

**ALEUTIAN ISLANDS RECORDING DISTRICT**

After Recording Return To:
ALEUTIANS EAST BOROUGH
3380 C Street, Suite 205
Anchorage, AK 99503

TIDELANDS LEASE

This Lease is entered into on January 25, 2019, between the Aleutians East Borough (“Lessor”) and Silver Bay Seafoods, LLC (“SBS” or “Lessee”).

Recitals

A. Lessor is the owner of the tidelands as shown in Exhibit 1 hereto, described as: Section 27, T. 61 S., R 94W., Seward Meridian and Section 28, T. 61 S., R. 94W., Seward Meridian, in False Pass Alaska. The Lessor owns the tidelands subject to the rights of the public under the Public Trust Doctrine. The parcel requested for lease is located in the SW corner of the False Pass Small Boat Harbor near the causeway pad. Approximately 15,000 square feet will be required as easement for an initial floating dock (“Dock”) and later improvements. See: Section 10(e)(i). Upon completion of the installation of the Dock, an “as-built” survey will be performed by the Lessee. Once completed, the “as-built” survey will be utilized as the legal description of the tideland easement.

B. Lessee, on its own or through its affiliate, plans to construct a seafood processing and freezing facility (“Facility”) in the existing harbor in False Pass, Alaska. The parties contemplate that Lessee may, from time to time during the life of this Lease, replace or repair the Facility and the Dock during the term of this Lease.

C. Use of the Tidelands for a Dock will facilitate operations of the Silver Bay Seafoods Facility, the City of False Pass and the public.

D. Lessee desires to lease the Tidelands from Lessor, and Lessor desires to lease the Tidelands to Lessee.

E. To facilitate the mutual goals of Lessor and Lessee, they hereby enter into this Lease to document the terms and conditions under which Lessor will lease the Tidelands to Lessee.

F. On April 15, 2005 a Harbor Management Agreement (Agreement) between the Lessor and the City of False Pass ("City") was executed and will stay in effect until September 30, 2025 (attached as Exhibit 2). The Agreement states that the City agrees to manage and operate the False Pass Small Boat Harbor. According to the Agreement "Any permanent improvement, development or structure proposed by the City or a third party to be constructed or placed within the Harbor, whether upon or separate from an existing facility or improvement in the Harbor, must be approved in writing by the Borough prior to construction or placement." This Lease authorizes the Lessee to construct the Facility in the False Pass Harbor. The above referenced Agreement governs the False Pass Harbor and is hereby incorporated in this Lease as if fully stated herein. However, the Agreement is between the City of False Pass and the Aleutians East Borough and parts of the agreement (i.e. B (7)) are not intended to create additional responsibilities or obligations to the Lease under this Agreement.

Terms and Conditions

1. Premises. Lessor leases to Lessee the Tidelands described as approximately 15,000 *square feet* of the Borough's tidelands within Alaska Tidelands Survey No. 1611, at False Pass Harbor, as generally depicted in Exhibit 3. No later than 45 days after the completion of the construction of the Dock, Lessee shall provide the Lessor with an as-built survey showing the exact boundaries and legal description of the leased property. Upon acceptance of the as-built and legal description by the Lessor the survey and legal description shall replace the description of lease property set out in this section and a new exhibit depicting the leased property shall be attached to the lease agreement.

2. Term and Renewal. The Term of this Lease shall be 35 years, beginning on January 1, 2019, and ending on December 31, 2054, subject to one 35-year renewal or earlier termination as described below.

- (A) The parties intend that the Lease will last for a maximum 70 years, including the 35-year Term and one 35-year renewal. In the event Lessor does not receive written notice of nonrenewal from Lessee not less than 365 days before the end of the Term or the renewal thereof, this Lease shall be renewed for an additional 10 years, subject to the terms and conditions contained in this Lease as the parties may, from time to time, agree to amend it.

