 - Human Services or
 - Cultural and Educational Services
 - Community Development
- Special Emergency Grant

Dollars Requested: \$7,500

Match Dollars Committed: \$20,500 Percentage: 300% ish

Sources of Matched Dollars: Rasmuson Tier One Grant of \$20,500

Brief Description of the Purpose of the Grant: We are establishing an organization called a Community Land Trust (CLT) for the purpose of developing affordable housing in Sitka. A Rasmuson Grant is paying for the technical and legal work but there remains a great deal of administrative work to get this project done. This request is for funding to help pay our single employee a ½ time salary of \$2,000 per month, plus payroll taxes, for three months, to attain the legal status of Community Land Trust.

I, Randy Hughey, do hereby certify that all information provided for this grant application is accurate and complete to the best of my knowledge.

Name: Randy Hughey

Randy Hughey
Sitka Community Development Corporation
220 Lakeview Drive
Sitka, Alaska 99835
907-738-2999
randywhughey@gmail.com

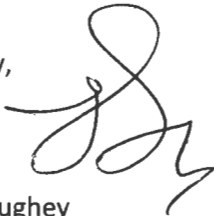
January 28, 2014

To the General Fund Grants Committee,

Following is an application for emergency funding from the Nonprofit Organization Grant Fund. The Sitka Community Development Corporation is engaged in the critical work of creating affordable housing for working families of Sitka. We are on the verge of success in establishing a Community Land Trust (CLT), a legal entity which will change the landscape of affordable housing in Sitka. There is a great deal of work to do and we have raised a significant amount of money toward our goals but once again find ourselves unable to pay our Executive Director to do the planning and administrative work required to establish this Trust. The work is urgent and critical to Sitka.

This letter contains a brief description of what a Community Land Trust is and how this could significantly benefit Sitka. If you would like to hear more about the CLT concept and its potential impact on affordable housing, please call me. I would be pleased to talk to the committee.

Sincerely,

A handwritten signature in black ink, appearing to be 'Randy Hughey', written in a cursive style.

Randy Hughey
President, SCDC

P.S. I enclosed only one copy of the last section, "Required Documentation" – the 501c3, IRS for 990, and nonprofit business license - as it seemed a waste of paper to copy 10 times.

City and Borough of Sitka
General Fund Grant Application for Nonprofit Organizations

Detailed project description overview

We are applying for an emergency grant in order to continue the vital work of creating affordable housing in Sitka. We have made a sustained effort toward funding our work and, on the verge of success, are out of money. This specific request of \$7,500 will sustain the organization through the completion of establishing a Community Land Trust.

A Community Land Trust (CLT) is a simple and elegant way to reduce the cost of houses by roughly one third and provide perpetually affordable homes. A CLT acquires land and builds small, energy efficient homes. The deed of the home is separated from the deed of the land and the owners purchase only the house. The land is used for a very small monthly fee. In purchasing the home, the owners sign an agreement which, among other things, limits their profit taking upon the sale of the house to roughly 25% of the appreciated value. This limitation keeps the home perpetually affordable while allowing the owners to gain enough equity to enter the open housing market in their next home. The initial price of the house is reduced by roughly one third and the resale price stays low over time.

Affordable home ownership is one of the greatest problems facing the residents of Sitka. And it is not just a problem of those with low incomes. Affordable housing is out of reach for working families in the median income range. We are not trying to create low income housing. We are trying to create median income housing. We intend to serve Sitkans who make 1.2 times the area median income of \$75,300 and under.

The City of Sitka owns land which, we have reason to believe, they will give to us to help with the problem. We have a Rasmuson grant to pay for the legal and technical work to establish a CLT and we have raised significant other funding from the region. Nonetheless, we find ourselves once again unable to pay for the essential administrative and management work of advancing this critical issue.

Expected Outcome

Ultimately, we will consider our efforts to have been successful when there adequate numbers of small, energy efficient homes on the market which the working families of Sitka can afford to buy. In the short term, we will consider ourselves to have met a major milestone, for which we seek this funding, when the Community Land Trust is established as a legal entity. The next milestone will be when we have acquired land, one small home is built, and one family is living within their means in cozy new home. We intend to have achieved this by the spring of 2015.

Statement of Need

I do not believe I need to establish that affordable housing for working families is a critical need in Sitka. Everyone understands this. I would ask those who are evaluating this application to consider the viability of the Community Land Trust concept for providing affordable housing in Sitka and the reasonableness of our request. We have a concept for affordable housing which we are convinced will work in Sitka and we are doing the work on a shoe string.

With regard to leveraging other funding, I believe that the funding we are requesting will be very helpful in future grant writing efforts. City support of the CLT is crucial. The absence of City support would be very detrimental.

Once we have established the Community Land Trust and successfully gotten a few families into a few affordable homes, we are in a much better position to seek significant funding from outside sources for substantial developments of a scale commensurate with the need. Again, City support for this project is critical.

Organizational Capacity

Though the organization has had some ups and downs, it now has an active, committed board, a top flight Executive Director, and is on track to have a positive impact on its mission to provide affordable housing in Sitka.

SCDC was founded in October 2006 to bolster efforts of the Affordable Housing Manager for the City and Borough of Sitka to increase affordable housing. Sitka Community Development Corporation achieved 501(c)(3) status in August, 2008.

An Executive Director was hired part time September 29, 2008. A web site was established and email contacts, organization systems, planning outreach, promotion, and education activities undertaken. We achieved our CHDO status and received an OEA grant in the fall of 2008.

We had two studies done in 2009: a Senior Housing Planning Grant and Survey, and a Study for low-income apartments. SCDC lost its ED and CHDO status in 2009. We participated in the city's Long Range Planning and Economic Development Commission by meeting with their Affordable Housing subcommittee until that commission was disbanded by the city Assembly in 2011.

SCDC helped organize and facilitate a Housing Forum put on by the Affordable Housing subcommittee in March, 2010. We also participated in a teleconference meeting with Erica Malone of Northwest Community Land Trust Coalition, city Assembly members, administrator and some staff. During the remainder of 2010, board members attempted to set a long range plan, with the idea of setting up a city land trust as the driving force.

In June of 2011 a new Executive Director is hired and the board completed a Strategic Planning session with the Foraker Group. The major project of establishing a Community Land Trust is now approaching fruition.

Executive Director: Mim McConnell, **Board President:** Randy Hughey, **Board membership:** Paul Rioux, Joshua Houston, Patrick Fowler, Michael LaGuire, James Poulson, Greg Reynolds.

Itemized Project Budget

Legal name of organization: **Sitka Community Development Corporation**

Date: January 27, 2014

Project title: **Community Land Trust**

COSTS (Expenses)				
Item List each project component	Item cost (quote or estimate)	funding	sources of funding	Pending requests*
Burlington Associates Consulting	\$18,000	\$18,000	Rasmuson Foundation	
Burlington Assoc, contingency	\$2,500	\$2,500	Rasmuson Foundation	
.5 FTE director salary	\$24,000	\$5,000	First Bank	
office expenses	\$5,000	\$1,500	ASRC McGraw	
		\$250	Dr. Hagerman	
		\$250	Allen Marine	
			CBC Construction	pending request
			Hames Corp	pending request
			Wells Fargo Bank	pending request
		\$7,500	CBS non profit appl.	pending request
TOTALS	\$49,500	\$35,000		

* more fund raising requests will occur over the next few months to do meet the deficit which this budget shows.

Alaska Business License #

928116

Alaska Department of Commerce, Community, and Economic Development

Division of Corporations, Business and Professional Licensing
P.O. Box 110806, Juneau, Alaska 99811-0806

This is to certify that

SITKA COMMUNITY DEVELOPMENT CORPORATION

PO BOX 6461 SITKA AK 99835

owned by

SITKA COMMUNITY DEVELOPMENT CORPORATION

is licensed by the department to conduct business for the period

October 10, 2013 through December 31, 2015
for the following line of business:

62 - Health Care and Social Assistance

This license shall not be taken as permission to do business in the state without
having complied with the other requirements of the laws of the State or of the United States.

This license must be posted in a conspicuous place at the business location.
It is not transferable or assignable.

Susan K. Bell
Commissioner



Form **8879-EO**

**IRS e-file Signature Authorization
for an Exempt Organization**

OMB No 1545-1878

For calendar year 2012, or fiscal year beginning _____, 2012, and ending _____, 20

2012

Department of the Treasury
Internal Revenue Service

▶ **Do not send to the IRS. Keep for your records.**

Name of exempt organization

**SITKA COMMUNITY DEVELOPMENT
CORPORATION**

Employer identification number

35-2292107

Name and title of officer

**PAUL RIOUX
PRESIDENT**

Part I Type of Return and Return Information (Whole Dollars Only)

Check the box for the return for which you are using this Form 8879-EO and enter the applicable amount, if any, from the return. If you check the box on line 1a, 2a, 3a, 4a, or 5a, below, and the amount on that line for the return being filed with this form was blank, then leave line 1b, 2b, 3b, 4b, or 5b, whichever is applicable, blank (do not enter -0-). But, if you entered -0- on the return, then enter -0- on the applicable line below. Do not complete more than 1 line in Part I.

1a	Form 990 check here ▶	<input checked="" type="checkbox"/>	b	Total revenue, if any (Form 990, Part VIII, column (A), line 12)	1b	<u>5,942</u>
2a	Form 990-EZ check here ▶	<input type="checkbox"/>	b	Total revenue, if any (Form 990-EZ, line 9)	2b	_____
3a	Form 1120-POL check here ▶	<input type="checkbox"/>	b	Total tax (Form 1120-POL, line 22)	3b	_____
4a	Form 990-PF check here ▶	<input type="checkbox"/>	b	Tax based on investment income (Form 990-PF, Part VI, line 5)	4b	_____
5a	Form 8868 check here ▶	<input type="checkbox"/>	b	Balance Due (Form 8868, Part I, line 3c or Part II, line 8c)	5b	_____

Part II Declaration and Signature Authorization of Officer

Under penalties of perjury, I declare that I am an officer of the above organization and that I have examined a copy of the organization's 2012 electronic return and accompanying schedules and statements and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the organization's electronic return and, if applicable, the organization's consent to electronic funds withdrawal.

Officer's PIN: check one box only

I authorize Christine E Harrington CPA, LLC to enter my PIN 12345 as my signature
ERO firm name Enter five numbers, but do not enter all zeros

on the organization's tax year 2012 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I also authorize the aforementioned ERO to enter my PIN on the return's disclosure consent screen.

As an officer of the organization, I will enter my PIN as my signature on the organization's tax year 2012 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I will enter my PIN on the return's disclosure consent screen.

Officer's signature ▶

Date ▶ 05/13/13

Part III Certification and Authentication

ERO's EFIN/PIN. Enter your six-digit electronic filing identification number (EFIN) followed by your five-digit self-selected PIN.

92024612345

do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2012 electronically filed return for the organization indicated above. I confirm that I am submitting this return in accordance with the requirements of Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature ▶

Date ▶

ERO Must Retain This Form—See Instructions

Do Not Submit This Form To the IRS Unless Requested To Do So

For Paperwork Reduction Act Notice, see back of form.

Form **8879-EO** (2012)

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)
▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning _____ **and ending** _____

B Check if applicable:
 Address change
 Name change
 Initial return
 Terminated
 Amended return
 Application pending

C Name of organization **SITKA COMMUNITY DEVELOPMENT CORPORATION**
 Doing Business As _____
 Number and street (or P O box if mail is not delivered to street address) Room/suite
PO BOX 6461
 City, town or post office, state, and ZIP code
SITKA AK 99835

D Employer identification number
35-2292107

E Telephone number
907-738-8511

G Gross receipts \$ **5,942**

F Name and address of principal officer
PAUL RIOUX

H(a) Is this a group return for affiliates? Yes No
H(b) Are all affiliates included? Yes No
 If "No," attach a list (see instructions)

I Tax-exempt status 501(c)(3) 501(c) () (insert no.) 4947(a)(1) or 527

J Website: **N/A**

K Form of organization: Corporation Trust Association Other ▶

L Year of formation: **2008** **M State of legal domicile:** **AK**

Part I Summary

1 Briefly describe the organization's mission or most significant activities:
DEVELOP AFFORDABLE HOUSING OPPORTUNITY IN SITKA, ALASKA

2 Check this box if the organization discontinued its operations or disposed of more than 25% of its net assets

3 Number of voting members of the governing body (Part VI, line 1a) **3** **7**

4 Number of independent voting members of the governing body (Part VI, line 1b) **4** **7**

5 Total number of individuals employed in calendar year 2012 (Part V, line 2a) **5** **0**

6 Total number of volunteers (estimate if necessary) **6** **0**

7a Total unrelated business revenue from Part VIII, column (C), line 12 **7a** **0**

7b Net unrelated business taxable income from Form 990-T, line 34 **7b** **0**

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	543	2,786
9 Program service revenue (Part VIII, line 2g)	0	3,156
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	6	0
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	549	5,942
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0	0
14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0	0
16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b Total fundraising expenses (Part IX, column (D), line 25) ▶ 0		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	20,750	6,236
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	20,750	6,236
19 Revenue less expenses. Subtract line 18 from line 12	-20,201	-294
	Beginning of Current Year	End of Year
20 Total assets (Part X, line 16)	816	821
21 Total liabilities (Part X, line 26)	0	299
22 Net assets or fund balances. Subtract line 21 from line 20	816	522

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer: **PAUL RIOUX** Date: _____
 Type or print name and title: **PRESIDENT**

Paid Preparer Use Only

Print/Type preparer's name: **CHRISTINE E HARRINGTON** Preparer's signature: _____ Date: **05/13/13** Check if self-employed PTIN: **P00441102**

Firm's name: **Christine E Harrington CPA, LLC** Firm's EIN: _____
 Firm's address: **PO Box 1328 Sitka, AK 99835** Phone no: **907-747-5500**

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

For Paperwork Reduction Act Notice, see the separate instructions. Form 990 (2012)

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

1 Briefly describe the organization's mission:

DEVELOP AFFORDABLE HOUSING OPPORTUNITY IN SITKA, ALASKA

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No

Yes No

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No

Yes No

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ **6,236** including grants of \$) (Revenue \$ **3,156**)
FACILITATING THE DEVELOPMENT AND CONSTRUCTION OF AFFORDABLE HOUSING IN SITKA, ALASKA

4b (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services. (Describe in Schedule O.)
(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses ► **6,236**

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	X	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?		X
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I		X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II		X
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III		X
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III		X
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV		X
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V		X
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI		X
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII		X
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII		X
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX		X
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X		X
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X		X
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII		X
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional		X
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV		X
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)		X
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II		X
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III		X
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H		X
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?		X

Part IV Checklist of Required Schedules (continued)

	Yes	No
21 Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II		X
22 Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III		X
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J		X
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I		X
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I		X
26 Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part III		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
b A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV		X
29 Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I		X
34 Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, or IV, and Part V, line 1		X
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2		
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)		
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		X
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		X
4b	If "Yes," enter the name of the foreign country: ▶ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		X
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		X
5c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		X
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		X
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		X
7d	If "Yes," indicate the number of Forms 8282 filed during the year		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		X
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		X
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter:		
10a	Initiation fees and capital contributions included on Part VIII, line 12		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
11	Section 501(c)(12) organizations. Enter:		
11a	Gross income from members or shareholders		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans		
13c	Enter the amount of reserves on hand		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		X
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O		

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	7		
1b	7		
2			X
3			X
4			X
5			X
6			X
7a			X
7b			X
8a		X	
8b		X	
9			X

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a			X
10b			
11a		X	
12a			X
12b			
12c			
13			X
14			X
15a			X
15b			X
16a			X
16b			

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed **None**
- 18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain in Schedule O)
- 19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: **SPIRIT BEAR BOOKKEEPING 514 LAKE STREET AK 99835 907-747-4888**

SITKA

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
 - List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
 - List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
 - List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
 - List all of the organization's **former** directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.
- List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if neither the organization nor any related organizations compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) MICHAEL LAGUIRE MEMBER	1.00 0.00	X					0	0	0	
(2) RANDY HUGHEY MEMBER	1.00 0.00	X		X			0	0	0	
(3) PATRICK FOWLER MEMBER	1.00 0.00	X		X			0	0	0	
(4) RENEE MANN MEMBER	1.00 0.00	X					0	0	0	
(5) JOSH HOUSTON SECRETARY	1.00 0.00	X		X			0	0	0	
(6) DORRIE FARRELL TREASURER	1.00 0.00	X		X			0	0	0	
(7) PAUL RIOUX PRESIDENT	1.00 0.00	X		X			0	0	0	
(8)										
(9)										
(10)										
(11)										

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(12)										
(13)										
(14)										
(15)										
(16)										
(17)										
(18)										
(19)										
1b Sub-total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)										

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization **0**

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual		X
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **0**

Part VIII Statement of Revenue

Check if Schedule O contains a response to any question in this Part VIII.

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513 or 514	
Contributions, Gifts, Grants, and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	968			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,818			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		2,786			
	Program Service Revenue	2a	REUSE REVENUE	Busn. Code	3,156	3,156	
b							
c							
d							
e							
f		All other program service revenue					
g		Total. Add lines 2a-2f		3,156			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)					
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
	6a	Gross rents	(i) Real				
			(ii) Personal				
	b	Less: rental exps.					
	c	Rental inc or (loss)					
	d	Net rental income or (loss)					
	7a	Gross amount from sales of assets other than inventory	(i) Securities				
			(ii) Other				
	b	Less: cost or other basis & sales exps					
	c	Gain or (loss)					
d	Net gain or (loss)						
8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18	a					
		b	Less: direct expenses				
		c	Net income or (loss) from fundraising events				
9a	Gross income from gaming activities. See Part IV, line 19	a					
		b	Less: direct expenses				
		c	Net income or (loss) from gaming activities				
10a	Gross sales of inventory, less returns and allowances	a					
		b	Less: cost of goods sold				
		c	Net income or (loss) from sales of inventory				
Miscellaneous Revenue		Busn. Code					
11a							
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d						
12	Total revenue. See instructions		5,942	3,156	0	0	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21				
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages				
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
9 Other employee benefits				
10 Payroll taxes				
11 Fees for services (non-employees):				
a Management				
b Legal				
c Accounting	1,215	1,215		
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.)	437	437		
12 Advertising and promotion	150	150		
13 Office expenses	237	237		
14 Information technology				
15 Royalties				
16 Occupancy	2,125	2,125		
17 Travel	1,776	1,776		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization				
23 Insurance	296	296		
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a				
b				
c				
d				
e All other expenses				
25 Total functional expenses. Add lines 1 through 24e	6,236	6,236	0	0
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response to any question in this Part X

		(A) Beginning of year		(B) End of year	
Assets	1 Cash—non-interest bearing	816	1	821	
	2 Savings and temporary cash investments		2		
	3 Pledges and grants receivable, net		3		
	4 Accounts receivable, net		4		
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5		
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L		6		
	7 Notes and loans receivable, net		7		
	8 Inventories for sale or use		8		
	9 Prepaid expenses and deferred charges		9		
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a			
	b Less: accumulated depreciation	10b		10c	
	11 Investments—publicly traded securities		11		
	12 Investments—other securities. See Part IV, line 11		12		
	13 Investments—program-related. See Part IV, line 11		13		
	14 Intangible assets		14		
	15 Other assets. See Part IV, line 11		15		
16 Total assets. Add lines 1 through 15 (must equal line 34)		816	16	821	
Liabilities	17 Accounts payable and accrued expenses		17	299	
	18 Grants payable		18		
	19 Deferred revenue		19		
	20 Tax-exempt bond liabilities		20		
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21		
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22		
	23 Secured mortgages and notes payable to unrelated third parties		23		
	24 Unsecured notes and loans payable to unrelated third parties		24		
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D		25		
	26 Total liabilities. Add lines 17 through 25		0	26	299
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.				
	27 Unrestricted net assets		816	27	522
	28 Temporarily restricted net assets			28	
	29 Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.				
	30 Capital stock or trust principal, or current funds			30	
	31 Paid-in or capital surplus, or land, building, or equipment fund			31	
	32 Retained earnings, endowment, accumulated income, or other funds			32	
33 Total net assets or fund balances		816	33	522	
34 Total liabilities and net assets/fund balances		816	34	821	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	5,942
2	Total expenses (must equal Part IX, column (A), line 25)	2	6,236
3	Revenue less expenses. Subtract line 2 from line 1	3	-294
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	816
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	522

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

	Yes	No
1 Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.		
2a Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2a	X
b Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2b	X
c If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	2c	
3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	
b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	

SCHEDULE A
(Form 990 or 990-EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization **SITKA COMMUNITY DEVELOPMENT CORPORATION**

Employer identification number
35-2292107

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 11, check only one box.)

