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LEASE AGREEMENT
Between City and Borough of Sitka and Sitka Maritime Heritage Society, Inc.
Regarding Japonski Island Boathouse Property

This Lease Agreement is made between the City and Borough of Sitka, whose address is 100 Lincoln Street, Sitka, Alaska 99835 ("the City and Borough") and Sitka Maritime Heritage Society, Inc. of 1490 Seward Avenue, Sitka, Alaska ("the Society"). The City and Borough and the Society agree that the terms, conditions, and covenants of the Lease Agreement are as follows:

1. The City and Borough leases to the Society a parcel known as the Japonski Island Boathouse whose legal description is Tract A, ASCS 88-62 located in United States Survey 1496 and whose size is 0.493 acres, more or less. This parcel is hereinafter described as "the property."
2. The term of the Lease Agreement is 20 years unless extended as described in the next sentence. By mutual agreement of the City and Borough and the Society, this initial 20-year term may be extended for three 10-year extensions.
3. The rent is one dollar (\$1.00) per year, which shall be paid to the City and Borough no later than 30 days after each anniversary of the effective date of this Lease Agreement. The Society shall pay the first year's rent no later than 30 days after the effective date of this Lease Agreement.
4. The effective date of this Lease Agreement is the date shown for the latest day a signature required to be affixed to this Lease Agreement is so affixed.
5. The Lease Agreement shall terminate if the City and Borough and the Society do not agree by June 1, 2012 that the project the Society has announced that it is planning for the property has become financially self-sufficient.
6. The Society shall clean up the property and remove any safety hazards on the property no later than 120 days after the effective date of the Lease Agreement.
7. The Society shall secure funding for the project it plans for the property without relying on the City and Borough for funds.
8. No later than 60 days after the effective date of the Lease Agreement, the Society shall obtain liability insurance for the property in an amount no less than \$500,000. This liability insurance shall name the City and Borough as an additional insured. The Society shall provide the City and Borough's Finance Director with evidence of this liability insurance.
9. The Society shall comply with all applicable laws while using the property.
10. The Society shall indemnify the City and Borough and its employees, officers, and agents and hold harmless the City and Borough and its employees, officers, and agents from any and all claims, demands, suits, loss, liability and expense for injury to or death of persons or damage to or loss of property arising out of or connected with the exercise of the lease privileges granted to the Society by this Lease

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Agreement or arising out of any incident whatsoever which may occur on the property.

11. Upon termination of this Lease Agreement, the Society shall remove all materials, equipment and other personal property from the property and return the property to a satisfactory condition.
12. The Society has no power under this Lease Agreement to assign the Lease Agreement or transfer the property. The Society has no power to sublease the property or any portion of it without written approval of the City and Borough Administrator.
13. None of the covenants, terms, or conditions of this Lease Agreement to be kept or performed by the City and Borough or the Society shall in any manner be waived, modified, changed, or abandoned except by a written instrument duly signed, acknowledged, and delivered by both the City and Borough and the Society.
14. 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 only be in the Alaska State Courts in Sitka, Alaska.
15. This Lease Agreement contains the entire agreement between the parties concerning the property.
16. Each person signing this Lease Agreement warrants that he or she has the authority required to bind the party on whose behalf he or she is signing.

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CITY AND BOROUGH OF SITKA

By: *Hugh R. Bevan*
Hugh R. Bevan, City and Borough Administrator

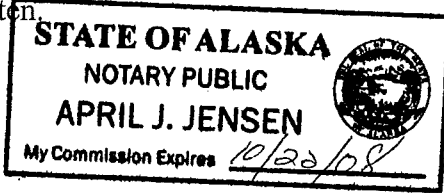
Date: 2-10-05

STATE OF ALASKA)
)ss.
FIRST JUDICIAL DISTRICT)

MUNICIPAL ACKNOWLEDGMENT

THIS CERTIFIES that on this 10th day of February, 2005 before me, a Notary Public in and for the State of Alaska, personally appeared **Hugh R. Bevan** the person whose name is subscribed to the foregoing deed, and after being first duly sworn according to law, he stated to me under oath that he is the Administrator of the City and Borough of Sitka, Alaska, a municipality organized under the laws of the State of Alaska, that he has been authorized by said municipality to execute the foregoing **LEASE AGREEMENT** on its behalf, and that he executed the same freely and voluntarily as the free act and deed of said municipality.

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



April J. Jensen
Notary Public for Alaska
My Commission Expires: 10/22/08
Residing at Sitka, Alaska

SITKA MARITIME HERITAGE SOCIETY, INC.

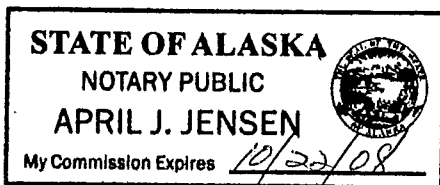
By: *Rebecca Poulson*
Rebecca Poulson, Board President

Date: 2-14-05

STATE OF ALASKA)
)ss.
FIRST JUDICIAL DISTRICT)

ACKNOWLEDGMENT

On this 14th day of February, 2005, **Rebecca Poulson** personally appeared before me, who is personally known to me to be the signer of the above **LEASE AGREEMENT**, and she acknowledged that she executed it.



April J. Jensen
Notary Public for Alaska
My Commission Expires: 10/22/08
Residing at Sitka, Alaska