3. Rent. Lessee shall pay rent to Lessor at the rate of \$.50 per square foot and taxes per year, due and payable on the date of full execution of this Lease. Lessee shall pay all legal and engineering/consultant fees incurred by the Lessor for this project, due and payable 30 days after an invoice from the Lessor is received by Lessee.



4. Lease Payment and Adjustment.

- (A) After the first year of the Lease Lessee shall pay Lessor the annual lease payments at the start of each subsequent year of the term, with the annual payment due on or before January 1st.
- (B) The annual lease payment for the remainder of the initial five-year period of the lease term (35 years) shall be \$7,500.00 and taxes.
- (C) Beginning the first year after the initial five-year period, the Borough Administrator will re-evaluate and adjust the annual lease payment for the lease premises for the next five-year period of this lease and then every five years thereafter. The new annual payment shall be paid retroactively to the beginning of the lease payment adjustment period.

5. Termination. Lessor may terminate this Lease upon Lessee's default upon 90 days' written notice of termination. No such notice of termination shall be sent unless Lessor has given Lessee written notice of default and an opportunity to cure the problem. Lessee may terminate this Lease upon 90 days' written notice to Lessor. Upon termination or cancellation of this Lease, the Lessee shall immediately turn over to the Lessor all plans, records, agreements, and other documents relating to the Facility and its operation under this Lease and shall make available to the Lessor and its agents all records of Lessee that may directly or indirectly affect or reveal the financing of the Facility operation by Lessee. Termination or cancellation of this Lease does not affect the undischarged obligation of one party to this Lease to the other.

6. Authorized Use of Premises. The Tidelands are leased to Lessee to use as Lessee deems necessary or desirable to achieve Lessee's business objectives in constructing, operating and maintaining the Facility, as it may from time to time be repaired or replaced. Lessee shall at all times comply with all applicable laws, ordinances and regulations of duly constituted authorities now or hereafter in effect, with respect to Lessee's use of the Tidelands.

Lessee agrees that nothing in this Article or in this Lease shall create any third-party beneficiary rights or relationship in Lessee or in any other entity.

7. Possession. Upon execution of this Lease and payment of the first rental payment, Lessee shall have the right to possession of the Tidelands.

8. Taxes. Lessee shall be responsible for any and all property taxes assessed during the term of this Lease against any leasehold interest. Lessee shall pay any sales or other tax levied on the rent.



9. Insurance. Lessee, at all times, shall maintain and keep in effect insurance coverage outlined below, naming the Lessor and the City of False Pass as additional insureds (including their Administrators, officers, officials, employees and volunteers). Lessee will provide the Lessor with proof of insurance and give thirty (30) days written notice prior to cancellation of any policies.

(A) Minimum Scope of Insurance

- (1) Commercial General Liability
- (2) Commercial Automobile Liability Insurance
- (3) Worker's Compensation insurance as required by the State of Alaska and Employers Liability Insurance.
- (4) Property insurance in an amount no less than replacement cost value
- (5) Marinas Operator Liability

(B) Minimum Limits of Insurance

- (1) Commercial General Liability:
 - a. \$1,000,000 combined single limit per occurrence / \$2,000,000 Aggregate for bodily injury and property damage claims arising from contractors operations
 - b. This will cover all Dock operations onshore and offshore.
- (2) Auto Liability:
 - a. \$1,000,000 combined single limit per accident for bodily injury and property damage.
- (3) Worker's Compensation and Employers Liability:
 - a. Worker's Compensation shall be statutory as required by the State of Alaska. Employers Liability shall be endorsed to the following minimum limits and contain USL&H coverage endorsement if applicable
 - Bodily Injury By Accident - \$1,000,000 each accident;
 - Bodily Injury By Disease - \$1,000,000 each employee;
 - Bodily Injury By Disease - \$1,000,000 policy limit.
- (4) All risk property insurance, including earthquake and flood, in an amount equal to the replacement cost of the Dock.