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2 A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: _____
- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 8 A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 9 An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
- 10 An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
- 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).** See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.
 - a Type I b Type II c Type III—Functionally integrated d Type III—Non-functionally integrated
- e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).**
- f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
 - (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?
 - (ii) A family member of a person described in (i) above?
 - (iii) A 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s).

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document?		(v) Did you notify the organization in col. (i) of your support?		(vi) Is the organization in col. (i) organized in the U.S.?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
(A)									
(B)									
(C)									
(D)									
(E)									
Total									

For Paperwork Reduction Act Notice, see the instructions for Form 990 or 990-EZ.

Schedule A (Form 990 or 990-EZ) 2012

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
 (Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")	16,125	57,756	29,646	543	2,786	106,856
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3	16,125	57,756	29,646	543	2,786	106,856
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4.						106,856

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4	16,125	57,756	29,646	543	2,786	106,856
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources	114	370	18			502
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 Total support. Add lines 7 through 10						107,358
12 Gross receipts from related activities, etc. (see instructions)					12	3,156
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ► <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))	14	99.53 %
15 Public support percentage from 2011 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization. ► <input checked="" type="checkbox"/>		
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization. ► <input type="checkbox"/>		
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization. ► <input type="checkbox"/>		
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization. ► <input type="checkbox"/>		
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions. ► <input type="checkbox"/>		

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support. (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization

b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization

20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No. 1545-0047

2012

Open to Public
Inspection

Name of the organization

**SITKA COMMUNITY DEVELOPMENT
CORPORATION**

Employer identification number

35-2292107

Form 990, Part VI, Line 11b - Organization's Process to Review Form 990

FORM 990 IS PROVIDED TO ALL BOARD MEMBER VIA MAIL OR EMAIL

Form 990, Part VI, Line 19 - Governing Documents Disclosure Explanation

DOCUMENTS ARE AVAILABLE BY REQUEST TO BOARD MEMBERS.

Federal Statements

Form 990, Part IX, Line 11g - Other Fees for Service (Non-employee)

<u>Description</u>	<u>Total Expenses</u>	<u>Program Service</u>	<u>Management & General</u>	<u>Fund Raising</u>
OTHER PROFESSIONAL FEES	\$ 237	\$ 237	\$	\$
DUES & FEES	200	200		
Total	<u>\$ 437</u>	<u>\$ 437</u>	<u>\$ 0</u>	<u>\$ 0</u>

Federal Statements

Schedule A, Part II, Line 1(e)

<u>Description</u>	<u>Amount</u>
Government Grants or Contributions	\$ 968
DONATIONS	1,818
Total	<u>\$ 2,786</u>

Schedule A, Part II, Line 12

<u>Description</u>	<u>Amount</u>
REUSE REVENUE	\$ 3,156
Total	<u>\$ 3,156</u>

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date:

AUG 04 2008

SITKA COMMUNITY DEVELOPMENT
CORPORATION
C/O TAMBI CALVERT
PO BOX 6461
SITKA, AK 99835-0000

Employer Identification Number:
35-2292107
DLN:
608213002
Contact Person:
L. WAYNE BOTHE ID# 31462
Contact Telephone Number:
(877) 829-5500
Accounting Period Ending:
December 31
Public Charity Status:
509(a)(2)
Form 990 Required:
Yes
Effective Date of Exemption:
October 26, 2006
Contribution Deductibility:
Yes
Advance Ruling Ending Date:
December 31, 2010
Addendum Applies:
No

Dear Applicant:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Organizations exempt under section 501(c)(3) of the Code are further classified as either public charities or private foundations. During your advance ruling period, you will be treated as a public charity. Your advance ruling period begins with the effective date of your exemption and ends with advance ruling ending date shown in the heading of the letter.

Shortly before the end of your advance ruling period, we will send you Form 8734, Support Schedule for Advance Ruling Period. You will have 90 days after the end of your advance ruling period to return the completed form. We will then notify you, in writing, about your public charity status.

Please see enclosed Publication 4221-PC, Compliance Guide for 501(c)(3) Public Charities, for some helpful information about your responsibilities as an exempt organization.

Letter 1045 (DO/CG)



Legislation Details

File #: 14-029 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 2/5/2014 In control: City and Borough Assembly

On agenda: 2/11/2014 Final action:

Title: Authorize the Municipal Administrator to execute a lease between S&S General Contractors and CBS for Block 4 Lots 3 and 6 of the Sawmill Cove Industrial Park

Sponsors:

Indexes:

Code sections:

Attachments: [S&S Lease Block 4 Lots 3 and 6](#)

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

POSSIBLE MOTION

I MOVE TO authorize the Municipal Administrator to execute a lease between S&S General Contractors and the City and Borough of Sitka for Block 4 Lots 3 and 6 of the Sawmill Cove Industrial Park.

Note: This lease recommended for approval by the Sawmill Cove Industrial Park Board at their January 27, 2014 Board meeting.

Friday, January 31, 2014

MEMORANDUM

To: Mark Gorman – CBS Administrator
From: Garry White, Director
Subject: S&S General Construction Lease Request

Introduction

S &S General Contractors (S&S), a local construction contractor, is interested in leasing raw property at the SCIP to process rock and storage of equipment.

Additional Information

S&S requests to lease lots 3 & 6 for the following terms:

- Term – 1 year. Lease execution – 03/01/2014.
- Lot 3 – 17,150 SF @ \$0.36/SF/YR = \$514.50 per month. Total annual lease income = \$6,174
- Lot 6 - 41,028 SF @ \$0.36/SF/YR = \$1,230.84 per month. Total annual lease income = \$14,770.08

Total lease area of 58,178 SF. Total annual income = \$20,944.08

Action

- Discussion and approval of lease area.



LEASE AGREEMENT

**THE
CITY & BOROUGH
OF SITKA**

**&
S&S GENERAL CONTRACTORS
& EQUIPMENT RENTAL, INC.**

(GROUND LEASE – BLOCK 4, LOTS 3 AND 6)

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EXHIBITS:

Exhibit A – Diagram of Lease Area

Exhibit B – Management Requirements at Sawmill Cove Industrial Park, Sitka, Alaska

**LEASE AGREEMENT BETWEEN
CITY AND BOROUGH OF SITKA AND
S AND S GENERAL CONTRACTORS & EQUIPMENT RENTALS, INC.**

PREAMBLE

This Lease Agreement Between City And Borough of Sitka and S and S General Contractors & Equipment Rentals, Incorporated, P.O. Box 1440, Sitka, Alaska 99835 (“Lease Agreement”) is effective upon execution of the Lease Agreement by both Parties, City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835 (“Sitka” “or “Lessor”) and S and S General Contractors & (“Lessee”). This Lease Agreement consists of the Special Provisions, the General Provisions, and the attached Exhibits A and B. Exhibit A is a pictorial representation of the area leased, consisting of Block 4, Lots 3 and 6 of the Sawmill Cove Industrial Park (“SCIP”). Exhibit B is the “Management Requirements at Sawmill Cove Industrial Park, Sitka, Alaska,” which summarizes the Prospective Purchasers Agreement, the Management Plan and the Conveyance Agreement regarding Sawmill Cove Industrial Park (“SCIP). This lease agreement was recommended by SCIP Board of Directors on January 27, 2014, and approved by the Assembly on February 11, 2014.

SPECIAL PROVISIONS

ARTICLE I: LEASE, TERM OF LEASE, AND TERMINATION OF LEASE

Section 1.1 Conveyance of Estate in Lease.

Lessor, for and in consideration of the covenants and agreements made by Lessee, does lease to Lessee, and Lessee leases from Lessor, the Subject Property or Premises as shown on Exhibit A, for storage of equipment and materials, and for an asphalt plant. The subject property is Block 4, Lots 3 and 6 of the SCIP, consisting of 58,178 square feet. The Term is for 1 (one) year, commencing upon execution of Lease Agreement as set out in the Preamble. This Lease Agreement may be extended beyond one year, upon mutual consent of the Parties.

Section 1.2 Reserved.

Section 1.3 Reserved.

Section 1.4 Disposition of Improvements and Lessee's Personal Property Following Term of Lease Agreement.

Lessee shall remove from the Subject Property any personal property or Improvements constructed, installed, or deposited on the Subject Property at the termination of this Lease Agreement or any extension unless Lessee makes a separate written agreement with Sitka to do otherwise. Any Improvements or personal property not removed after thirty (30) days have passed after termination of this Lease Agreement shall be deemed abandoned and at Lessor's option shall become the property of Lessor, and Lessee shall repay to Sitka any costs of removing such improvements or personal property from the Subject Property if Sitka does not exercise such option. Subject to Sitka’s obligations under Subsection 3.1(a) below, Lessee

agrees to leave Subject Property in a neat and clean condition at the end of the Term of the Lease Agreement.

Section 1.5 Covenants to Perform.

This Lease Agreement is made upon the above and the following terms and conditions, each of which the Party bound by such covenants and conditions agrees to perform, irrespective of whether the particular provision is in the form of a covenant, an agreement, a condition, a direction, or otherwise, and each Party agrees to provide the other Party with documents or further assurances as may be required to carry out the expressed intentions.

ARTICLE II: RENT

Section 2.1 Calculation & Method of Payment of Rent

Notwithstanding any other provision of this Lease Agreement, on the Term start date set out in Article I, Lessee shall pay the full month rent payment owed under this Lease Agreement, which shall be prorated if the date this Lease is executed is not the first day of the month. Subject to the provision in the previous sentence, Lessee shall pay the lease payments in advance for the Term of the Lease Agreement without the necessity of any billing by Lessor. Lessee will lease the space as shown in Exhibit A for \$1,745.34/month payable at a rate of \$0.03/SF/month. Sales tax is to be paid in addition to the stated Rent.

Section 2.2 Reserved.

Section 2.3 Reserved.

Section 2.4 Reserved.

ARTICLE III: RESTRICTIONS UPON USE OF SUBJECT PROPERTY

Section 3.1 Lessee's Obligations as to Construction, Maintenance, Repair and Safety.

(a) Except as provided in this Lease Agreement, Lessee acknowledges the leasehold is in an "as is" condition. At the sole cost and expense of Lessee and in compliance with all legal requirements, Lessee may purchase, construct, develop, repair, and/or maintain any Improvements, using materials of good quality and matching existing finishes.

Lessor reserves the right to expand or modify the Subject Property. In that event, the Lessor and Lessee will work together to complete such expansion or modification in a manner that minimizes disruption to Lessee's use of the Subject Property. Some anticipated disruptions could be operational disturbances from noise, dust and other construction activities.

(b) Lessee acknowledges that Lessor has made no representation or warranty with respect to Lessee's ability to obtain any permit, license, or approval.

(c) Lessee shall also use the Subject Property and any Improvements placed thereon only for lawful uses.

(d) Lessee shall confine its operation on the Subject Property to equipment and materials storage, and operation of an asphalt plant.

(e) Lessee shall not permit the accumulation of waste or refuse matter on the Subject Property, and Lessee shall not obstruct or permit the obstruction of the streets, sidewalks, access ways, or alleys adjoining the Subject Property except as may be permitted by Lessor or other municipal authorities having jurisdiction. Lessee shall do all things necessary during the Term of this Lease Agreement to remove any dangerous condition from time to time existing on the Subject Property as the result of the use by Lessee.

(f) Lessee may erect outdoor signage at its expense with the permission of the City and Borough of Sitka Building Official, the Planning Director, and the Public Works Director. The style, size and physical placement location of the sign will be approved on a case-by-case basis.

Section 3.2 Lessor's Approval of Certain Alterations or Improvements.

Lessee shall not make or permit to be made any alteration of, addition to, or change in, structures and Improvements, nor demolish all or any part of the structures or Improvements without the prior written consent of the Lessor, which consent shall not be unreasonably withheld. The phrase "structures and Improvements" in the previous sentence includes water and wastewater systems and electrical systems. In requesting consent Lessee shall comply with all applicable laws and ordinances, and shall submit to the Public Works Director of the City and Borough of Sitka or his or her written designee detailed plans and specifications of proposed work, an explanation of the needs and reasons for the work, and a plan for full payment of the costs of the work. Lessor shall notify Lessee of its approval or objections no later than 30 days after receiving the information described in the previous sentence. In approving or objecting Lessor shall be acting in its proprietary function and not its regulatory function, any such approval in this proprietary function does not relieve Lessee of any obligation to obey the law. Nothing in this Section shall be interpreted to prevent Lessee from removing at the termination of this Lease Agreement any Improvements or personal property as described in Section 1.4.

Section 3.3 Rights of Access to Property.

(a) Lessor reserves for itself and any public utility company the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of opening, inspecting, repairing, replacing, reconstructing, maintaining, or servicing the public utilities, if any, located on the Subject Property, as well as for the purposes of constructing or installing new public utilities. Lessor also reserves for itself and the Alaska Department of Environmental Conservation the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of regulation and enforcement of this Lease Agreement. Sitka also reserves for itself the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of (1) inspection of all work being performed in connection with the construction of Improvements; (2) showing Subject Property for exhibiting Subject Property in connection with renting or leasing Subject Property in a matter that will not unreasonably interfere with Lessee's business; and (3) placing "For Sale" or "For Rent" signs on Subject Property. Lessee shall not charge for any of the access allowed in the situations described in this subsection.

(b) Lessee shall not construct any permanent Improvements over or within the boundary lines of any easement for public utilities without receiving the written prior consent of Lessor and any applicable utility company.

(c) Lessee acknowledges that the Subject Property is or shall be subject to agreements for ingress and egress, utilities, parking, and maintenance of common areas as described on attached Exhibit A. Lessee agrees that it shall comply with the terms of such cooperative agreements, in accordance with the terms of such agreements, those portions of such maintenance expenses that are attributable to the Subject Property, as more fully set forth therein.

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) Lessee will cooperate with the City and Borough of Sitka Public Works Department and will notify this Department of any maintenance deficiencies or of any equipment failures that require maintenance or repair. Lessee will be provided a 24 hour telephone number to notify the Lessor of any event that requires immediate response by the Lessor.
- (b) Lessee will maintain and repair as necessary the storm drain facilities on and adjacent to the Subject Property. This includes, but is not limited to, keeping concrete roadside gutters clean and free of dirt, rock and debris, and periodic clearing/cleaning of filters in the roadside catch basins and drop-inlets. The paved roadways adjacent to the Subject Property shall be cleared of loose soil and rock materials at the end of each shift. Any construction or mining debris (scrap concrete, asphalt, steel, wood; also, plant/organic matter) is to be properly disposed of offsite.
- (c) All vehicles operated on the paved roadways within the SCIP shall be subject to the vehicle weight and load limitation provisions under Sitka General Code 11.17. The primary objective of this clause is to limit the use of off-road haul units and other rubber-tired heavy equipment on the paved streets at SCIP.

A \$50 penalty per day will be applicable if Lessee fails to comply with Section 3.4 (b) and/or (c).

- (d) Lessee covenants and agrees that as it relates to use of the facility, it will not, on the grounds of race, color or national origin, discriminate or permit discrimination against any person or group of person in any manner prohibited by Federal or State laws or regulations promulgated thereunder, and Lessee further grants the Lessor the right to take such action to enforce such covenant as it deems necessary or as it is directed pursuant to any Federal or State law or regulation.
- (e) Lessor may sell the Subject Property in the future and all agreements regarding the Subject Property, including this Lease Agreement, between Lessor and Lessee shall be completely transferable to the new owner. A transfer of the Subject Property to any such entity shall not

create any restrictions upon use of the Subject Property in addition to those set forth in this Lease Agreement.

- (f) Lessor may, upon at least 10 days prior notice to Lessee, temporarily suspend the supply, if provided on the Subject Property, of water, wastewater service, electric power to perform routine maintenance and, in all events, subject to unavoidable delays, as provided in Section 4.4. Such interruptions shall be of as short duration as necessary to perform such maintenance, and Sitka shall not be responsible for any such costs or expenses as a result of suspending such utilities.
- (g) Lessee will pay any applicable City and Borough of Sitka Fire Marshal fees and other building permit fees when due.
- (h) Lessee is responsible for taking any measures that Lessee deems necessary to provide security for their property. Sitka is not responsible for theft or vandalism.
- (i) City and Borough of Sitka sales tax will apply to lease payments. Sales taxes will also apply to any utility services and will be calculated into each monthly billing from the City and Borough of Sitka. Sales tax rates, limits, exemptions, and exclusions are subject to change by the Assembly of the City and Borough of Sitka.
- (j) Lessee shall not store hazardous or explosive materials on the Subject Property or on any property of Sawmill Cove Industrial Park.
- (k) Lessee shall removal all alder trees and debris from the Subject Property.
- (l) Lessee shall leave the non-concrete area graded with crushed gravel at a level of the existing concrete pads on Subject Property.

Section 3.5 Control of Rodents and Other Creatures on Subject Property.

Lessee shall take reasonable affirmative measures to ensure that its operations do not attract to Subject Property or any portion of the Sawmill Cove Industrial Park property any of the following creatures: rodents, vermin, insects, eagles, crows, ravens, seagulls, or bears.

ARTICLE IV: UTILITY SERVICES & RATES

Section 4.1 Provision of Utility Services

Currently, no utility services are provided to the Subject Property. If and when utility services are provided, Lessee shall pay the cost of use of such utility services, to be paid monthly upon billing by the City and Borough of Sitka.

Section 4.2 Reserved.

Section 4.3 Reserved.

Section 4.4 Lessor Not Limited Liability and Non-Liability.