- a. The replacement cost value of the dock is not less than the completed construction cost.
- (5) Marinas Operator Policy
 - a. \$1,000,000 in pollution insurance
- (C) Other Insurance Provisions
 - (1) Borough and City to be additional named insureds on General Liability and Automobile liability policies.
 - (2) All policies to contain waiver of subrogation in favor of Borough and City of False Pass
 - (3) Lessee's liability policies to be primary and non-contributory
- (D) Coverage to be placed with carriers with A.M. Best rating of A- VII

10. Dock Management. Management and operation of the Facility should mirror the requirements outlined in the Harbor Management Agreement between the Lessor and the City of False Pass, attached as Exhibit 2. Lessee agrees and acknowledges that it has read following provisions that are part of the Harbor Management Agreement and restated herein and made part of this lease:

- a. **OPERATION AS A PUBLIC FACILITY.** Lessee hereby agrees to manage and operate the Dock for the use and benefit of the public; to make all Dock facilities and services available to all members of the public on the same basis and on fair and reasonable terms and without discrimination. Unless otherwise directed by the Lessor or required by state and federal law, all state and federal or other publicly owned or operated vessels shall receive no special preference for berthing space at or use of the Dock. Said vessels shall use the harbor under the same conditions and at the same rates as those specified for the general public.

The Lessor acknowledges the Lessees' right to provide preferential treatment for its vessels and use. The Lessee must provide reasonable notice to other dock users when Lessee requires space at the Dock for its own vessels and for its other uses.

- b. **MAINTENANCE, REPAIR AND DOCK UPKEEP.** Lessee hereby agrees to continuously maintain the Dock in a good state of repair and in a clean and orderly manner, at no cost to the Lessor or City of False Pass. Lessee shall be responsible for all major repairs, minor repairs, routine preventative maintenance and upkeep.



- i. Lessee is required to comply with all Department of Environmental Conservation requirements.
- c. REVENUES AND ACCOUNTS. Lessee shall establish tariffs, and shall collect a fee or charges, for all non-Lessee uses of the Dock. Lessee shall keep complete financial records in accordance with generally accepted accounting practices, reflecting all revenue derived by Lessee from the Dock as well as all funds expended by Lessee for the maintenance and operation of the Dock. The right is hereby reserved by the Lessor to examine said financial records at any time during normal business hours.
- d. IMPROVEMENTS. Any permanent improvement, development or structure proposed by Lessee to be constructed or place on the Dock, whether upon or separate from the Dock, must be approved in writing by the Lessor prior to construction or placement.
- e. OWNERSHIP OF DOCK AND IMPROVEMENTS. The Dock and all improvements made to the Dock and all fixtures added to and incorporated into the use of the Dock shall become the property of the Lessor upon their construction, addition to or incorporation in to the Dock unless the Lessee, Lessor, and City of False Pass agree otherwise in writing.
 - i. Lessee has plans to install two (2) RYCO fish pumps and a straight boom telescopic crane, which shall remain the property of the Lessee.
- f. MAINTENANCE AND REPAIR. Lessee covenants throughout the term hereof, at Lessee's sole cost and expense, to properly keep the Premises and improvements in good maintenance, repair, order and condition. Lessee acknowledges that Lessor has no responsibility to maintain the Premises or improvements during the Term hereof.
- g. FIXTURES AND IMPROVEMENTS. Lessee shall pay all costs associated with locating, constructing, and maintaining all improvements and fixtures on the Premises. Upon termination or expiration of this Lease, Lessee shall remove (within sixty (60) days of the termination or expiration date) all improvements and fixtures from the Premises and restore the Premises to the condition that existed at the beginning of the Term of this Lease, provided that, Lessor and Lessee may otherwise mutually agree that all improvements and fixtures erected on or attached to the Premises by Lessee shall become the property of Lessor. In such event, the parties agree that this Lease shall constitute a quitclaim, by Lessee to Lessor, of all Lessee's right, title, and interest in such improvements and fixtures upon such termination or expiration. Lessee further agrees, at the request of Lessor, to execute such other or further documents necessary to transfer



Lessee's interest in the improvements or fixtures should Lessor retain the improvements and fixtures.

- h. SURRENDER OF PREMISES. Lessee on the last day of the Term, or upon earlier termination of this Lease, shall peaceably and quietly leave and surrender the Premises in as good condition as on commencement of the Term, ordinary wear and tear excepted.
- i. OPERATOR PROVIDED UTILITIES AND WATER SYSTEM. Where electrical facilities or electrical, fuel or water distribution systems are not provided by the Lessor or City of False Pass, Lessee may install with its own personnel with prior approval of the Lessor, or have installed by a competent contractor, adequate lighting and power, fuel and water distribution systems. Under no circumstances may Lessee alter or modify existing Harbor facilities for the purpose of installing electrical utilities, fuel, or water systems without first obtaining specific written approval from the Lessor. Prior to installation of any power in or to the Dock, whether to power permanent fixtures of equipment or for distribution to vessels, the Lessee shall provide for the design of the system by an engineer with recognized experience in the design of electrical systems for marinas and docks that may be affected by electrolysis. The Lessor may require a review of the design by a second engineer or a consultant before approving the project.
- j. FUEL AND HAZARDOUS MATERIAL HANDLING. If fuel or any other hazardous materials are handled on the Dock or in the Harbor, Lessee shall insure that only properly trained personnel handle such fuel or materials and that adequate procedures are followed for safely storing, dispensing, and otherwise handling fuel or hazardous materials in accordance with the most current edition of the National Fire Protection Code and all applicable federal, state, and local laws and regulation, in particular, applicable United States Coast Guard regulations. Lessee shall ensure that all necessary permits, operations manuals, and other authorizations are issued or are in place before permitting the handling of fuel or hazardous materials and may require the shipper or handler to obtain such permits and authorizations and to bear all or any part of the expense of obtaining such permits or authorizations and any additions or changes to the Dock facilities that are needed to comply. Such additions or changes to the Dock facilities must be approved by the Lessor and City of False Pass.
- k. ENVIRONMENTAL POLLUTION. In the event of a spill or discharge of a petroleum product or hazardous material at the Dock, Lessee shall immediately report the spill or discharge to the appropriated authorities and to the Lessor, act promptly to contain the spill or discharge, repair any damage, remove the petroleum product or hazardous material and clean up the affected area, restore



the Dock and affected waters to a safe condition and otherwise comply with the applicable provisions of state and federal law.

- l. LIENS. Lessee shall keep the Dock free of all liens, pay all costs for labor and materials arising out of construction, improvements or repairs by the Lessee on the Dock, and shall indemnify, defend, and hold the Lessor and the City of False Pass harmless from liability, action, claim, suit, loss, property damage of personal injury of whatever kind resulting from or arising out of any such liens, including costs and attorney fees.
- m. NO WAIVER. The failure of the Lessor to insist in any one or more instances upon the strict performance of Lessee of any provision or covenant in this agreement may not be considered a waiver or relinquishment for the future, but the provision or covenant will continue in full force. The waiver by the Lessee of any provision or covenant in this agreement cannot be enforced or relied upon unless the waiver is in writing signed on behalf of the Lessor.
- n. NATURAL DISASTERS. In the event any cause which is not due to the fault or negligence of either Lessee, the Lessor, or the City of False Pass renders the Dock unusable and makes the performance of this Agreement impossible, this Agreement may be terminated by either party upon written notice to the other party. Causes include, but are not limited to, acts of God or public enemy, acts of the United States and State of Alaska, fires, floods, or strikes.
- o. NATIONAL OR STATE EMERGENCY. In case of any national emergency declared by the federal government, or any state emergency declared by the State of Alaska, Lessee may not hold the Lessor or

City of False Pass liable for any inability to perform any part of this Agreement as a result of the national or state emergency.