In the event utility services are provided, and except to the extent that any such failure, injury, or other casualty is due to Lessor's negligence or breach of any obligation under this Lease Agreement, Lessor shall not be liable for any failure of utility services, or for any injury or damages to person or property caused by or resulting from any natural disaster, natural condition, earthquake, hurricane, tornado, flood, wind or similar storms or disturbances, or water, rain, or snows which may leak or flow from the street, sewer, or from any part of Subject Property, or leakage of sewer, or plumbing works therein, or from any other place. Lessor shall not be held responsible or liable for any claim or action due to or arising from any suspension of operation, breakage, unavoidable accident or injury of any kind occurring to, or caused by the sewer mains by an act of God, beyond Lessor's control, or caused by the elements, strikes, riots, or a terrorist or terrorists.

Section 4.5. Requirement Regarding Potable Water Services.

All potable water services will be metered and protected by approved backflow prevention in accordance with the Sitka General Code at Section 15.05.400.

Section 4.6 Reserved.

ARTICLE V: LIABILITY AND INDEMNIFICATION

Section 5.1 Liability of Lessee and Indemnification of Lessor.

Lessee agrees to indemnify, defend, and hold harmless Lessor against and from any and all claims by or on behalf of any person, firm, or corporation arising, other than due to acts or omissions of Lessor, from the conduct or management of or from any work or thing whatsoever done in or about the Subject Property and structures and Improvements, including liability arising from products produced on the property. Lessee also agrees to indemnify, defend, and hold Lessor harmless against and from any and all claims and damages arising, other than due to acts or omissions of Lessor, during the Term of this Lease Agreement from: (a) any condition of the Subject Property or Improvements placed on it; (b) any breach or default on the part of the Lessee regarding any act or duty to be performed by Lessee pursuant to the terms of this Lease Agreement; (c) any act or negligence of Lessee or any of its agents, contractors, servants, employees or licensees; and (d) any accident, injury, death or damage caused to any person occurring during the Term of this Lease Agreement in or on the Subject Property. Lessee agrees to indemnify, defend, and hold harmless Lessor from and against all costs, counsel and legal fees, expenses, and liabilities incurred, other than due to acts or omissions of Lessor, in any claim or action or proceeding brought asserting claims of or asserting damages for any alleged act, negligence, omission, conduct, management, work, thing, breach, default, accident, injury, or damage described in the previous two sentences. The above agreements of indemnity are in addition to and not by way of limitation of any other covenants in this Lease Agreement to indemnify the Lessor. The agreements of indemnity by the Lessee do not apply to any claims of damage arising out of the failure of the Lessor to perform acts or render services in its municipal capacity.

Section 5.2 Liability of Lessor and Indemnification of Lessee.

Except to the extent of liabilities arising from Lessee's acts or omissions, Lessor indemnifies, defends, and holds Lessee harmless for liabilities to the extent that they were incurred by reason of conditions existing on the site as of the date of execution of this Lease Agreement or by reasons of Lessor's acts or omissions. Lessor also agrees to indemnify, defend, and hold Lessee harmless against and from any and all claims and damages arising, other than due to acts or omissions of Lessee, during the Term of this Lease Agreement from (a) any condition of the Subject Property or Improvements placed on it; (b) any breach or default on the part of the Lessor regarding any act or duty to be performed by Lessor pursuant to the terms of the Lease Agreement; (c) any act or negligence of Lessor or any of its agents, contractors, servants, employees, or licensees; and (d) any accident, injury, death, or damage caused to any person occurring during the Term of this Lease Agreement in or on the Subject Property. Lessor agrees to indemnify, defend, and hold harmless Lessee from and against all costs, counsel and legal fees, expenses, and liabilities incurred, other than due to acts or omissions of Lessee, in any claim or action or proceeding brought asserting claims of or asserting damages for any alleged act, negligence, omission, conduct, management, work, thing, breach, default, accident, injury, or damage described in the previous two sentences. The above agreements of indemnity are in addition to and not by way of limitation of any other covenants in this Lease Agreement to indemnify the Lessee.

Section 5.3 Reimbursement of Costs of Obtaining Possession.

Each Party agrees to pay and to indemnify the other Party prevailing in any dispute under this Lease Agreement for all costs and charges, including but not limited to, full reasonable attorney and legal fees lawfully incurred in enforcing any provision of this Lease Agreement including obtaining possession of the Subject Property and establishing the Lessor's title free and clear of this Lease Agreement upon expiration or earlier termination of this Lease Agreement.

GENERAL PROVISIONS

ARTICLE VI: DEFINITIONS

Section 6.1 Defined Terms.

For the purposes of this Lease Agreement, the following words shall have the meanings attributed to them in this Section:

- (a) "Event of Default" means the occurrence of any action specified in Section 14.1.
- (b) "Imposition" means all of the taxes, assessments, utility rates or charges, levies and other governmental charges, levied or assessed against the Subject Property, any part thereof, any right or interest therein or any rent and income received therefrom as well as sales taxes on rent.
- (c) "Improvements" or "improvements" means all improvements of any nature now or hereafter located upon the Land, as well as all apparatus and equipment necessary for the complete and comfortable use, occupancy, enjoyment and operation of the Subject Property, including any construction fencing or signage, excepting only in each case articles of personal property

appurtenances and fixtures (including trade fixtures) owned by Lessee, Sublessees, or others, which can be removed without defacing or materially injuring the Improvements remaining on the Subject Property, from the Subject Property with the portion of the Subject Property from which such items are removed being returned to a condition at least as good as that existing on the date of this Lease Agreement. "Improvements" also includes fill, grading, asphalt, and other non-building land improvements.

(d) "Personal Property" means tangible personal property owned or leased and used by the Lessee or any sublessee of the Lessee, in connection with and located upon the Subject Property.

(e) "Premises" means the "Subject Property."

(f) "Rent" means the lease rate, which is the amount Lessee periodically owes and is obligated to pay Lessor as lease payments under this Lease Agreement for the use of the demise.

(g) "Subject Property" is the area leased as shown on Exhibit A or elsewhere in the document.

(h) "Sublessee" and "Sublease" -- any reference to "sublessee" shall mean any subtenant, concessionaire, licensee, or occupant of space in or on the Subject Property holding by or through the Lessee; the term "sublease" shall mean any lease, license, concession or other agreement for the use and occupancy of any part of the Subject Property made by any Person holding by or through the Lessee.

(i) "Term" means the period of time Lessee rents or leases the Subject Property from Lessor.

ARTICLE VII: INSURANCE

Section 7.1 Insurance.

Lessee shall maintain property damage and comprehensive general liability insurance in the amount of one million dollars (\$1,000,000), including leasehold improvements. Lessor shall be named as an additional insured.

Section 7.2 Notification of Claim, Loss, or Adjustment.

Lessee shall advise Lessor of any claim, loss, adjustment, or negotiations and settlements involving any loss under all policies of the character described in Section 7.1.

Section 7.3 Waiver of Subrogation.

The Party insured (or so required) releases the other Party from any liability the other Party may have on account of the loss, cost, damage or expense to the extent of any amount recoverable by reason of insurance whenever: (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty or occurrence is incurred by either of the Parties to this Lease Agreement, or anyone claiming under it in connection with the Subject Property or Improvements; and (ii) the Party is then covered in whole or in part by insurance with respect to loss, cost, damage or expense or is required under this Lease Agreement to be so insured.

In such coverage the Parties hold on or waives any right of subrogation which might otherwise exist in or accrue to any person on account of it, provided that the release of liability and waiver of the right of subrogation shall not be operative in any case where the effect is to invalidate the insurance coverage or increase its cost. In the case of increased cost, the other Party shall have the right, within thirty (30) days following written notice, to pay the increased cost keeping the release and waiver in full force and effect.

ARTICLE VIII: RESTRICTIONS REGARDING ASSIGNMENT, SUBLEASES, AND TRANSFERS OF SUBJECT PROPERTY

Section 8.1 Lessee Without Power to Assign Lease or Transfer or Encumber Subject Property.

Lessee has no power under this Lease Agreement to assign the Lease Agreement or transfer the Subject Property, except with the approval of the SCIP Board of Directors and Sitka Assembly. Lessee has no power to encumber Subject Property or pledge its interest in Subject Property as collateral for a loan, mortgage, debt or liability.

Section 8.2 Limitations on Subleases.

Lessee shall not sublease the Subject Property or any portion of it except with the approval of the SCIP Board of Directors and the Sitka Assembly. All subleases entered into demising all or any part of the Improvements or the Subject Property shall be expressly subject and subordinate to this Lease Agreement, including Exhibits A and B. Lessor's consent to a sublease of the Subject Property shall not release Lessee from its obligations under the Lease Agreement. Lessor's consent to a sublease shall not be deemed to give any consent to any subsequent subletting.

ARTICLE IX: USE AND PROTECTION OF THE SUBJECT PROPERTY

Section 9.1 Property As Is - Repairs.

Lessee acknowledges that it has examined the Subject Property and the present improvements including any public improvements presently located there and knows the condition of them and accepts them in their present condition and without any representations or warranties of any kind or nature whatsoever by Lessor as to their condition or as to the use or occupancy which may be made of them. Lessee assumes the sole responsibility for the condition of the improvements located on the Subject Property. The foregoing shall not be deemed to relieve Lessor of its general municipal obligations, or of its obligations under Section 3.1.

Section 9.2 Compliance with Laws.

Lessee shall throughout the Term of this Lease Agreement and any extension, 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.

Section 9.3 Notification of City and Borough of Sitka's Public Works Director of Discovery of Contamination.

Lessee shall promptly notify the Public Works Director of the City and Borough of Sitka within 24 hours if any contaminated soils or other media that require special handling are encountered on the Subject Property.

Lessee shall be responsible for all clean-up costs associated with contamination of soils of Subject Property, adjoining property, and/or buildings caused by or attributed to Lessee through its operations on the Subject Property. In the event of Lessee's failure to clean-up to applicable regulatory standards or to the satisfaction of the Public Works Director, the Lessor may perform clean-up or contract for clean-up and all charges for such work shall be payable by Lessee.

Section 9.4 Use of Utility Lines.

No utility services are currently provided. If Lessee desires utilities, Lessee and Lessor shall negotiate and enter an amendment to this Lease Agreement regarding which utility services to provide, the costs associated with such services, and the rate for such utility service.

If such utility services are requested and granted, Lessee shall connect or otherwise discharge to such utility lines, including electrical, water and/or wastewater lines, as are approved by the appropriate City and Borough of Sitka Department, which may include Department of Public Works and/or Electrical Department, and shall obtain any permits and comply with any conditions specified by the Director of Public Works and/or Electric Department for such connections.

Section 9.5 Permits and Approvals for Activities.

Lessee shall be responsible for obtaining all necessary permits and approvals for its activities unless otherwise specifically allowed by Lessor. Not less than ten (10) days in advance of applying for permits to any public entity other than the City and Borough of Sitka, Lessee shall provide copies of all permit applications and associated plans and specifications to the Director of Public Works of the City and Borough of Sitka to facilitate review by departments of the City and Borough of Sitka. The City and Borough of Sitka is not obligated to comment on the permit applications and plans, and the result of any review by the City and Borough of Sitka does not affect Lessee's obligation to comply with any applicable laws.

ARTICLE X: LESSOR'S RIGHT TO PERFORM LESSEE'S COVENANTS; REIMBURSEMENT OF LESSOR FOR AMOUNTS SO EXPENDED

Section 10.1 Performance of Lessee's Covenants To Pay Money.

Lessee covenants that if it shall at any time default or shall fail to make any other payment (other than rent) due and the failure shall continue for ten (10) days after written notice to the Lessee, then the Lessor may, but shall not be obligated so to do, and without further notice to or demand upon the Lessee and without releasing the Lessee from any obligations of the Lessee under this Lease Agreement, make any other payment in a manner and extent that the Lessor may deem desirable.

Section 10.2 Lessor's Right To Cure Lessee's Default.

If there is a default involving the failure of the Lessee to keep the Subject Property in good condition and repair in accordance with the provisions of this Lease Agreement, to make any necessary renewals or replacements or to remove any dangerous condition in accordance with the requirements of this Lease Agreement or to take any other action required by the terms of this Lease Agreement, then the Lessor shall have the right, but shall not be required, to make good any default of the Lessee. The Lessor shall not in any event be liable for inconvenience, annoyance, disturbance, loss of business, or other damage of or to the Lessee by reason of bringing materials, supplies and equipment on the Subject Property during the course of the work required to be done to make good such default, and the obligations of the Lessee under this Lease Agreement shall remain unaffected by such work, provided that the Lessor uses reasonable care under the circumstances prevailing to avoid unnecessary inconvenience, annoyance, disturbance, loss of business, or other damage to the Lessee.

Section 10.3 Reimbursement of Lessor and Lessee.

All sums advanced by the Lessor pursuant to this Article and all necessary and incidental costs, expenses and attorney fees in connection with the performance of any acts, together with interest at the highest rate of interest allowed by law from the date of the making of advancements, shall be promptly payable by the Lessee, in the respective amounts so advanced, to the Lessor. This reimbursement shall be made on demand, or, at the option of the Lessor, may be added to any rent then due or becoming due under this Lease Agreement and the Lessee covenants to pay the sum or sums with interest, and the Lessor shall have (in addition to any other right or remedy) the same rights and remedies in the event of the nonpayment by the Lessee as in the case of default by the Lessee in the payment of any installment of rent. Conversely, the Lessee shall be entitled to receive from the Lessor prompt payment or reimbursement on any sums due and owing from the Lessor to the Lessee, together with interest at the highest rate allowed by law. However, nothing contained in this Lease Agreement shall entitle the Lessee to withhold any rent due to the Lessor or to offset or credit any sums against rent, except with respect to unpaid rental due from the Lessor to the Lessee under any sublease of building space to the Lessor.

ARTICLE XI: DAMAGE OR DESTRUCTION

Section 11.1 Repair and Replacement of Structures and Improvements Following Damage.

(a) If the Premises shall be destroyed or so injured by any cause as to be unfit, in whole or in part, for occupancy and such destruction or injury could reasonably be repaired within ninety (90) days from the date of such damage or destruction, then Lessee shall not be entitled to surrender possession of the Premises, nor shall Lessee's liability to pay rent under this Lease Agreement cease, without the mutual consent of the Parties; in case of any such destruction or injury, Lessor shall repair the same with all reasonable speed and shall complete such repairs within ninety (90) days from the date of such damage or destruction. If during such period Lessee shall be unable to use all or any portion of the Premises, a proportionate allowance shall be made to Lessee from the Rent corresponding to the time during which and to the portion of the Premises of which Lessee shall be so deprived of the use.

(b) If such destruction or injury cannot reasonably be repaired within ninety (90) days from the date of such damage or destruction, Lessor shall notify Lessee within fifteen (15) days after the determination that restoration cannot be made in 90 days. If Lessor elects not to repair or rebuild, this Lease Agreement shall be terminated. If Lessor elects to repair or rebuild, Lessor shall specify the time within which such repairs or reconstruction will be complete, and Lessee shall have the option, to be exercised within thirty (30) days after the receipt of such notice, to elect either to terminate this Lease Agreement and further liability hereunder, or to extend the Term of this Lease Agreement by a period of time equivalent to the time from the happening of such destruction or injury until the Premises are restored to their former condition. In the event Lessee elects to extend the Term of this Lease Agreement, Lessor shall restore the Premises to their former condition within the time specified in the notice, and Lessee shall not be liable to pay Rent for the period from the time of such destruction or injury until the Premises are so restored to their former condition.

(c) The timeframes in this article may be modified by mutual agreement of the Parties.

ARTICLE XII: MECHANIC'S LIENS

Section 12.1 Discharge of Mechanics' Liens.

The Lessee shall neither suffer nor permit any mechanics' liens to be filed against the title to the Subject Property, nor against the Lessee's interest in the property, nor against the Improvements by reason of work, labor, services or materials supplied or claimed to have been supplied to the Lessee or anyone having a right to possession of the Subject Property or Improvements as a result of an agreement with or the assent of the Lessee. If any mechanics' lien shall at the time be filed against the Subject Property including the Improvements, the Lessee shall cause it to be discharged of record within 30 days after the date that Lessee has knowledge of its filing.

ARTICLE XIII: LIEN FOR RENT AND OTHER CHARGES

Section 13.1 Lien for Rent.

The whole amount of the Rent and each and every installment, and the amount of all taxes, assessments, water rates, insurance premiums and other charges and impositions paid by the Lessor under the provisions of this Lease Agreement, and all costs, attorney's fees and other expenses which may be incurred by the Lessor in enforcing the provisions of this Lease Agreement or on account of any delinquency of the Lessee in carrying out any of the provisions of this Lease Agreement, shall be and they are declared to constitute a valid and prior lien upon the Lessee and Lessee's Improvements to the Subject Property, and upon the Lessee's leasehold estate, and may be enforced by equitable remedies including the appointment of a receiver.

ARTICLE XIV: DEFAULT PROVISIONS

Section 14.1 Events of Default.

Each of the following events is defined as an "Event of Default":

(a) The failure of the Lessee to pay any installment of Rent, or any other payments or deposits of money, or furnish receipts for deposits as required, when due and the continuance of the failure for a period of ten (10) days after notice in writing from the Lessor to the Lessee.

(b) The failure of the Lessee to perform any of the other covenants, conditions and agreements of this Lease Agreement including payment of taxes on the part of the Lessee to be performed, and the continuance of the failure for a period of thirty (30) days after notice in writing (which notice shall specify the respects in which the Lessor contends that the Lessee has failed to perform any of the covenants, conditions and agreements) from the Lessor to the Lessee unless, with respect to any default which cannot be cured within thirty (30) days, the Lessee, or any person holding by, through or under the Lessee, in good faith, promptly after receipt of written notice, shall have commenced and shall continue diligently and reasonably to prosecute all action necessary to cure the default within an additional sixty (60) days.

(c) The filing of an application by the Lessee (the term, for this purpose, to include any approved transferee other than a sublessee of the Lessee's interest in this Lease Agreement): (i) for a consent to the appointment of a receiver, trustee or liquidator of itself or all its assets; (ii) of a voluntary petition in bankruptcy or the filing of a pleading in any court of record admitting in writing of its inability to pay its debts as they come due; (iii) of a general assignment for the benefit of creditors; (iv) of an answer admitting the material allegations of, or its consenting to, or defaulting in answering, a petition filed against it in any bankruptcy proceeding.

(d) The entry of an order, judgment or decree by any court of competent jurisdiction, adjudicating the Lessee a bankrupt, or appointing a receiver, trustee or liquidator of it or of its assets, and this order, judgment or decree continuing unstayed and in effect for any period of sixty (60) consecutive days, or if this Lease Agreement is taken under a writ of execution.

Section 14.2 Assumption or Assignment of Lease to Bankruptcy Trustee.

In the event that this Lease Agreement is assumed by or assigned to a trustee pursuant to the provisions of the bankruptcy reform Act of 1978 (referred to as "Bankruptcy Code") (11 U.S.C. § 101 *et seq.*), and the trustee shall cure any default under this Lease Agreement and shall provide adequate assurances of future performance of this Lease Agreement as are required by the Bankruptcy Code (including but not limited to, the requirement of Code § 365(b)(1)) (referred to as "Adequate Assurances"), and if the trustee does not cure such default, and provide such adequate assurances under the Bankruptcy Code within the applicable time periods provided by the Bankruptcy Code, then this Lease Agreement shall be deemed rejected automatically and the Lessor shall have the right immediately to possession of the Subject Property immediately and shall be entitled to all remedies provided by the Bankruptcy Code for damages for breach or termination of this Lease Agreement.

Section 14.3 Remedies in Event of Default.

The Lessor may treat any one or more of the Events of Default as a breach of this Lease Agreement and at its option, by serving written notice on the Lessee and each Secured Party and Leasehold Mortgagee of whom Lessor has notice (such notice not to be effective unless served on each such person) of the Event of Default of which the Lessor shall have received notice in

writing, the Lessor shall have, in addition to other remedies provided by law, one or more of the following remedies:

(a) The Lessor may terminate this Lease Agreement and the Term created, in which event the Lessor may repossess the entire Subject Property and Improvements, and be entitled to recover as damages a sum of money equal to the value, as of the date of termination of this Lease Agreement, of the Rent provided to be paid by the Lessee for the balance of the stated term of this Lease Agreement less the fair rental value as of the date of termination of this Lease Agreement of the fee interest in the Subject Property and Improvements for the period, and any other sum of money and damages due under the terms of this Lease Agreement to the Lessor and the Lessee. Any personal property not removed after such termination shall be addressed as provided for in Section 1.4 above.

(b) The Lessor may terminate the Lessee's right of possession and may repossess the entire Subject Property and Improvements by forcible entry and detainer suit or otherwise, without demand or notice of any kind to the Lessee (except as above expressly provided for) and without terminating this Lease Agreement, in which event the Lessor may, but shall be under no obligation to do so, relet all or any part of the Subject Property for rent and upon terms as shall be satisfactory in the judgment reasonably exercised by the Lessor (including the right to relet the Subject Property for a term greater or lesser than that remaining under the stated Term of this Lease Agreement and the right to relet the Subject Property as a part of a larger area and the right to change the use made of the Subject Property). For the purpose of reletting, the Lessor may make any repairs, changes, alterations or additions in or to the Subject Property and Improvements that may be reasonably necessary or convenient in the Lessor's judgment reasonably exercised; and if the Lessor shall be unable, after a reasonable effort to do so, to relet the Subject Property, or if the Subject Property is relet and a sufficient sum shall not be realized from reletting after paying all of the costs and expenses of repairs, change, alterations and additions and the expense of reletting and the collection of the rent accruing from it, to satisfy the rent above provided to be paid, then the Lessee shall pay to the Lessor as damages a sum equal to the amount of the rent reserved in this Lease Agreement for the period or periods as and when payable pursuant to this Lease Agreement, or, if the Subject Property or any part of it has been relet, the Lessee shall satisfy and pay any deficiency upon demand from time to time; and the Lessee acknowledges that the Lessor may file suit to recover any sums falling due under the terms of this Section from time to time and that any suit or recovery of any portion due the Lessee shall be no defense to any subsequent action brought for any amount not reduced to judgment in favor of the Lessor. Any personal property not removed after such termination shall be addressed as provided for in Section 1.4 above.

(c) In the event of any breach or threatened breach by the Lessee of any of the terms, covenants, agreements, provisions or conditions in this Lease Agreement, the Lessor shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as through reentry, summary proceedings, and other remedies were not provided for in this Lease Agreement.

(d) Upon the termination of this Lease Agreement and the Term created, or upon the termination of the Lessee's right of possession, whether by lapse of time or at the option of the Lessor, the

Lessee will at once surrender possession of the Subject Property and dispose of personal property and Improvements as described in Section 1.4. If possession is not immediately surrendered, the Lessor may reenter the Subject Property and Improvements and repossess itself of it as of its former estate and remove all persons and their personal property, using force as may be necessary without being deemed guilty of any manner of trespass or forcible entry or detainer. Lessor may at its option seek expedited consideration to obtain possession if Lessor determines that the Lease Agreement has terminated as described in the first sentence of this paragraph, and Lessee agrees not to oppose such expedited consideration.

(e) In the event that the Lessee shall fail to make any payment required to be made provided for in this Lease Agreement or defaults in the performance of any other covenant or agreement which the Lessee is required to perform under this Lease Agreement during the period when work provided for in this Lease Agreement shall be in process or shall be required by the terms of this Lease Agreement to commence, the Lessor may treat the default as a breach of this Lease Agreement and, in addition to the rights and remedies provided in this Article, but subject to the requirements of service of notice pursuant to this Lease Agreement, the Lessor shall have the right to carry out or complete the work on behalf of the Lessee without terminating this Lease Agreement.

Section 14.4 Waivers and Surrenders To Be In Writing.

No covenant or condition of this Lease Agreement shall be deemed to have been waived by the Lessor unless the waiver be in writing, signed by the Lessor or the Lessor's agent duly authorized in writing and shall apply only with respect to the particular act or matter to which the consent is given and shall not relieve the Lessee from the obligation, wherever required under this Lease Agreement, to obtain the consent of the Lessor to any other act or matter.

ARTICLE XV: LESSOR'S TITLE AND LIEN

Section 15.1 Lessor's Title and Lien Paramount.

The Lessor has title to the Land, and the Lessor's lien for Rent and other charges shall be paramount to all other liens.

Section 15.2 Lessee Not To Encumber Lessor's Interest.

The Lessee shall have no right or power to and shall not in any way encumber the title of the Lessor in and to the Subject Property. The fee-simple estate of the Lessor in the Subject Property shall not be in any way subject to any claim by way of lien or otherwise, whether claimed by operation of law or by virtue of any express or implied lease or contract or other instrument made by the Lessee, and any claim to the lien or otherwise upon the Subject Property arising from any act or omission of the Lessee shall accrue only against the leasehold estate of the Lessee in the Subject Property and the Lessee's interest in the Improvements, and shall in all respects be subject to the paramount rights of the Lessor in the Subject Property.

ARTICLE XVI: REMEDIES CUMULATIVE

Section 16.1 Remedies Cumulative.

No remedy conferred upon or reserved to the Lessor shall be considered exclusive of any other remedy, but shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or existing at law or in equity or by statute. Every power and remedy given by this Lease Agreement to the Lessor may be exercised from time to time and as often as occasion may arise or as may be deemed expedient by the Lessor. No delay or omission of Lessor to exercise any right or power arising from any default shall impair any right or power, nor shall it be construed to be a waiver of any default or any acquiescence in it.

Section 16.2 Waiver of Remedies Not To Be Inferred.

No waiver of any breach of any of the covenants or conditions of this Lease Agreement shall be construed to be a waiver of any other breach or to be a waiver of, acquiescence in, or consent to any further or succeeding breach of it or similar covenant or condition.

Section 16.3 Right to Terminate Not Waived.

Neither the rights given to receive, sue for or distrain from any rent, moneys or other payments, or to enforce any of the terms of this Lease Agreement, or to prevent the breach or nonobservance of it, nor the exercise of any right or of any other right or remedy shall in any way impair or toll the right or power of the Lessor to declare ended the Term granted and to terminate this Lease Agreement because of any event of default.

ARTICLE XVII: SURRENDER AND HOLDING OVER

Section 17.1 Surrender at End of Term.

Lessee shall peaceably and quietly leave, surrender and deliver the entire Subject Property to the Lessor at the termination of the Lease Agreement, subject to the provisions of Section 1.4, in good repair, order, and condition, environmentally clean and free of contaminants, reasonable use, wear and tear excepted, free and clear of any and all mortgages, liens, encumbrances, and claims. At the time of the surrender, the Lessee shall also surrender any and all security deposits and rent advances of Sublessees to the extent of any amounts owing from the Lessee to the Lessor. If the Subject Property is not so surrendered, the Lessee shall repay the Lessor for all expenses which the Lessor shall incur by reason of it, and in addition, the Lessee shall indemnify, defend and hold harmless the Lessor from and against all claims made by any succeeding Lessee against the Lessor, founded upon delay occasioned by the failure of the Lessee to surrender the Subject Property.

Section 17.2 Rights Upon Holding Over.

At the termination of this Lease Agreement, by lapse of time or otherwise, the Lessee shall yield up immediately possession of the Land to the Lessor and, failing to do so, agrees, at the option of the Lessor, to pay to the Lessor for the whole time such possession is withheld, a sum per day equal to one hundred and seventy-five percent (175%) times 1/30th of the aggregate of the Rent paid or payable to Lessor during the last month of the Term of the Lease Agreement the day before the termination of the Lease Agreement. The provisions of this Article shall not be held

to be a waiver by the Lessor of any right or reentry as set forth in this Lease Agreement, nor shall the receipt of a sum, or any other act in apparent affirmance of the tenancy, operate as a waiver of the right to terminate this Lease Agreement and the Term granted for the period still unexpired for any breach of the Lessee under this Lease Agreement.

ARTICLE XVIII: MODIFICATION

Section 18.1 Modification.

None of the covenants, terms or conditions of this Lease Agreement to be kept and performed by either Party to this Lease Agreement shall in any manner be waived, modified, changed or abandoned except by a written instrument duly signed, acknowledged, and delivered by both Lessor and Lessee.

ARTICLE XIX: INVALIDITY OF PARTICULAR PROVISIONS

Section 19.1 Invalidity of Provisions.

If any provision of this Lease Agreement or the application of it to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease Agreement, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected, and each provision of this Lease Agreement shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE XX: APPLICABLE LAW AND VENUE

Section 20.1 Applicable Law.

This Lease Agreement shall be construed and enforced in accordance with the laws of the State of Alaska. The forum and venue for any action seeking to interpret, construe, or enforce this Lease Agreement shall be only in the Superior Court for the State of Alaska at Sitka, Alaska.

ARTICLE XXI: NOTICES

Section 21.1 Manner of Mailing Notices.

In every case where under any of the provisions of this Lease Agreement or otherwise it shall or may become necessary or desirable to make or give any declaration or notice of any kind to the Lessor or the Lessee, it shall be sufficient if a copy of any declaration or notice is sent by United States mail, postage prepaid, return receipt requested, addressed: If to Lessor at: Municipal Administrator, City and Borough of Sitka, of 100 Lincoln Street, Sitka, Alaska 99835, with a copy to: Municipal Clerk at address listed above; and if to Lessee, at: the address set out in the Preamble. Each Party from time to time may change its address for purposes of receiving declarations or notices by giving notice of the changed address, to become effective seven days following the giving of notice.

Section 21.2 Notice to Leasehold Mortgagee and Secured Parties.

The Lessor shall provide each Leasehold Mortgagee and Secured Party, who has so requested, copies of all notices from Lessor to Lessee relating to existing or potential default under, or other noncompliance with the terms of this Lease Agreement. All notices, demands or requests which

may be required to be given by the Lessor or the Lessee to any Leasehold Mortgagee and Secured Parties shall be sent in writing, by United States registered or certified mail or express mail, postage prepaid, addressed to the Leasehold Mortgagee at a place as the Leasehold Mortgagee may from time to time designate in a written notice to the Lessor and Lessee. Copies of all notices shall simultaneously be sent to the other of the Lessor or the Lessee, as the case may be.

Section 21.3 Sufficiency of Service.

Service of any demand or notice as in this Article provided shall be sufficient for all purposes.

Section 21.4 When Notice Deemed Given or Received.

Whenever a notice is required by this Lease Agreement to be given by any Party to the other Party or by any Party to a Leasehold Mortgagee, the notice shall be considered as having been given when a registered or certified notice is placed in the United States Post Office mail as provided by this Article and shall be deemed received on the third business day thereafter and for all purposes under this Lease Agreement of starting any time period after notice, the time period shall be conclusively deemed to have commenced three business days after the giving of notice and whether or not it is provided that a time period commences after notice is given or after notice is received.

ARTICLE XXII: MISCELLANEOUS PROVISIONS

Section 22.1 Captions.

The captions of this Lease Agreement and the index preceding it are for convenience and reference only and in no way define, limit or describe the scope or intent of this Lease Agreement, nor in any way affect this Lease Agreement.

Section 22.2 Conditions and Covenants.

All the provisions of this Lease Agreement shall be deemed and construed to be "conditions" as well as "covenants," as though the words specifically expressing or importing covenants and conditions were used in each separate provision.

Section 22.3 Entire Agreement.

This Lease Agreement contains the entire agreement between the Parties and shall not be modified in any manner except by an instrument in writing executed by the Parties or their respective successors or assigns in interest.

Section 22.4 Time of Essence as to Covenants of Lease Agreement.

Time is of the essence as to the covenants in this Lease Agreement.

ARTICLE XXIII: COVENANTS TO BIND AND BENEFIT RESPECTIVE PARTIES AND TO RUN WITH THE SUBJECT PROPERTY

Section 23.1 Covenants to Run with the Subject Property.

All covenants, agreements, conditions and undertakings in this Lease Agreement shall extend and inure to the benefit of and be binding upon the successors and assigns of each of the Parties,

the same as if they were in every case named and expressed, and they shall be construed as covenants running with the Subject Property. Wherever in this Lease Agreement reference is made to any of the Parties, it shall be held to include and apply to, wherever applicable, also the officers, directors, successors and assigns of each Party, the same as if in each and every case so expressed.

Section 23.2 Interest in Deposits Automatically Transferred.

The sale, conveyance or assignment of the interest of the Lessee (pursuant to the terms of this Lease Agreement) or of the Lessor in and to this Lease Agreement shall act automatically as a transfer to the assignee of the Lessor or of the Lessee, as the case may be, of its respective interest in any funds on deposit with and held by any Construction Lender and the Lessor, and every subsequent sale, conveyance or assignment by any assignee of the Lessor or of the Lessee also shall act automatically as a transfer of their respective rights to the deposits with such Construction Lender and the Lessor to the subsequent assignee.

ARTICLE XXIV: ADDITIONAL GENERAL PROVISIONS

Section 24.1 Absence of Personal Liability.

No member, official, or employee of the Lessor shall be personally liable to the Lessee, its successors and assigns, or anyone claiming by, through or under the Lessee or any successor in interest to the Subject Property, in the event of any default or breach by the Lessor or for any amount which may become due to the Lessee, its successors and assigns, or any successor in interest to the Subject Property, or on any obligation under the terms of this Lease Agreement. No member, official, or employee of the Lessee shall be personally liable to the Lessor, its successors and assigns, or anyone claiming by, through, or under the Lessor or any successor in interest to the Subject Property, in the event of any default or breach by the Lessee or for any amount which become due to the Lessor, its successors and assigns, or any successor in interest to the Subject Property, or on any obligation under the terms of this Lease Agreement.

Section 24.2 Lease Agreement Only Effective As Against Lessor Upon Approval.

This Lease Agreement is effective as against Lessor only upon the approval of this month to month Lease Agreement by the Sawmill Cove Industrial Park Board of Directors, in accordance with the Sitka General Code at Chapter 2.38, and signed by the Municipal Administrator.

Section 24.3 Binding Effects and Attorneys Fees.

This Lease Agreement shall be binding up and inure to the benefit of the respective successors and assigns of the Parties. In the event of litigation over this Lease Agreement, the Parties agree that the prevailing Party shall receive full reasonable attorneys' fees.

Section 24.4 Duplicate Originals.

This Lease Agreement may be executed in any number of copies, each of which shall constitute an original of this Lease Agreement. The warranties, representations, agreements and undertakings shall not be deemed to have been made for the benefit of any person or entity, other than the Parties.

Section 24.5 Declaration of Termination.

With respect to Lessor's rights to obtain possession of the Subject Property or to revest title in itself with respect to the leasehold estate of the Lessee in the Subject Property, the Lessor shall have the right to institute such actions or proceedings as it may deem desirable to effectuate its rights including, without limitation, the right to execute and record or file with the Recorder of Sitka Recording District, a written declaration of the termination of all rights and title of Lessee in the Subject Property, and the revesting of any title in the Lessor as specifically provided in this Lease Agreement.

Section 24.6 Authority.

Lessor and Lessee represent to each other that each has, and has exercised, the required corporate power and authority and has complied with all applicable legal requirements necessary to adopt, execute and deliver this Lease Agreement and perform its obligations. Both Parties also represent that this Lease Agreement has been duly executed and delivered by each and constitutes a valid and binding obligation of each enforceable in accordance with its terms, conditions, and provisions.

**S AND S GENERAL CONTRACTORS
& EQUIPMENT RENTALS, INC.**

CITY AND BOROUGH OF SITKA

Tim Eddy, President

Mark Gorman, Municipal Administrator

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

On this ____ day of _____, 2014, Tim Eddy, whose identity is personally known to me or proved to me on the basis of satisfactory evidence, signs this Lease Agreement on behalf of S and S General Contractors & Equipment Rentals, Inc., and affirms by signing this document to be authorized to sign on behalf of the S and S General Contractors & Equipment Rentals, Inc., and does so freely and voluntarily.

Notary Public for Alaska
My Commission Expires: _____

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

On this ____ day of _____, 2014, 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: _____

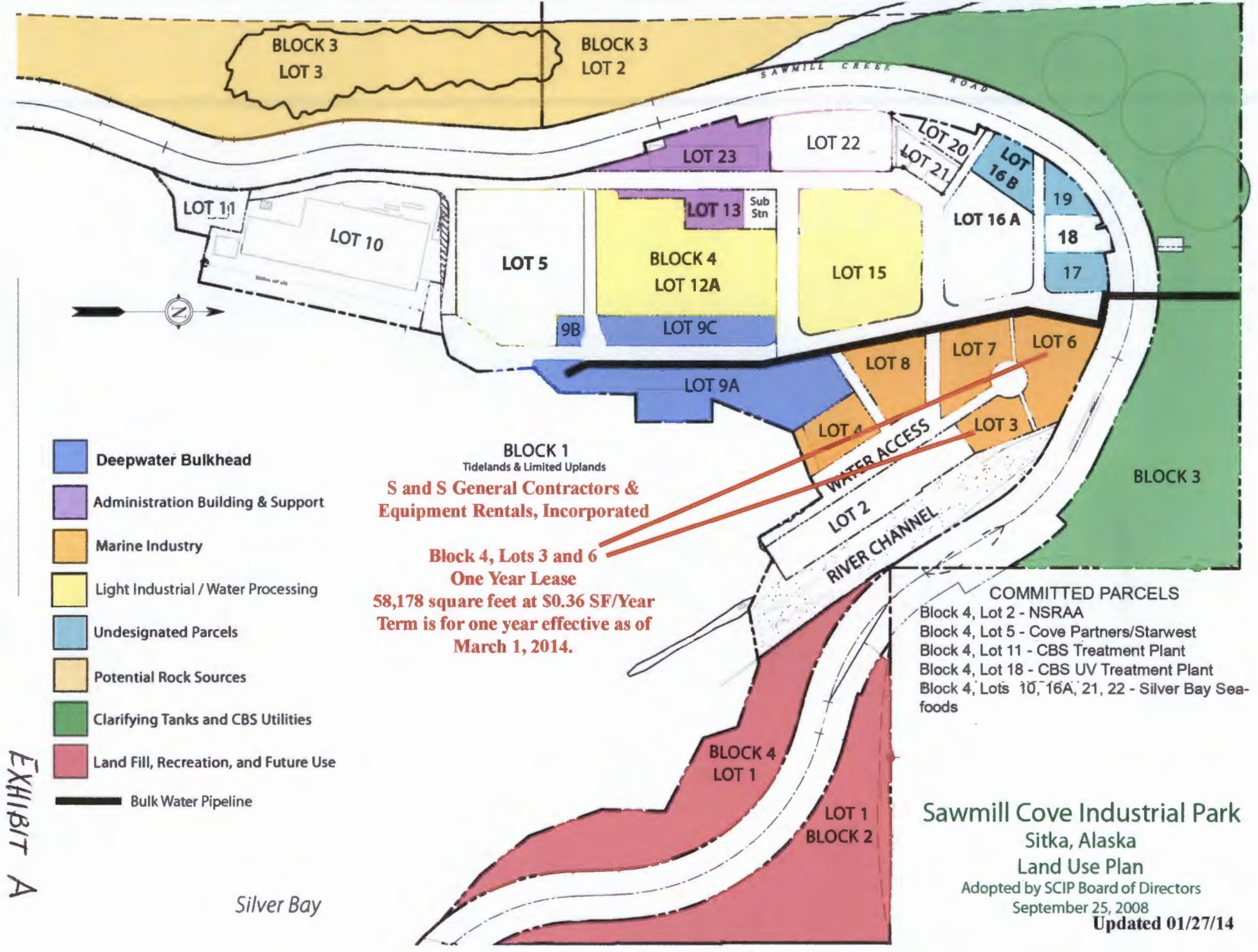


EXHIBIT A

Silver Bay

Sawmill Cove Industrial Park
 Sitka, Alaska
 Land Use Plan
 Adopted by SCIP Board of Directors
 September 25, 2008
 Updated 01/27/14

**Memorandum of Understanding
between the State of Alaska and the City and Borough of Sitka**

**Management Plan for Sawmill Cove Property
(Former APC Property)**

This memorandum of understanding (MOU) "Management Plan" is made between the State of Alaska (State) and the City and Borough of Sitka (CBS) to set forth measures for implementing recorded institutional controls and other long-term responsibilities for management of the former Alaska Pulp Corporation property (Property, Exhibit 1) on Silver Bay, Sitka, Alaska.