11. Standard Provisions. This Lease is subject to the Standard Provisions, which are attached hereto and are incorporated as part of this Lease.

IN WITNESS WHEREOF, the parties have executed this Lease the day and year first above written.

Silver Bay Seafoods, LLC

By: _____

Robert Zuanich

Its: Managing Partner



STATE OF WASHINGTON)
) ss:
COUNTY OF KING)

THIS CERTIFIES that on this 12th day of February, 2019, before me, a Notary Public in and for the State of Washington, personally appeared Robert Zuanich, known to me to be the person whose name is subscribed on the foregoing instrument and, duly sworn, stated to me under oath that he is the Managing Partner of Silver Bay Seafoods, LLC, that he has been authorized by said limited liability company to execute the foregoing instrument on its behalf, and that he executed the same freely and voluntarily as the free act and deed of said limited liability company.

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



MN Kline
Notary Public for Washington
My commission expires April 30, 2022

Aleutians East Borough

1-25-19

Tidelands Lease – Aleutians East Borough and Silver Bay Seafoods, LLC

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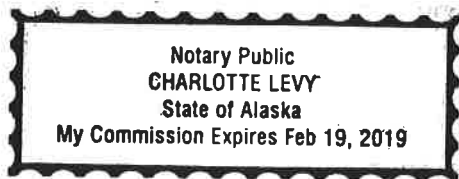
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By: Anne Bailey
Anne Bailey
Its: Administrator

STATE OF ALASKA)
) ss:
THIRD JUDICIAL DISTRICT)

THIS CERTIFIES that on this 12th day of February, 2019, before me, a Notary Public in and for the State of Alaska, personally appeared Anne Bailey, known to me to be the person whose name is subscribed on the foregoing instrument and, duly sworn, stated to me under oath that s/he is the Administrator of the Aleutians East Borough, that s/he has been authorized by said municipal corporation to execute the foregoing instrument on its behalf, and that s/he executed the same freely and voluntarily as the free act and deed of said municipal corporation.

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



[Signature]
Notary Public for Alaska
My commission expires: 2/19/2019



Exhibit 1-Tidelands

2004-000307-0

Recording Dist: 305 - Aleutian Islands
6/8/2004 12:57 PM Pages: 1 of 3

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K
A



State of Alaska

cc



Tidelands Patent No. 4 2 5

Know Ye By These Presents that the Grantor, the STATE OF ALASKA, DEPARTMENT OF NATURAL RESOURCES, 550 West 7th Avenue, Suite 1050A, Anchorage, Alaska 99501-3579, pursuant to AS 38.05.825 and the regulations promulgated thereunder, for good and valuable consideration, grants and conveys to the Grantee, the ALEUTIANS EAST BOROUGH, whose mailing address of record is 3380 C Street, Suite 205, Anchorage, Alaska 99503, Grantee's successors and assigns, those tidelands lying seaward of the mean high tide line of Unimak Island situated in the Aleutian Islands Recording District, State of Alaska, and described as follows:

ALASKA TIDELAND SURVEY NO. 1611, CONTAINING 34.86 ACRES, MORE OR LESS, ACCORDING TO THE SURVEY PLAT RECORDED IN THE ALEUTIAN ISLANDS RECORDING DISTRICT ON APRIL 7, 2003, AS PLAT 2003-2.

Subject to valid existing rights, including reservations, easements, and exceptions in the U.S. Patent or other state or federal conveyance, and in acts authorizing the issue thereof; easements, rights-of-way, covenants, conditions, reservations, notes on the plat, and restrictions of record, if any.

Grantee may lease the land, but may not sell it.

Grantee takes title to the tidelands subject to the rights of the public under the Public Trust Doctrine.

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"Official State Business-No Charge"



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Title to land conveyed under this authority reverts to the State upon dissolution of the municipality.