This Management Plan describes how CBS and the State will work together to implement the recorded institutional controls and site management activities for: (1) the uplands area and future land uses on the Property; (2) landfills; (3) navigation and dredging; (4) outfalls and water quality; and (5) the long term monitoring plan for natural recovery and protectiveness of the remedy.

Introduction

From approximately 1995-1999, the State has intensively studied the environmental conditions of the Property and the larger areas affected by the operation of the former APC pulp mill (the Upland and Bay Operable Unit study areas) in consultation with the Sitka Tribe of Alaska, other agencies, and the public. This Management Plan specifies the work to be performed under a prospective purchaser agreement between the State and CBS for the former APC pulp mill property and is Attachment 3 to the agreement. The PPA limits CBS liability for existing contamination associated with the Property in exchange for this work. DEC will not require CBS to do any restoration or remediation work on the Property outside of what is required in this Agreement and in DEC's Record of Decision.

This Management Plan implements the Record of Decision (ROD) of the Alaska Department of Environmental Conservation (DEC) for the upland and bay operable unit study areas, the remedy set forth in the ROD for the Area of Concern (AOC, Exhibit 2) in the bay, including responsibility for long term monitoring. This Management Plan also defines coordination between institutional controls and the waterbody recovery plan being developed for Silver Bay.

I. UPLAND & LAND USE

A. Deed restrictions and notices.

1. Deed restrictions or notices have been placed on the entire Property, as described in Exhibit 3. These deed restrictions maintain the following limitations on future use, except as may be modified under the terms of the restriction or notation. This section further clarifies the terms of the deed restriction in order to ensure

consistent interpretation and implementation of the restriction and to provide certainty to potential future users and the public.

- a. Property use. The Property can be used for commercial/industrial (i.e., non-residential) purposes. The Property cannot be used for human habitation, schooling of children, hospital care, childcare, or any purpose necessitating round-the-clock residency by humans. The State of Alaska, Department of Law has the authority to remove this restriction if contaminant levels meet residential cleanup standards established by DEC.
- b. Related uses. Typical uses that are allowed under this restriction include the following: (1) public facilities (e.g., roads, other infrastructure, offices); (2) short-term, part-time residency on board moored vessels; (3) recreational uses in Silver Bay; (4) educational, health care, or similar uses where there is no on-site residency or where use by minors occurs indoors (e.g., out patient or emergency care, vocational training, professional offices).
- c. Duration. The uplands restrictions exist until July 11, 2097 or until DEC determines that dioxin/furan concentrations are low enough for residential use to be an acceptable risk. The deed notations associated with the landfills remain in effect permanently. The deed notice establishing the No Disturbance Zone will remain in effect until July 1, 2040 or until DEC determines that a NDZ is no longer necessary to protect human health, welfare or the environment.
- d. Modification. Of its own accord or if requested by CBS, DEC will review information showing that the deed restrictions may be modified or lifted.

B. Completion of petroleum contaminated soil cleanup.

1. CBS will complete treatment of petroleum contaminated soils in accordance with 18AAC 75. The CBS project manager will be the Environmental Superintendent or designee, who will provide a final written report to DEC within 30 days of completion of the work.
2. Recognizing the limited construction season in Sitka, DEC will review and respond to CBS as soon as possible after receipt of CBS's request for a completion letter, including conducting any on-site inspection if needed. DEC will provide CBS with a letter confirming completion of the work upon DEC's verification that the work has been satisfactorily completed.

C. Future construction activities and management of soils or other media.

1. Reporting. If contaminated soils or other media that require special handling are encountered during construction activities, CBS or its tenants or contractors working on the Property will promptly notify the CBS Public Works Director. In

addition, if contaminated soil or hazardous substances are encountered, CBS will notify DEC. These obligations exist, in addition to all other notifications required by law. The Public Works Director or designee, who may be a qualified contractor, shall serve as the project manager for managing the material or taking any remedial actions.

2. Site management. The Public Works Director or designee will require the testing and proper treatment or disposal in accordance with applicable law and DEC regulations or guidance on the management of contaminated soils or other contaminated media. The Public Works Director or designee will promptly report the actions to be taken to DEC as required by applicable law.
3. DEC approvals. DEC will process any approvals necessary for addressing existing contamination as part of the implementation of the ROD and its institutional controls under applicable regulations and not as enforcement actions.

II. LANDFILLS AND POST CLOSURE MONITORING AND CORRECTIVE ACTION PLAN

There are two landfills on the Property previously owned by APC. The first is at Herring Cove. The Herring Cove Landfill has reached the end of its post-closure monitoring period. A final inspection and report will be prepared by APC. It is the responsibility of APC to take whatever actions are necessary to gain DEC approval for the termination of the post closure period. CBS will not be obligated to conduct monitoring or other activities at the Herring Cove Landfill unless new information about the site becomes available to indicate the landfill is causing pollution or the landfill displays signs of structural failure. CBS will be responsible to complete or pay for future corrective action or monitoring if any is necessary at the Herring Cove Landfill. The remainder of this section refers to the second landfill, which is located adjacent to Sawmill Creek and is known as the APC Industrial Waste Disposal Site.

- A. Timing and responsibility for post-closure activities for the landfill. At such time as DEC approves the post-closure improvements by APC, CBS will assume responsibility for maintaining the landfill in perpetuity. This responsibility includes: (1) performing the post-closure long term monitoring plan below, and (2) repairing and maintaining the general industrial waste landfill cap, diversion ditches and subsidence monitoring controls in a manner that meets the performance standards specified below. DEC's approval of final as-builts of the improvements in the 1999 Site Improvements Completion Report will replace the current list of recommended improvements attached as Exhibit 4.
- B. Long term inspection monitoring and corrective action program for the general industrial waste landfill. CBS will inspect and monitor the landfill according to the following schedule up to December 31, 2022, subject to periodic evaluation of the monitoring program in paragraph B.6. The monitoring program outlined in

this document is considered detection level monitoring. If problems are discovered, assessment level monitoring to evaluate the problems will be implemented by CBS to DEC's satisfaction, and alternative corrective action plans will be proposed by CBS for DEC's approval. CBS is responsible to complete or pay for corrective action deemed necessary by DEC at the landfill. The CBS project manager will be the Environmental Superintendent or designee.

1. Visual inspections.

- a. CBS will conduct visual inspections four times in the first year, two times in the second year when sampling surface water, then annually or as otherwise required by the long term inspection and monitoring program. The annual site inspections will be conducted during typical wet-weather conditions to provide a reasonable basis for evaluating water drainage structures and potential leachate seepages.
- b. Each visual landfill inspection will identify and characterize all active leachate seepage locations along the toe of the landfill embankment.
- c. Exhibit 5 contains the visual inspection forms to be used in carrying out and describing the inspection results for each of the four areas within the landfill.
- d. Each inspection report will also include a brief narrative summary that will:
(1) characterize the overall landfill conditions and results of that inspection;
(2) briefly describe the weather conditions over the last few weeks, and water runoff conditions at the time of inspection; (3) compare previous annual inspection reports; and (4) characterize the overall integrity of the site.

2. Monuments.

- a. As part of the post-closure improvements, APC is responsible for installing a minimum of three (3) survey monuments at locations approved by DEC, and for establishing the initial location coordinates for each monument.
- b. CBS will re-survey the locations of each survey monument annually, or as otherwise required by this long term inspection and monitoring program. The results will be reported to DEC, with a comparison to the original monument locations and the previous year's results. Maintenance of survey monuments and corrective action based on monument surveys is addressed in paragraph II.C.

3. Leachate monitoring. DEC and APC's consultant predict there will be three seeps after the corrective action and that two of the seeps can be combined into a single sampling station for a total of two sampling stations. DEC reserves the right to modify the number of sampling stations and number of samples required if after the corrective action these predictions prove to be inaccurate.

- a. At the three currently active leachate seepage locations that exist, up to two sampling sites will be identified and developed such that representative samples may be obtained.
- b. Samples shall be obtained from up to two sampling stations two times during the first two years and annually thereafter. During the first two years one sample shall be taken in autumn and the other in spring or summer such that high-flow and low-flow of the seeps are both represented.
- c. Flow rates will be estimated and the seepage stream at each sampling site will be sampled independently for all field determined parameters.
- d. If wells are installed by APC, CBS will measure water levels. If required water samples cannot be collected at the seep because the seeps are dry, well sampling points may be substituted if DEC determines that the sampling will provide information necessary to assess the impacts of leachate on surface water.
- e. The initial sampling parameters and analytical methods to be evaluated and reported to DEC are shown on Table 1 in Exhibit 6 and will be updated based on sampling results, as described in paragraph II.B.6.
- f. The sampling analysis methods, except for the mercury testing, shall be those as determined by test methods that are compatible with those defined in the Alaska Water Quality Standards 18 AAC 70.020(b).

4. Earthquake Monitoring.

- a. For purposes of this section, earthquake intensity is measured by the modified Mercalli intensity scale of 1931 as amended for this plan. That scale describes:
 - a level VI Earthquake as: felt by all, many frightened and run outdoors. Some heavy furniture moved; a few instances of fallen plaster or damaged chimneys. Damage slight. Earthquake is reported in Sitka by local newspaper, radio or other public media.
 - a level VIII Earthquake as: damage slight in specially designed structures; considerable in ordinary substantial buildings, with partial collapse; great in poorly built structures. Panel walls thrown out of frame structures. Fall of chimney, factory stacks, columns, monuments, and walls. Heavy furniture overturned. Sand and mud ejected in small amounts. Changes in well water. Persons driving motor cars disturbed. Earthquake is reported in Sitka by local newspaper, radio or other public media.

- b. Within 60 days after any earthquake in Sitka of Level VI intensity or greater, CBS will: conduct a visual inspection of the landfill, and if there are visible cracks, CBS will re-survey the locations of survey monuments and will report findings as described elsewhere in this Plan. The obligations of this paragraph continue even if the survey frequency has been reduced under paragraph II.B.6.a.
 - c. If an earthquake of Level VIII or greater intensity occurs in Sitka and all survey monuments remain within one foot of their original locations, the DEC will discontinue the requirement to survey the monuments.
5. Reporting.
- a. Each visual inspection summary will be transmitted to DEC within 60 days after each inspection, along with completed visual inspection forms and any water quality sampling results.
 - b. After each survey of the monuments along the landfill embankment a report will be transmitted to DEC within 45 days of the survey.
6. Periodic evaluation. For any or all areas of the landfill DEC will reevaluate the long term inspection and monitoring program from time to time at the request of CBS based upon monitoring data to determine if the frequency of monitoring/inspections may be reduced or eliminated. The available data will be reviewed, including monument surveys, visual inspection reports, and leachate monitoring results.
- a. If, after the first five years of monitoring, the horizontal movement of survey monuments toward Sawmill Creek tidelands is less than one foot from their original location, the survey frequency will be reduced to every five years. Horizontal movement shall be measured from an imaginary vertical line passing through the center of the monument when it was constructed.
 - b. Upon request of CBS, or after 10 years, DEC will re-evaluate the leachate monitoring plan based on data received. The decision to continue, reduce, or discontinue leachate monitoring will be based on whether this sampling information indicates that leachate is having or is likely to have adverse impacts on surface waters. If sampling is reduced or eliminated, DEC may require that monitoring recommence if problems are subsequently identified.
- C. Maintenance. CBS will perform maintenance if necessary to maintain the conditions documented in the 1999 Site Improvements Completion Report (as finally approved by DEC), Exhibit 4, after APC has completed the corrective action described in Exhibit 4.

1. Disturbance of survey monuments. Maintenance activities should not disturb the survey monuments. If a survey monument is disturbed it must be replaced as close as possible to the original location and resurveyed. If survey monument horizontal movement had previously been detected, future horizontal movement of the replaced monument must be added to the original horizontal distance for comparison set forth in paragraph II.C.2.
2. Corrective action based upon survey monument movement. If, at any time, the horizontal movement of any of the survey monuments toward Sawmill Creek tidelands is more than one foot from the original location, CBS will immediately evaluate the potential causes for the movement. CBS will transmit the evaluation results and a proposed corrective action plan to DEC within 60 days of the survey. Upon approval by DEC, CBS will carry out the corrective action plan and provide DEC with a report of the completed activities within 30 days of completion.
3. Maintenance standards. The standards set forth below shall be the standards and conditions on which any future maintenance shall be based, unless the parties mutually agree that a less intensive level of maintenance is protective.
 - a. The drainage improvements are permanent and have succeeded in substantially reducing upslope surface water infiltration.
 - b. The leachate seepages have been reduced to minimal levels.
 - c. A healthy grass/vegetative cover has been established across the top surface of the site.
 - d. No significant cracks have opened up, and no unstable areas are observed anywhere along the site's outside embankments, similar to the conditions that required the post-closure improvements.
 - e. There are no areas of erosion that are likely to affect the integrity of the site.
- D. Close-out. At the termination of the long term inspection and monitoring program, CBS will submit a final report for approval by DEC. If the report is approved the post closure period will terminate and no further monitoring will be required.

III. NAVIGATION AND DREDGING

- A. Navigational dredging. – Navigational dredging on the west side of Sawmill Cove in the AOC can occur only in a navigational corridor (see Exhibit 2). Navigational dredging outside of the AOC (see Exhibit 2) is likewise consistent with waterbody recovery goals, subject to the normal permitting process. Navigational dredging within the AOC does not include blasting of the outcrop of

native rocky material in front of the former pulp dock that follows the depth contours to the southeast. Maintenance dredging is anticipated to occur in approximately 10-year intervals, but could vary depending on sedimentation rates. Dredging actions that occur outside of the Navigation Corridor will be limited in scope and ancillary to in-water construction.

- B. Dock use and future expansion. – DEC has determined that: (1) the existing docks can be used as is without any further regulatory action subject only to recorded deed restrictions and notices and (2) berthage and dock expansion alternatives identified in the Decision Framework for Managing Navigation in Sawmill Cove (Exhibit 7) are consistent with the proposed remedy and may be implemented through normal permit processes. Other berthing options are not necessarily precluded, but if proposed, they would have to be evaluated in the future for consistency with the proposed remedy.
- C. In-water construction. – In-water construction in the AOC will be allowed with appropriate precautions incorporated through the permit process. In-water construction in the AOC, including pilings, dolphins, docks, moorage and navigation aids, will employ best professional judgment to specify best management practices (BMPs) to minimize disturbance or resuspension of sediments. An example of an appropriate BMP for drilling, socketing and anchoring piling in bedrock is to remove overlying sediment (if a thin layer exists) or to employ and then clean out a casing used in conjunction with the drill bit (if a thick layer exists).
- D. No Disturbance Zone.
1. A No Disturbance Zone (NDZ) has been established within the AOC (see Exhibit 2). The purposes of the NDZ are to minimize resuspension of pulp residue and to ensure that no activity occurs that may compromise the ability of the area to achieve the natural recovery ecological management goals within the stated time frame. The NDZ encompasses approximately 5-6 acres of tidal and submerged lands that are covered with pulp residue extending to the southwest immediately offshore of outfall 001.
 2. Dredging, expansion of moorage and in-water construction are prohibited in the No Disturbance Zone, except for the following activities: (1) CBS may repair, maintain, or remove existing facilities using best management practices as provided in paragraph III.C and approved by DEC prior to the work; (2) CBS will place and maintain a new navigational marker(s) as provided in paragraph III.E.1; (3) vessels may traverse this zone as provided in paragraph III.E.; and (4.) existing stormwater and treated sanitary discharge from outfall 001 may continue, as provided in paragraph IV.C.

- E. Vessel management.
1. CBS will place a navigational boundary marker or other navigational aid at the – 50 ft MLLW contour of the No Disturbance Zone (Exhibit 2), as determined in consultation with DEC and the US Coast Guard (and which might be located on an existing dolphin). Approaching or departing ships shall not pass over the NDZ shoreward of the line between the seaward corner of the dock and the navigational boundary marker.
 2. CBS recognizes and accepts that vessels are not permitted to drop anchor in the Area of Concern. “Anchoring” means dropping anchor, not securing to a buoy or fixed structure. CBS will include a provision in any Port Authority Development Plan that includes the Property, and in any leases or other conveyance of navigational rights in the Property, that:
 - a. Vessels are not allowed to anchor in the AOC; and
 - b. To the extent that it is safe and practicable, the following standard operating procedures will be followed by personnel maneuvering approaching or departing vessels in the vicinity of the NDZ:
 - i. Approach the dock at as high an angle as possible.
 - ii. Minimize the use of the main propulsion system, thrusters, and tugs when over or near the NDZ or buffer zone.
 - iii. Use as low a “bell” (such as “dead slow” or the slowest reasonable revolutions per minute ordered) when berthing.
 3. DEC will request NOAA or other agencies as appropriate to show the AOC as a “no anchor” zone on navigational charts of Silver Bay and Sawmill Cove. CBS will request this designation be removed at such time as DEC has determined that sufficient natural recovery has occurred.
 4. The existing mooring buoy in the south end of Sawmill Cove may be used or reconstructed for future use by larger vessels. Vessels may traverse the AOC and may be moored in the AOC on single point moorage, as long as they comply with the above restrictions.
 5. Any other mooring buoys and navigation aids may be used and reconstructed. New single point mooring buoys and navigation aids may be established in the AOC so long as they are outside the No Disturbance Zone (other than the navigation aid in the NDZ under paragraph III.E.1).

IV. OUTFALLS & WATER QUALITY

- A. Waterbody Recovery Planning. DEC will not require CBS to do any restoration or remediation work in the Area of Concern outside of what is required in this agreement and DEC's Record of Decision. Any additional controls required of CBS or its tenants in the waterbody recovery plan will be implemented through the normal permitting process and will be consistent with CBS use of the Property, as provided in this agreement.
- B. Location in the AOC. With the exception of relatively clean industrial water from between the utility and former pulp docks, the AOC is presumed not to be suitable for wastewater outfalls for the foreseeable future (e.g, 20+ year timeframe).
- C. Stormwater and existing outfalls in the AOC. DEC has determined that existing permitted discharges and new outfalls for stormwater in the AOC are consistent with the proposed remedy and waterbody recovery plan under development, subject to the normal permitting process. Therefore, existing stormwater and treated sanitary discharges from outfall 001 may continue. As may be required when permit applications are submitted, DEC may permit the use of standard modeling to confirm that proposed discharges and activities will not resuspend contaminated sediments in the AOC or discharge pollutants that will set back the natural recovery process.
- D. Other outfalls and discharges. Any other outfalls or discharges within the boundary of an impaired waterbody established under state or federal law, as the boundary may be defined at the time of the proposed discharge, are not necessarily precluded. If proposed, however, they will need to be evaluated in the permit process for consistency with the proposed remedy and waterbody recovery plan to be certain they would not: (1) resuspend contaminated sediments, or (2) set back the natural recovery process in either the AOC or the other impaired areas in Sawmill Cove.
- E. Disclosure to future users. Additional inputs of toxic and deleterious substances and residue in portions of Silver Bay considered to be impaired waterbodies will be limited. Where appropriate, CBS will seek to inform prospective users that review of proposed discharges within any impaired waterbody boundary will likely involve a more detailed review by permitting agencies of source control, additional treatment, and the potential for additional monitoring costs to confirm performance.
- F. Construction of new outfalls. No new outfalls may be constructed in the No Disturbance Zone (see Exhibit 2). In-water construction within or adjacent to the AOC will incorporate appropriate BMPs through the permit process if determined to be necessary. Should CBS want to extend the primary wastewater discharge point from outfall 001, under permit, toward or into the vicinity of Bucko Point,

DEC will not oppose such extension and will support CBS efforts to secure grants or other funding to finance the extension.

V. **LONG TERM MONITORING FOR NATURAL RECOVERY AND PROTECTIVENESS OF THE REMEDY**

- A. The long term monitoring program for evaluating natural recovery and protectiveness of the remedy, and ultimate contaminated sites file closure has two main components: (1) the long term monitoring program; and (2) the monitoring methods/plans (e.g., sampling and analysis methods) that specify the detailed field monitoring protocols to implement the program (which will be included as Exhibit 8 when approved by DEC. It is DEC's expectation that APC will complete the monitoring methods/plans by June 1999.)
- B. Responsibility for long term monitoring. CBS will implement the long term monitoring program and monitoring methods/plans set forth in Exhibit 8. The Year 1 baseline monitoring will occur in 1999 or 2000 at the latest. The State and CBS agree that the management approach and decision framework set forth in the long term monitoring program, and the results of monitoring events, will guide all future decisions regarding monitoring and natural recovery of the AOC.
- C. Project manager. The Environmental Superintendent or designee shall be the project manager for CBS and the Contaminated Sites Remediation Program Manager shall be the project manager for DEC.
- D. Coordination with waterbody recovery plan.
1. DEC and CBS intend to cooperatively develop a component of the long term monitoring program that will complement a waterbody recovery plan for the impaired waterbody that includes Sawmill Cove. Any components that are cooperatively developed and included in the monitoring program under this paragraph will be considered voluntary, not part of the required long term monitoring of the AOC. Voluntary components may be funded differently than the required monitoring.
 2. Planning and implementation. DEC and CBS intend to cooperate in development and review of the waterbody recovery plan for Silver Bay. DEC plans to work together with CBS, the Sitka Tribe of Alaska, and other interested public to identify grant funding opportunities for water quality and habitat improvements in Silver Bay, including Herring and Sawmill Coves.
 3. Program Manager. For waterbody recovery planning, the Environmental Superintendent or designee shall be the project manager for CBS and the Water Quality Program Manager shall be the project manager for DEC.

VI. MISCELLANEOUS PROVISIONS

- A. Permits. Nothing in this Management Plan exempts a specific site use or redevelopment activity from obtaining any permits required by law.
- B. Usage. Terms used in the Management Plan shall have the following meaning or usage, unless otherwise provided in the plan:
1. "Any" means "if any."
 2. "Applicable law" means the law in effect at the time the management activity is undertaken (not at the time the mou is executed).
 3. "Days" means calendar days, including weekends and holidays.
 4. "Depths" are relative to MLLW.
 5. "Designee" means any person or contractor authorized by the responsible official identified in the management plan or its exhibits.
 6. "Including" means including but not limited to.
 7. "Public review" means a combined, joint review process and period by the State and CBS. At a minimum, public notice will be provided by CBS and documents will be available at City Hall in Sitka. Where action is required on a management action by the CBS Assembly, notice and opportunity to comment means the notice and time period that CBS would otherwise provide to the public prior to action by the Assembly. This process shall not alter any required notice and comment periods for DEC permitting actions under state law.
- C. Any schedule in this Management Plan may be modified (shortened or extended) by mutual agreement. Such agreement can be documented by letter or electronically without the need to amend this agreement
- D. Exhibits may be updated or revised and substituted for the attached exhibits with mutual consent and written confirmation by both parties and without the need to amend the Management Plan.

List of Exhibits

Exhibit 1 – Description of "the Property"

Exhibit 2 – Description of the Area of Concern (AOC) and the Navigational Corridor, the No Disturbance Zone (NDZ), and the Buffer Zone within the AOC

Exhibit 3 – List of deed notices/restrictions

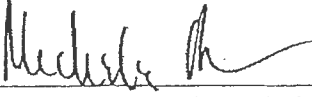
Exhibit 4 – 11/24/98 Inspection Report & Post-closure Completion Recommendations – APC – Sitka Solid Waste Disposal Facility (T. Hanna), G. Miller letter dated 2/23/99 and T. Hanna letter dated 3/17/99) – to be replaced by 1999 Site Improvements Completion Report (Industrial Waste Landfill corrective action report, including final as-builts of the improvements and DEC’s approval of the report.)

Exhibit 5 – Post-closure Inspection Form

Exhibit 6 - Landfill leachate monitoring parameters (Table I)

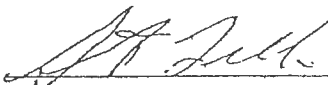
Exhibit 7 – Decision Framework for Managing Navigation in Sawmill Cove

Exhibit 8 – Long term monitoring program, including monitoring methods (sampling and analysis plans)



Michele Brown, Commissioner
Department of Environmental Conservation

4/28/99
Date



Stan Filler, Mayor
City and Borough of Sitka

4/28/99
Date



Legislation Details

File #: 14-030 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 2/5/2014 In control: City and Borough Assembly

On agenda: 2/11/2014 Final action:

Title: Authorize the Municipal Administrator to execute Amendment No. 2 to the lease agreement between CBS and S&S General Contractors & Equipment Rentals Inc. to extend the lease for approximately 38,000 square feet of property located at the Granite Creek Industrial area "Pit Run" site for approximately 6 months

Sponsors:

Indexes:

Code sections:

Attachments: [Amendment No.2 Granite Creek Pit Run Site](#)


Date	Ver.	Action By	Action	Result
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POSSIBLE MOTION

I MOVE TO authorize the Municipal Administrator to execute Amendment No. 2 to the lease agreement between the City and Borough of Sitka and S&S General Contractors & Equipment Rentals, Inc. to extend the lease for approximately 38,000 square feet of property in the Granite Creek Industrial area “Pit Run” site for a staging area to store and sort rock for 6 months beginning February 12, 2014.

MEMORANDUM

To: Mark Gorman, Administrator
Mayor McConnell and Members of the Assembly

From: Stephen L. Weatherman P.E. Municipal Engineer 
Michael Harmon, Director of Public Works

Reviewed: Jay Sweeney, Finance Director
Tori Fleming, Contract Coordinator

Date: February 5, 2014

Subject: Temporary Property Lease Extension - Granite Creek Industrial Area Pit Run Site

Background:

S&S General Contractors & Equipment Rentals Inc. of Sitka, Alaska is working on various projects in Sitka. They are in need of a staging area to store and sort rock for their projects. They have requested to extend the lease of the approximately 38,000 square feet of property in the Granite Creek Industrial Area Pit Run Site for approximately 6 additional months.

Pursuant Sitka General Code, Chapter 18.12.010A, the lease of any municipal property may be executed by the Municipal Administrator upon ordinance approved by the assembly.

Fiscal Note:

S & S General Contractors shall pay the City rent in the amount of \$760.00 per month plus city sales tax, for the temporary lease of property in the Granite Creek Industrial Area.

Recommendation:

Authorize the Administrator to execute a lease amendment with S&S General Contractors & Equipment Rentals Inc. to lease approximately 38,000 square feet of property in the Granite Creek Industrial Area Pit Run Site for a staging area to store and sort rock for 6 months, beginning February 12, 2014. S & S General Contractors & Equipment Rentals Inc. shall pay the City the amount of \$760.00 per month plus city sales tax.

**AMENDMENT NO. 2 TO THE
LEASE AGREEMENT BETWEEN CITY AND BOROUGH OF SITKA AND
S & S GENERAL CONTRACTORS & EQUIPMENT RENTALS INC.**

WHEREAS, on January 1, 2011, City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835 (“Lessee” or “Sitka”) and S & S General Contractors & Equipment Rentals Inc., PO Box 1440, Sitka, Alaska 99835 (“Lessor” or “S & S”) entered into an 18-month Lease Agreement Between City And Borough Of Sitka And S & S General Contractors & Equipment Rentals, Inc. (“Lease”) for approximately 38,000 square feet of property located at the Granite Creek Industrial area “Pit Run,” and

WHEREAS, the Lease expired on July 30, 2012; and

WHEREAS, on February 1, 2013, Sitka and S & entered into an Amendment No. 1 to extend the Lease one year expiring on February 1, 2014; and

WHEREAS, S & S would like to extend the Lease on a month-to-month basis under the same terms and conditions as previously agreed to under the Lease; and

WHEREAS, Sitka and S & S agree to amend the Lease as set out in this Amendment No. 2; and

WHEREAS, this Amendment No. 2 was approved by Assembly on _____, 2014 by motion, authorizing the Municipal Administrator to sign Amendment No. 2, effectively extending the lease and amending the terms of the lease to be on a month-to-month basis.

NOW, THEREFORE, the Lease is amended at Section 1.1 as follows (new language underlined; deleted language stricken):

* * *

Section 1.1 Conveyance of Estate in Lease.

Lessor, for and in consideration of the rents received and of the covenants and agreements made by Lessee, does lease to Lessee, and Lessee leases from Lessor, the Property or Premises as shown on Exhibit A, located at the Granite Creek Industrial area “Pit Run” site. Exhibit A shows the Property as approximately 38,000 square feet. The term for this ground lease is month to month for purposes of storage, sorting and staging of Lessee’s material, ~~and commences on the first day of January, 2011 and terminates one year after Amendment No. 1 to the Lease is signed, on February 1, 2014.~~ Lessor shall notify Lessee within 30 days of Lessor’s intent to terminate this month-to-month lease.

All other provisions in the Lease that are not modified by this Amendment No. 2 remain in full force and effect.

S & S GENERAL CONTRACTORS & EQUIPMENT RENTALS INC.

CITY AND BOROUGH OF SITKA

_____, (Title)

Mark Gorman, Municipal Administrator

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS CERTIFIES that on this ____ day of _____, 2014, _____, whose identity is personally known to me or proved to me on the basis of satisfactory evidence, signs this Amendment No. 2 To Lease Agreement Between City And borough Of Sitka And S & S General Contractors & Equipment Rentals, Inc. on behalf of S & S General Contractors & Equipment Rentals, Inc., and affirms by signing this document to be authorized to sign on behalf of the S & S General Contractors & Equipment Rentals, Inc., and does so freely and voluntarily.

Notary Public for Alaska
My Commission Expires: _____

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS CERTIFIES that on this ____ day of _____, 2014, before me, a Notary Public in and for the State of Alaska, personally appeared Mark Gorman, who is the Municipal Administrator of the City and Borough of Sitka, Alaska, a municipal corporation organized under the laws of the State of Alaska, that he has been authorized by to execute the foregoing document, and does so freely and voluntarily.

Notary Public for Alaska
My Commission Expires: _____

City of Sitka, Alaska City Pit Run Site



- A Address No.
- A Parcel ID
- 2007 Comp. Plan
- A Tract
- Ownerships
- Zoning
- Floodzones
- Streets
- Parcels
- Nautical Charts



Printed: 11/14/2010



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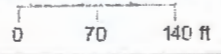
MainStreetGIS makes no warranties, expressed or implied, concerning the accuracy, completeness, reliability, or suitability of these data and does not assume any liability associated with the use or misuse of this information.

1 in = 159.55 ft



1 : 1914.6

Data Currency:
 Property Records: 12/5/2008 GIS Parcel Lines: 11/1/2008





Legislation Details

File #: 14-025 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 2/5/2014 In control: City and Borough Assembly

On agenda: 2/11/2014 Final action:

Title: Authorize the Municipal Administrator to execute a contract with Shaw Environmental, Inc; a Chicago Bridge & Iron Company to complete a not to exceed time and materials contract for the City and Borough of Sitka Municipal Solid Waste Management Plan and transfer up to \$250,000 from the Solid Waste Fund available working capital to project #90764 to create a budget for this work

Sponsors:

Indexes:

Code sections:

Attachments: [Solid Waste Management Master Plan](#)

Date	Ver.	Action By	Action	Result
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POSSIBLE MOTION

I MOVE TO authorize the Municipal Administrator to execute a contract with Shaw Environmental, Inc; a Chicago Bridge & Iron Company to complete a not to exceed time and materials contract for the City and Borough of Sitka Municipal Solid Waste Management Plan and transfer up to \$250,000 from the Solid Waste Fund available working capital to project #90764 to create a budget for this work.



City and Borough of Sitka

PUBLIC WORKS

100 LINCOLN STREET • SITKA, ALASKA 99835

PHONE (907) 747-1804 • FAX (907) 747-3158

To: Mayor McConnell and Assembly Members
Mark Gorman, Municipal Administrator

From: Michael Harmon, Public Works Director *WH*
Gary E. Baugher Jr., Maintenance and Operations Superintendent *GEB*

cc: Jay Sweeney, Finance Director *JSS* *25 Feb 14*

Date: 30 January 2014

Subject: Municipal Solid Waste Management Plan

Background

The City and Borough of Sitka (CBS) currently does not have a Solid Waste Management Plan to address the current or future needs of the Solid Waste Fund and general operations. As we approach the end of the current collection and off-island disposal contracts in 2015, we believe it is in the best interest of the CBS to be better prepared with a plan that details the goals and direction of our solid waste management backed with data and a financial plan.

At the June 6, 2013 Assembly Meeting, the Assembly approved advertising for a Request of Qualifications and selecting a consultant to assist Public Works in developing a Solid Waste Management Plan. (see attached memo for this meeting)

A Request for Qualifications (RFQ) for a consultant to develop a Solid Waste Management Plan began advertisement September 16, 2013 with submittals due October 14, 2013. We had three companies submit proposals as follows:

- Shaw Environmental, Inc.; a Chicago Bridge & Iron (CB&I) Company
- Ridolfi, Inc.
- SCS Engineers.

The Municipal Solid Waste RFQ Evaluation Team met and selected Shaw Environmental Group; a Chicago Bridge & Iron (CB&I) company unanimously.

Analysis

The Municipal Solid Waste RFQ Evaluation Team unanimously chose CB&I due to their vast experience in Alaska Communities. CB&I completed a Solid Waste Management Plan in 2008 for the Kodiak Island Borough. The Kodiak Island Borough faced some of the same challenges as the City and Borough of Sitka. One member of the CB&I Team has done a lot of work with SEASWA (South East Alaska Solid Waste Authority) on helping eight remote communities in South East Alaska to formulate and carry out a regional waste disposal and recycling strategy. CB&I will be helping the City and Borough of Juneau with conducting a long range solid waste management strategy and disposal alternative analysis. CB&I will be working in conjunction with WIH Resource Group (Waste Management & Logistical Solutions). This combination of planners, certified public accountants, and solid waste experts will provide a comprehensive study for the City and Borough of Sitka.

Fiscal Note:

The funding for a Solid Waste Management Plan would come from the working capital of the Solid Waste Fund which is approximately \$1.2 Million. The proposed Solid Waste Management Plan has a not to exceed \$214,875.00 Time and Materials Contract. It is projected that a Solid Waste Management Plan would cost between \$150,000 to \$250,000 depending on the complexity of future goals and the amount of public process exploring options. This cost estimate is based from other master planning we have accomplished for Water, Wastewater, and Harbors.

- Water (2009) - \$100,000.00
- Wastewater (2013) - \$120,000.00
- Harbors (2012) - \$175,000.00

Recommendation:

- Authorize the Municipal Administrator to execute a contract with Shaw Environmental, Inc.; a Chicago Bridge & Iron (CB&I) Company to complete a not to exceed time and materials contract for the City and Borough of Sitka Municipal Solid Waste Management Plan.
- Transfer up to \$250,000 from the Solid Waste Fund available working capital to project #90764 740-600-630-5212.000 to create a budget for this work.

Scope of Work

Based on the information received to date through the RFQ, discussions with CBS staff, preliminary review of available prior planning documents, and the experience of our project team in preparing solid waste plans in Alaska and across the nation, we have developed a proposed scope of work for the development of the Solid Waste Management Plan. Work tasks are detailed below

Task 1 – Background Information

In order to more fully understand the existing solid waste system and to assess current and future programs, the consultant team will collect background information at the outset of the project. This information will be reviewed by the team and discussed with CBS representatives during a series of meetings over the project “kick-off week”. The kick-off week will serve as a mechanism to discuss preliminary findings from our review of background information, continue the data collection process, and identify project issues, goals, roles and responsibilities through discussions with a range of stakeholders. The following subtasks will be completed.

- Prepare a data request to be submitted to CBS. Information to be requested is expected to include:
 - Historical disposal and recycling records
 - Waste characterization data
 - Current service areas and waste generators served
 - Demographic projections
 - Existing solid waste and recycling ordinances and bylaws
 - Current contracts for collection, transportation, and disposal/recycling services
 - CBS labor costs
 - CBS Certificate of Convenience and Necessity
 - Grant program documents
 - Detailed current and historical solid waste budgets
 - Statement of net assets for FY2010-FY2013
 - Statement of revenues, expenses, and change in fund net assets for FY2010-FY2013
 - Equipment depreciation and replacement schedules
 - Current staffing schedule and staff organizational chart
- Review existing solid waste plans completed in 1991 and 1999.
- Review information received from the data request.
- Identify stakeholder groups for inclusion on the Solid Waste Advisory Committee (SWAC).
- Coordinate kick-off week meetings with CBS, to include meetings with groups such as:
 - Public Works and Maintenance and Operations personnel
 - Finance Department personnel
 - Other CBS staff representatives
 - Assembly members
 - Contracted private service providers
 - SWAC members
 - Other stakeholders we identify in discussion with CBS
- Develop kick-off meeting agendas for CBS review.

- Attend kick-off meetings and conduct interviews of stakeholder groups to identify key issues, needs, and opportunities. Four team members will attend the kick-off meetings, including our project manager, financial expert, facility engineer, and senior planner (not all team members will attend all meetings, and not all team members will be in attendance for the duration of the kick-off schedule).
- Conduct site visits and observe current solid waste system operations.

*Deliverables: Information request.
Kick-off week meeting agendas.*

Task 2 – Summarize Existing Solid Waste Management Practices

Following the kick-off meetings and an initial review of background information, the consultant team will develop a narrative summary of existing practices, which will serve as an initial chapter of the Solid Waste Management Plan. The summary may be supported by tables and graphics where appropriate.

Deliverable: Narrative summary of existing system.

Task 3 – Description of Waste Stream

To provide a baseline against which to evaluate existing practices and alternatives to be considered, the consultant team will assess the waste stream. The following subtasks will be completed.

- Compile historical waste and recycling quantities for CBS.
- Compile and review available local waste composition data. This data will be supplemented with waste composition data from similar communities and with similar programs if necessary.
- Calculate current and historical waste generation and recycling rates.
- Compile population projections and future waste quantity projections based on population change and historical trends.

Task 4 – Critical Public Policy Issues

An understanding of current public policy and issues as they relate to solid waste management now and in the future will provide additional information against which to evaluate alternatives in the Solid Waste Management Plan process. This task will consist of the following subtasks.

- Review existing ordinances and bylaws governing solid waste and recycling operations.
- Identify potential challenges and opportunities afforded by existing policies.
- Review available bear incident data and understand policies currently implemented or planned for implementation to address bear concerns related to solid waste management.

Task 5 – Initial System Assessment

This task will further build upon the information collected in Task 1 and the site visits completed during the kick-off week. The goal of this task is to synthesize available information regarding

existing services and programs, including both operational and financial aspects, and to evaluate the system against programs in other communities. This task will include the following subtasks.

- Evaluate the present organization, administration, and operation of solid waste management practices in CBS.
- Review the condition and suitability of existing infrastructure for continued use or potential expansion/enhancement.
- Utilize historical cost and rate structure data, to be provided by the City and Borough of Sitka, to construct a single all inclusive rate/cost model. This model shall have the ability to produce pro forma financial statement projections to include user rates under multiple scenarios.
- Benchmark current waste collection costs against other communities with similar collection programs.
- Benchmark current transfer and disposal costs against other communities with similar disposal arrangements.

An understanding of current system costs and rate structures is important at this project stage, and development of the cost model will be completed as part of this task. This cost model will be utilized to evaluate costs and rate impacts associated with future alternatives that may be considered in Task 7 as well. In developing the cost model, fund performance, budgets, and balances will be examined for adequate levels based on system conditions, anticipated needs, potential future events, and CBS budget policy. The cost model will consider the following elements:

- Capital and operating costs of facilities and programs
 - CBS's method of funding future facility costs (cash or debt)
 - CBS's cost of capital
 - CBS's current debt
- Forecast of CBS's waste stream, residential growth, and commercial waste generation and the impact of recycling
 - How will increased recycling impact fee revenue?
- Organization and operational consequences of proposed recommendations

The consultant team will work with CBS staff to develop an Excel-based rate model with the following general structural components:

- 1) Budget information related to contractor payments, operating costs, capital costs, and debt which will be translated into:
- 2) Revenue requirements, by operational area (e.g., solid waste, recycling, disposal, and general program expenses). The revenue requirements will be allocated to:
- 3) Service parameters (solid waste, and recycling collection, disposal, and account services, split by residential and commercial). The service parameters will be derived from:
- 4) Customer service data.

- 5) Rate construction, which pulls the relevant costs per service parameter to develop proposed rates.

The rate model will include benchmark forecasts of working capital (as defined by CBS, including designated and undesignated working capital) to aid in the future tracking of actual versus plan projections. We have assumed that CBS will provide a copy of its latest financial statements (in Excel format) to facilitate model development. The initial rate model will be presented to CBS staff for review and input. All directed changes will be incorporated into the rate model.

Deliverable: Cost / rate model.

Task 6 – Prepare Preliminary Solid Waste Plan

Based on the data collected and reviewed in Tasks 1 through 5, the consultant team will draft the background and existing conditions portions of the Solid Waste Management Plan. This preliminary Plan document will summarize findings regarding the current system and will provide guidance for the evaluation of alternatives in Task 7. Development of the preliminary Plan will include the following elements.

- Identify the advantages, disadvantages, strengths, and weaknesses of CBS's existing solid waste management system.
- Summarize primary issues and needs for future waste and recycling operations.
- Identify alternative strategies that may be appropriate to consider. Alternatives will be organized according to category such as program, policy, facility, administrative, and organizational.
- Develop narrative text supported by tables, charts, and diagrams to document the preliminary Plan. Detailed technical support and explanatory material will be placed in technical appendices.
- Prepare an Executive Summary in PowerPoint format to accompany the preliminary Plan for presentation purposes.
- Present the preliminary Plan to the SWAC for discussion and comment. Two project team members will attend the SWAC meeting.

*Deliverables: Preliminary Plan and Executive Summary for CBS and SWAC review.
SWAC meeting attendance.*

Task 7 – Analyze Alternatives

The alternatives for future facilities, programs, and services identified in Task 6 will be evaluated in this task. These alternatives are address:

- Transport and disposal options for export of waste and recycling materials.
- Composting options to manage the organic portions of the waste stream.
- Traditional commodity recycling options, such as curbside and drop-off recycling services.

- Construction and demolition waste management options.

The consultant team will work with CBS staff to establish evaluation criteria for the alternatives to be considered, which may include but not be limited to the following: capital cost, operating cost, other required resources, environmental benefit, policy consistency, local control, community acceptability, practicality of implementation, time required to implement, and regulatory compliance.

To assess cost and rate impacts, alternatives will be evaluated using the cost model developed in Task 5. Future capital and operational costs and auxiliary program costs for proposed system changes will be compared to fund balances (both operating and reserve), projected revenues from tip fees, and other service fees over a twenty year time frame. Financial requirements by year will be detailed for any proposed or recommended changes. An “if then” analysis will be used to compare alternatives. This will provide CBS the ability to decide what system changes should be further considered for implementation.

We will also consider the operational impacts of the plan recommendations on waste and recycling service rates. Considerations will include the following:

- Impact on collection and disposal costs for any changes in the system.
- Increasing refuse and recycling collection operational efficiencies.
- Variable rate structure as a means to give economic incentives for self-haulers to subscribe to curbside waste collection and recycling.
- Increasing the effectiveness of residential and commercial recycling and the impact on fees.

Deliverable: Cost / rate models for alternatives.

Task 8 – Present Findings of Alternatives Analysis

The alternatives analysis will be summarized for presentation to CBS staff and the SWAC. This task will include the following subtasks.

- Develop conclusions and preliminary recommendations.
- Prepare a PowerPoint presentation summarizing the alternatives, conclusions, and recommendations.
- Present the findings to the SWAC for comment and discussion. A copy of the presentation will be provided several days in advance of the meeting to make interaction at the meeting more productive. Two project team members will attend the SWAC meeting.

*Deliverables: PowerPoint presentation summarizing alternatives analysis and recommendations.
SWAC meeting attendance.*

Task 9 – Prepare / Present Draft Final Plan and Make Recommendations

Based on the feedback from CBS staff and the SWAC regarding the findings of the alternatives analysis and the prior development of the preliminary Plan, the draft final Solid Waste Management Plan will be prepared. Development of the draft final Plan will include the following subtasks.

- Compile narrative text documenting and summarizing the alternatives analysis.

- Finalize narrative for recommendations and implementation steps.
- Compile the complete Plan report, to include the preliminary Plan prepared in Task 5 and the sections prepared in this task. Detailed technical support and explanatory material will be placed in technical appendices.
- Prepare an Executive Summary in PowerPoint format to accompany the draft final Plan for presentation purposes.
- Present the draft final Plan to CBS staff for review and comment.
- Present the revised draft final Plan to the SWAC for review and comment. Two project team members will attend the SWAC meeting.

*Deliverables: Draft final Plan and Executive Summary for CBS and SWAC review.
SWAC meeting attendance.*

Task 10 – Prepare Final Plan

Following receipt of comments from CBS staff and the SWAC on the draft final Plan, the Plan will be finalized and submitted to the Assembly for approval.

Deliverable: Final Plan report for Assembly approval.

Project Schedule

Based on the scope of work presented herein, the consultant team has developed the following proposed project schedule. The schedule assumes that a contract is executed, serving as authorization to proceed, by February 12, 2014.

TABLE 1. PROPOSED PROJECT SCHEDULE	
Project Activity	Completion Timeframe
Task 1 - Background Information	February 12-28, 2014
Project Kickoff Week	March 3-7, 2014
Task 2 - Summarize Existing Solid Waste Management Practices	March 10-21, 2014
Task 3 - Description of Waste Stream	March 24 - April 11, 2014
Task 4 - Critical Public Policy Issues	March 24 - April 11, 2014
Task 5 - Initial System Assessment	April 14 - May 9, 2014
Task 6 - Prepare Preliminary Solid Waste Plan	May 12-23, 2014
Present Preliminary Plan to SWAC	May 27-30, 2014
Task 7 - Analyze Alternatives	June 2 - July 3, 2014
Task 8 - Present Findings of Alternatives Analysis	July 7-25, 2014
Task 9 - Prepare Draft Final Plan	July 28 - August 22, 2014
Present Draft Final Plan to SWAC	August 25-29, 2014
Task 10 - Prepare Final Plan	September 2-19, 2014

Project Budget

Based on the scope of work identified herein, the consultant team has developed the hours and cost budget identified in Table 2. We propose to complete the scope of work for a not-to-exceed budget of \$214,875, billed on a time and materials basis. Additional meetings beyond those identified in the scope may be attended at an additional cost of \$7,640 to \$11,870 per meeting, depending on the team members participating in the meetings. Any additional costs will be approved by CBS in advance of incurring the cost.

TABLE 2. PROJECT BUDGET

Task	Labor Hours	Labor Cost	Travel Expenses	Total Cost
Task 1 - Background Information	226	\$38,795	\$7,069	\$45,864
Task 2 - Summarize Existing Solid Waste Management Practices	32	\$4,989	\$0	\$4,989
Task 3 - Description of Waste Stream	52	\$7,454	\$0	\$7,454
Task 4 - Critical Public Policy Issues	82	\$12,546	\$0	\$12,546
Task 5 - Initial System Assessment	132	\$21,648	\$0	\$21,648
Task 6 - Prepare Preliminary Solid Waste Plan	118	\$20,055	\$2,940	\$22,995
Task 7 - Analyze Alternatives	193	\$30,788	\$0	\$30,788
Task 8 - Present Findings of Alternatives Analysis	138	\$23,673	\$2,940	\$26,613
Task 9 - Prepare Draft Final Plan	134	\$22,189	\$2,940	\$25,129
Task 10 - Prepare Final Plan	21	\$3,225	\$0	\$3,225
Project Management	80	\$13,624	\$0	\$13,624
Project Total	1,208	\$198,986	\$15,889	\$214,875

Note: Travel expenses include travel by 4 team members in Task 1, and 2 team members in Tasks 6, 8, and 9.

**CONTRACT TO PROVIDE PROFESSIONAL SERVICES TO
CITY AND BOROUGH OF SITKA BY SHAW ENVIRONMENTAL, INC.
FOR
SITKA SOLID WASTE MANAGEMENT PLAN**

City and Borough of Sitka (“Owner”) desires the firm Shaw Environmental, Inc. (“Contractor”) to provide professional services for Sitka Solid Waste Management Plan. This Contract to Provide Professional Services to City and Borough of Sitka for Sitka Solid Waste Management Plan (“Contract”) is made and entered into by and between Owner and Contractor in consideration of the mutual promises contained in this Contract.

This Contract also consists of:
Appendix A: Scope of Work

SECTION 1. DEFINITIONS

For the purpose of this Contract, the terms used in this Contract shall have the following meaning:

- A. “Owner” shall mean the City and Borough of Sitka, Alaska.
- B. “Contractor” shall mean Shaw Environmental, Inc., a Partner, Associate, or any other person acting for and/or in behalf of the firm Shaw Environmental, Inc.
- C. “Owner’s authorized representative” shall mean the person set forth in Section 21 (B) (2) of this Contract.
- D. “Days” shall mean calendar days.

SECTION 2. CONTRACT TIME

- A. This Contract becomes effective when signed and dated by both Parties.
- B. Contractor shall commence performance of the work identified in Section 4 immediately following receipt of the Notice to Proceed.
- C. Except as expressly allowed under this Contract, Owner need not grant Contractor any extension in the time provided to complete the work under this Contract. If Contractor’s progress falls behind the project schedule, Contractor shall commit additional resources to the prosecution of the work, or take such other additional steps as are reasonably necessary to assure the completion of the work on schedule, all at no additional cost to

Contract to Provide Professional Services to City and Borough of Sitka by Shaw Environmental, Inc. for Sitka Solid Waste Management Plan.

Owner.

SECTION 3. RESPONSIBILITY OF CONTRACTOR

At all times during Contractor's performance of professional services under this Contract, Contractor shall possess and exercise the level of competence, knowledge and skill presently maintained by other practicing members of the profession in good standing in the same or similar localities.

SECTION 4. SCOPE OF SERVICE

The services to be performed by Contractor shall include all services required to complete the tasks set forth in Appendix A, and shall be in accordance with all applicable statutes, Sitka General Code provisions, ordinances, rules, and regulations. The scope of services to be provided by Contractor is further described in the Consultants Fee Proposal and Schedule dated 29 January 2014 (Appendix A). Completion date is 19 September 2014.

SECTION 5. OWNERSHIP OF DOCUMENTS

All plans, drawings, calculations, supporting data and specifications, originals and tracings, shall become the property of Owner. Such documents shall be transmitted to Owner prior to the time of final payment for the work under this Contract. Contractor shall be entitled to retain and reference record copies and electronic files of all documents.

SECTION 6. TERMINATION

This Contract may be terminated:

- A. By mutual consent of the Parties.
- B. For the convenience of Owner, provided that Owner notifies Contractor of its intent to terminate under this paragraph at least 10 days prior to the effective date of the termination.
- C. For cause, by either Party where the other Party fails in any material way to perform its obligation under this Contract; provided, however, that as a condition of the exercise of its right of termination under this subsection the terminating Party shall notify the other Party of its intent to terminate this Contract and state with reasonable specificity the grounds, and the defaulting Party shall have failed, within 30 days of receiving the notice, to cure the default.
- D. Termination pursuant to this section shall not affect the Parties' continuing obligations under this Contract.

Contract to Provide Professional Services to City and Borough of Sitka by Shaw Environmental, Inc. for Sitka Solid Waste Management Plan.

SECTION 7. DUTIES UPON TERMINATION

- A. If Owner terminates this Contract for convenience, Owner shall pay Contractor the reasonable value of any services satisfactorily rendered prior to termination. Payment under this section shall never exceed the total compensation possible under Section 9. All finished and unfinished reports and materials prepared by Contractor shall become the property of Owner.
- B. If this Contract is terminated for cause, Owner shall pay Contractor reasonable value of the services satisfactorily rendered prior to termination less any damages suffered by Owner because of Contractor's failure to perform satisfactorily. Any finished or unfinished documents or materials shall become the property of Owner at its option. Under no circumstances shall payment under this section exceed the percentage value of work completed as defined by Appendix A and under Section 9. Under no circumstances shall payment under this section exceed the total compensation possible under section 9.
- C. If Contractor has received payments prior to termination in excess of the amount to which it is entitled under Subsection A or B of this section, Contractor shall remit such excess to Owner within 30 days after receipt of notice to that effect.
- D. Contractor shall not be entitled to compensation under this section until Contractor has delivered to Owner all documents, records, work products, materials, and equipment owned by City and Borough of Sitka, related to this Contract and requested by Owner.
- E. If Contractor's services are terminated, for whatever reason, Contractor may not claim any compensation under this Contract other than allowed under this section.
- F. The Owner need not recognize any claim by Contractor for reimbursable expenses or costs incurred after the time which Contractor receives notice of termination under this section.

SECTION 8. INDEMNIFICATION

- A. Contractor shall indemnify, defend, save, and hold Owner harmless from any claims, lawsuits, or liability, including attorney's fees and costs, arising from any wrongful or negligent act, error or omission of Contractor occurring during the course of or as a result of Contractor's performance pursuant to this Contract.
- B. Contractor shall not indemnify, defend, save, and hold Owner harmless from any claims, lawsuits, liability, or attorney's fees and costs, arising in wrongful or negligent acts, errors or omissions solely of Owner occurring during the course of or as a result of the performance of this Contract.

Contract to Provide Professional Services to City and Borough of Sitka by Shaw Environmental, Inc. for Sitka Solid Waste Management Plan.

- C. Where claims, lawsuits, or liability, including attorney's fees and costs, arise from wrongful or negligent acts of both Parties, Contractor shall indemnify, defend, save and hold Owner harmless from only that portion of claims, lawsuits or liability, including attorney's fees and costs, which result from Contractor's wrongful or negligent acts occurring during the course of or as a result of Contractor's performance pursuant to this Contract.

SECTION 9. PAYMENT

- A. For Contractor's Design, Bidding, Contract Services and Expenses, as described in Section 4 of this Contract, compensation will be paid on a time and expense basis, subject to Contractor's satisfactory performance, in a total amount Not to Exceed (NTE) \$ 214,875.00 unless mutually agreed upon by both Parties prior to commencing additional work

Contractor shall **not** begin any phase of the work without written authorization by Owner. The Owner has the option of omitting any phase of the Contract as it deems necessary.

- B. Contractor shall present an invoice(s) to Owner's authorized representative. Such invoice(s) shall describe the work for which it seeks payment and shall document expenses and fees to the satisfaction of Owner's authorized representative. Invoices shall not be submitted more frequently than once every 30 days.
- C. Owner shall make payment on invoices within 30 days of the invoices' receipt and approval by Owner's authorized representative.
- D. Contractor shall be entitled to no compensation under this Contract beyond the amount of Owner's express obligation under subsection A above. Compensation for preliminary drawings, specifications and reports shall not exceed 50% of the total Contract amount.
- E. The amount to be paid for additional services, at the option of Owner, shall be negotiated at the hourly fees submitted in Appendix A, by the Parties prior to the execution of amendments to this Contract for this work.

SECTION 10. AUDIT: ACCESS TO RECORDS

- A. Contractor shall maintain records of performances, communications, documents, correspondence and costs pertinent to this Contract. The Owner's authorized representatives shall have the right to examine such records and accounting procedures and practices.
- B. The Owner's authorized representative shall have the right to examine all books, records, documents and other data of Contractor related to the negotiation, pricing and

Contract to Provide Professional Services to City and Borough of Sitka by Shaw Environmental, Inc. for Sitka Solid Waste Management Plan.

performance Contract, and any change or modification for the purpose of evaluating the accuracy, completeness, and currency of the data submitted. The right of examination shall extend to all documents necessary to permit adequate evaluation of the data, computations, and projections used.

- C. The materials described in this section shall be made available at the business office of Contractor at all reasonable times for inspection, audit or reproduction, for a minimum of 3 years from the date of final payment under this Contract and for such longer period, if any, as may be required by applicable statute or other provisions of this Contract.
- D. If this Contract is completely or partially terminated, records relating to the services terminated shall be made available to Owner by Contractor for a minimum of 3 years from the date of any resulting final settlement.
- E. Records which relate to claims or litigation or the settlement of claims arising out of the performance of this Contract shall be made available to Owner by Contractor until such claims or litigation have been concluded.

SECTION 11. RELATIONSHIP OF PARTIES

Contractor shall perform its obligations under this Contract as an independent Contractor of Owner. Owner may administer the Contract and monitor Contractor's compliance with its obligations. Owner shall not supervise or direct Contractor other than as provided in this section.

SECTION 12. ASSIGNMENTS

Unless otherwise allowed by this Contract or in writing by Owner, any assignment by Contractor of its interest in any part of this Contract or any delegation of duties under this Contract shall be void, and any attempt by Contractor to assign any part of its interest or delegate duties under this Contract shall give Owner the right immediately to terminate this Contract without any liability for work performed.

The Owner reserves the right to approve all subcontractor contracts.

SECTION 13. NONDISCRIMINATION

- A. Contractor will not discriminate against any employee or applicant for employment because of race, color religion, national origin, ancestry, age, sex or marital status or mental or physical handicap. Contractor will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, color, religion, national origin, ancestry, age, sex, or marital status or mental or physical handicap. Such action shall include, without limitation, employment, upgrading, demotion or transfer, recruitment or recruiting, advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training

Contract to Provide Professional Services to City and Borough of Sitka by Shaw Environmental, Inc. for Sitka Solid Waste Management Plan.

including apprenticeship. Contractor agrees to post, in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions for this nondiscrimination clause.

- B. Contractor shall state, in all solicitations or advertisements for employees to work on jobs relating to this Contract, that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, age, or marital status or mental or physical handicap.
- C. Contractor shall include the provisions of subsection A in every subcontract or purchase order under this Contract, so as to be binding upon every such subcontractor or vendor of Contractor under this Contract.
- D. Contractor shall comply with all applicable Federal, State and City laws concerning the prohibition of discrimination.

SECTION 14. COPYRIGHTS AND RIGHTS IN DATA

All documents produced under this Contract are the property of Owner, including notes, drawings, reports and other technical information referred to as work products, except items which have pre-existing copyrights. Payments to Contractor for services include full compensation for all work products produced by Contractor and its subcontractors.

All such subject data furnished by Contractor pursuant to this Contract are instruments of its services in respect to this particular project. It is understood that Contractor does not represent such subject data to be suitable for reuse on any other project or for any other purpose. If Owner reuses the subject data without Contractor's specific written verification of adaption, such reuse will be at the risk of Owner, without liability to Contractor. Any such verification of adaption requested in writing by Owner at Owner's sole option will entitle Contractor to further compensation at rates agreed upon by the Parties.

SECTION 15. NOTICES

Any notice required pertaining to the subject matter of this Contract shall be in writing and either personally delivered or mailed by prepaid, first class, registered or certified mail, return receipt requested, to the following addresses:

OWNER:

City and Borough of Sitka
Department of Public Works
Attn: Gary E. Baugher Jr., M&O Supt.
100 Lincoln Street
Sitka, AK 99835

CONTRACTOR:

CB&I Environmental and Infrastructure, Inc.
Attn. Phil Kowalski, Project Manager
1607 E. Main, Suite E
St. Charles, Illinois 60174

Contract to Provide Professional Services to City and Borough of Sitka by Shaw Environmental, Inc. for Sitka Solid Waste Management Plan.

SECTION 16. CLAIMS AND DISPUTES

If Contractor becomes aware, or reasonably should have become aware, of any act or occurrence which may form the basis of a claim, Contractor shall promptly notify in writing Owner’s authorized representative. If the matter cannot be resolved within seven (7) days, Contractor shall, within the next fourteen (14) days, submit a written notice of the claim. Contractor shall, in presenting the claim, include the facts and circumstances surrounding the claim, the specific relief requested including any additional compensation claimed and the basis upon which it was calculated, and the provisions of this Contract under which the claim is made. This procedure covers all claims by Contractor for additional compensation or any extension of the time for performance or any dispute regarding a question of fact or interpretation of this Contract. Contractor agrees that unless these written notices are provided, Contractor shall have no entitlement to additional time nor compensation for such act, event or condition.

SECTION 17. SUCCESSORS AND ASSIGNS

The Parties bind themselves, partners, successors, assigns and legal representatives to the other Party to this Contract and to partners, successors, assigns and legal representatives of such other Party with respect to all covenants of this Contract.

SECTION 18. INSURANCE

A. Contractor shall at all times during the term of this Contract, maintain in good standing the insurance described in subsection B. Before rendering any services under this Contract, Contractor shall furnish Owner with proof of insurance in accordance with subsection B in a form acceptable to the Risk Manager for Owner; such proof of insurance shall be incorporated into this Contract.

B. Type of coverage:

1. <u>Commercial General Liability</u>	
Occurrence Limit	\$1,000,000
Products and Completed Operations Aggregate	\$2,000,000
General Aggregate	\$2,000,000
2. Workman’s Compensation	Alaska Statutory
Employers Liability	
3. Commercial Automobile Liability	\$1,000,000
Including all owned, hired and non-owned vehicles	
Professional Errors and Omissions	\$1,000,000

Contract to Provide Professional Services to City and Borough of Sitka by Shaw Environmental, Inc. for Sitka Solid Waste Management Plan.

C. Insurance Notes

1. Owner shall be named as an additional named insured on the required general liability and automobile insurance policies. The Owner shall also be granted a full waiver of any rights of subrogation under all required policies with the exception of Professional Errors and Omissions. These requirements extend to all subcontractors.
2. Contractor is required to notify Owner if any policy is to be canceled, materially changed, or renewed, thirty days prior, by written notice.

SECTION 19. PERMITS, LAWS AND TAXES

Contractor shall acquire and maintain in good standing all permits, licenses and other entitlement necessary to its performance under this Contract. All actions taken by Contractor under this Contract shall comply with all applicable statutes, ordinances, rules and regulations. Contractor shall pay all taxes pertaining to its performance under this Contract.

SECTION 20. NON-WAIVER

The failure of either Party at any time to enforce a provision of this Contract shall in no way constitute a waiver of the provision, nor in any way affect the validity of this Contract or any part, or the right of such Party to enforce each and every provision.

SECTION 21. AMENDMENT

- A. This Contract shall only be amended, modified or changed by a written amendment, executed by authorized representatives of the Parties, and such amendment shall be attached to this Contract as an appendix.
- B. For the purposes of any amendment, modifications or change to the terms and conditions of this Contract, the only authorized representatives of the Parties are:
 1. Phil Kowalski, Project Manager - For Contractor
 2. Mark Gorman, Municipal Administrator - For Owner
- C. Any attempt to amend, modify or change this Contract by either an unauthorized representative or unauthorized means, shall be void.

SECTION 22. SEVERABILITY

Any provision of this Contract decreed invalid by a court of competent jurisdiction shall not invalidate the remaining provisions of the Contract.

SECTION 23. JURISDICTION - CHOICE OF LAW

Contract to Provide Professional Services to City and Borough of Sitka by Shaw Environmental, Inc. for Sitka Solid Waste Management Plan.

Any civil action arising from this Contract shall be brought in the Alaska Superior Court at Sitka. The laws of the State of Alaska shall govern the rights and obligations of the Parties under this Contract.

SECTION 24. INTEGRATION

This instrument and all appendices and amendments embody the entire Contract of the Parties. There are no promises, terms, conditions or obligations other than those contained in this Contract. This Contract shall supersede all previous communications, representations, or Contracts, either oral or written, between the Parties.

IN WITNESS WHEREOF, the Parties have executed this Contract in duplicate on the date and at the place shown below.

CITY AND BOROUGH OF SITKA

CB&I Environmental and Infrastructure, Inc.

Mark Gorman, Municipal Administrator

Phil Kowalski, Project Manager

Date: _____

Date: _____

IRS TAX I.D. NO. _____

ATTEST:

LEGAL REVIEW:

Colleen Ingman, Municipal Clerk


Robin L Koutchak
Robin Koutchak, Municipal Attorney

Date: _____

Date: 2-4-14

MEMORANDUM

To: Mayor McConnell and Assembly Members
Jay Sweeney, Interim Municipal Administrator

From: Michael Harmon, Public Works Director 

cc: Gary Baugher, Maintenance and Operations Superintendent
Mike Middleton, Interim Finance Director

Date: June 19, 2013

Subject: **Approval of Developing a Solid Waste Management Plan**

Background:

The City and Borough of Sitka (CBS) currently does not have a Solid Waste Management Plan to address the current or future needs of the Solid Waste Fund and general operations. As we approach the end of the current collection and off-island disposal contracts in 2015, we believe it is in the best interest of the CBS to be better prepared with a plan that details the goals and direction of our solid waste management backed with a financial plan. There are a few outdated memos and reports that have been put together in the past that focused on recycling, composting, and bear problems, but nothing completed with a funding plan and/or completed by professionals experienced in the field of solid waste management.

The business of solid waste management is an important and complex operation with revenues just over \$3-million, of which approximately \$2.1-million goes towards service contracts. Our current system was developed with the goal of low rates to the customer by way of an efficient operation. This started with Sitka being one of the first communities in Alaska to have automated collection utilizing trucks that can automatically pick up containers quickly without the driver exiting the vehicle. The off-island shipping removed the maintenance and operation challenges and costs associated to landfills and/or a incinerator. The result is low garbage rates especially considering our remote location and distance from the landfill.

To help illustrate some monthly garbage rate comparables, we were able to find the following rates from other communities that offer once a week collection of containers approximately 90 gallons in capacity:

• Seattle, Washington	\$89.45	• Sitka, Alaska	\$42.00
• Juneau, Alaska	\$64.68	• Everett, Washington	\$40.55
• Unalaska, Alaska	\$68.16	• Spokane, Washington	\$28.97
• King County, Washington	\$44.40	• Nome, Alaska	\$26.13
• Portland, Oregon	\$43.30	• Ketchikan, Alaska	\$18.60

This is by no means a comprehensive rate comparison and would benefit from more research on why rates vary from community and how we can capitalize on some of these differences. However, it does demonstrate that our rates are competitive, especially given our remote location and the fact that we operate an enterprise fund that is not subsidized by outside revenues such as property or sales tax.

Recycling is also a key part of the off-island disposal program. Our current recycling program has been very popular especially given it is primarily a grassroots program that has been pulled together with very little resources and cost to the CBS. The recycling program operates primarily out of two locations consisting of the Sawmill Cove Scrap Yard and the residential drop-off "Sitka Recycle Center" on Sawmill Creek Road across from the Trooper Academy. The Sawmill Cove Scrap Yard supports the collection and processing of scrap metals, cars, copper, freezers, refrigerators, steel, tires and paint. Sitka Recycling Center supports most common household recycling such as cardboard, paper, glass, metal cans, aluminum, milk jugs, shredded paper, fluorescent tubes, etc.

There are currently two main contracts associated to the processing of our solid waste and recycling. The shipping, disposal, and recycling of the materials off-island is accommodated by a contract with Republic Services (a.k.a. Rabanco or Allied Waste). Within this contract Republic Services runs the transfer station and processes the recycling collected at the Sitka Recycle Center. The work performed in Sitka under this contract is subcontracted to Alaska Pacific Environmental Services (a.k.a. APES or Stragier Sanitation). The second contract is directly with Alaska Pacific Environmental Services for the curbside/roadside collection of the Municipal Solid Waste (MSW). The Sitka Recycling Center was contracted to Community Schools in the past, but is currently being operated by Public Works.

When our waste is shipped to Washington there are two primary streams. The MSW goes to the Roosevelt Landfill in Eastern Washington and the recycling goes to the Republic Recycle Center. The shipping containers get shipped to the landfill and recycle center by way of railroad systems. At the Republic Recycle Center, advanced sorting equipment such as disk screens, magnets, and optical sorters are used to identify and separate different types of paper, metals, plastics, and construction and demolition material for processing. Given that Sitka's recycling program already sorts most recyclables, this process can be streamlined and improves the commodity credits we receive to offset the overall cost. The recyclable materials collected have an extended value to society through repurposing and remanufacturing.

The Roosevelt Landfill is considered a modern "green" landfill that was designed from the ground up to capitalize on utilizing the waste byproducts and reducing environmental impacts. For example, the landfill captures the gas emissions as an industry leader in utilizing this byproduct to produce 37-Megawatts of electricity to help power up to 37,000 homes. The power generated is produced 24/7 which has significant advantages over other alternative power such as wind and solar. The landfill will produce power well past the 40-year expected trash-receiving lifespan. Additionally,

the railcar shipping is unique to the facility and is extremely efficient as it significantly reduces fossil fuel consumption versus utilizing truck hauling.

The Roosevelt Landfill has an ideal location in a very dry climate to significantly reduce leach-aid and other environmental impacts. Southeast Alaska is generally a very poor location for MSW landfills and many of the environmental benefits provided by the Roosevelt Landfill in terms of climate and electric generation would not be possible. Additionally, it is important to keep the shipping in perspective in terms of our waste going to Washington. Our waste is transferred to Washington by way of barge and railcar which are both extremely efficient and piggyback onto barges and trains that are going to make the trip regardless of our few containers.

Analysis:

There is an exorbitant amount of data and information related to analyzing of our current waste management and any potential changes to consider for the future. Many community members have expressed interest in improving our process in terms of waste diversions, recycling, composting, and bear protection. Various ad-hoc groups have dedicated a significant amount of time trying to develop ideas to improve our system with very little resources or data. We believe that the development of a Solid Waste Management Plan would be a significant first step to work with the community to improve services and develop an appropriate business plan through the help of solid waste professionals. Such plan would engage the community and analyze options and provide recommendations. Once a plan is in place, it will become a consistent resource that will identify our goals and objectives along with the needed funding.

The timing is excellent to start the planning ahead of the 2015 expiration of our current service contracts. The proposed management plan would be all encompassing covering all aspects of the Solid Waste Enterprise Fund and solid waste management activities. This would include the infrastructure and a customer rate analysis associated to the future revenue requirements.

The following is a list of common objectives to consider for the Solid Waste Management Plan:

Reduce Waste and Increase Recycling:

- Increase Business and Institutional Recycling and Composting, through technical assistance to businesses.
- Focus on paper and organics as priority materials because they continue to be disposed of in large quantities and they have the greatest potential for significant improvement in their capture and use as resources.
- Increase Residential Recycling and Composting – Using technical assistance and targeted grant programs, increase recycling and composting through development of cost-effective municipal and regional residential recycling programs.

- Pay-As-You-Throw program implementation and collection of all recyclables together through single-stream recycling. As with businesses, focus on paper and organics as priority materials for their additional diversion potential.
- Stimulate Greater Reuse of Materials and Products – Implement a regional materials exchange to facilitate material reuse among businesses and institutions and work with broad groups of stakeholders to develop new strategies to encourage increased reuse of materials and products to save money for businesses, institutions, and residents and to reduce disposal.
- Deploy Diversion Strategies for Organics and C&D– Implement integrated organics and C&D diversion strategies that include a combination of initiatives to increase diversion and build markets.
- Build Local and Regional Recycling Markets – Drive development of new and expanded recycling markets and bolster existing markets through innovative pilot projects, state procurement, cost-effective regional programs, targeted business development assistance, and implementation of existing and new waste bans.
- Education Campaigns – Work with municipal, non-profit, and business stakeholders, including the waste management industry, to develop and implement a series of targeted education campaigns and school educational programs to support waste reduction and increased recycling by residents, businesses, and institutions.
- Eliminate Barriers to Siting Composting Facilities – Working with a broad stakeholder group, identify barriers to siting anaerobic digestion, recycling, and composting facilities and develop codes, technical, and financial mechanisms to mitigate or eliminate those barriers.
- Keep Toxics Out of the Waste Stream –Expand regional programs to collect and safely manage hazardous household products before they are sent for disposal.

Develop Integrated Solid Waste Management Systems

- Integrated Facility Partnerships - Work with interested parties, including businesses, to develop integrated solid waste management systems that achieve our objectives by integrating reuse, recycling, and composting opportunities into holistic solid waste facility design.
- Innovative Pilot Projects – Pilot Project innovative approaches that can achieve the goals identified in the plan.
- Highlight Successful Systems – Don't forget to recognize the leadership examples within our current program:
 - Comprehensive recycling drop-off center
 - Past and present education in schools
 - Climate Action Plan
 - Composting Pilot Projects
 - Community involvement, task forces, and ad-hoc groups
 - biannual Household Hazardous Waste Events
 - Spring Cleanup
 - Reused building materials
 - C&D handling facility, and landfill

- Overburden and “Green Waste” landfill
- Goals and Objectives Plan for the short-term and long-term programs and infrastructure – 5, 10, 20, and 50-year goals, objectives, and milestones associated to developing integrated solid waste management programs.
- Business Plan – Rate study that includes a sustainable infrastructure plan and overall funding for operations in a manner to maintain financial stability meeting all goals and objectives.

Currently the CBS does not offer curbside collection for recycling like many other communities. Once again, the focus of our current system was to reduce the cost to the customer. The additional service of curbside/roadside recycle collection generally does not produce the same level of segregated recycling as a drop-off center and comes with the additional cost of collection. However, it should produce a significant increase in recycling due to the convenience. This would be an important focus of the management plan.

Solid waste management plans can be very robust planning tools to promote change in the future that will lead to common goals and objectives. They can evolve and function as a living document, but are intended to unite the community towards a common path to improving waste management. These elements are missing in our program which makes it slow to change, evolve, or be prepared for the future. Most things are being managed in a reactionary manner versus proactive.

Fiscal Note:

The funding for a Solid Waste Management Plan would come from the working capital of the Solid Waste Fund which is approximately \$1.5-million. It is projected that a Solid Waste Management Plan would cost between \$150,000 to \$250,000 depending on the complexity of future goals and the amount of public process exploring options. This cost estimate is based from other master planning we have accomplished for Water, Wastewater, and Harbors.

Recommendation:

Approve the Administrator to advertise a Request for Qualifications and select a consultant to assist Public Works in developing a Solid Waste Management Plan. A scope of work, budget, and contract will be presented to the Assembly for review, comment, and approval.