The Grantor hereby expressly saves, excepts and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and which may be in or upon said lands above described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and it also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right to enter by itself, its or their agents, attorneys, and servants upon said lands, or any part or parts thereof, at any and all times for the purpose of opening, developing, drilling, and working mines or wells on these or other lands and taking out and removing therefrom all such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said lands or any part thereof for the foregoing purposes and to occupy as much of said lands as may be necessary or convenient for such purposes hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to, and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved.

To Have And To Hold the said land, together with the tenements, hereditaments, and appurtenances thereunto appertaining, unto the said Grantee and Grantee's successors and assigns forever.

In Testimony Whereof the State of Alaska has caused these presents to be executed by the Director of the Division of Mining, Land and Water, Department of Natural Resources, State of Alaska, pursuant to delegated authority, this 2nd day of June, 2004.

By:


Sandra J. Singer
For Bob Loellier, Director
Division of Mining, Land and Water

Tidelands Patent No. 425

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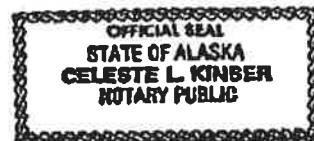
State of Alaska)
) ss.
Third Judicial District)

This Is To Certify that on the 2nd day of June, 2004, appeared before me SANDRA J. SINGER, who is known to me to be the person who has been lawfully delegated the authority of Bob Loeffler, the Director of the Division of Mining, Land and Water, Department of Natural Resources, State of Alaska, to execute the foregoing document; that Sandra J. Singer executed said document under such legal authority and with knowledge of its contents; and that such act was performed freely and voluntarily upon the premises and for the purposes stated therein.

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

Celeste L. Kinser
Notary Public in and for the State of Alaska

My commission expires: April 4, 2005



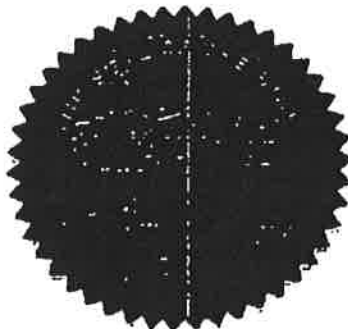
Return Recorded Document to:

ALEUTIANS EAST BOROUGH
3350 C Street, Suite 205
Anchorage, Alaska 99503

Certified Copy to:

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND & WATER-RADS
550 West 7th Avenue, Suite 1050
Anchorage, Alaska 99501-3579

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ADL No. 227852
Location Index:
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Sections 27 and 28



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Exhibit 2

ALEUTIANS EAST BOROUGH, ALASKA

HARBOR MANAGEMENT AGREEMENT

This 15 day of April, 2005, the Aleutians East Borough, hereafter called the "Borough" whose address is P.O. Box 349, Sand Point, Alaska 99661, and the City of False Pass, Alaska, hereinafter called the "City," whose address is P.O. Box 50, False Pass, Alaska 99583 do enter this Harbor Management Agreement, hereinafter called "Agreement," of 15 pages, including signature pages, and agree as follows:

A. BASIC PROVISIONS

PREMISES

1. The City of False Pass and the Aleutians East Borough have identified economic needs in False Pass. They have cooperatively submitted and been approved for CDBG funds from the Alaska Department of Commerce, Community and Economic Development (DCCED) and grant funds from the federal Department of Commerce, Economic Development Administration (EDA) for the construction of a harbor to meet those needs.
2. The City is the recipient of CDBG funding and the Borough is the recipient of the EDA funds. Both parties agree to assume the ultimate responsibility for their grant funds including assuring compliance with all applicable laws and program regulations and performance of all work in accordance with the contract. The False Pass mayor will be the contact person for the CDBG and the Borough administrator for the EDA. Both parties and the DCCED and EDA will have access to all grant records and authority to monitor all activities. The City and Borough agree to cooperate in the implementation of the CDBG and EDA programs as approved by the granting agencies.
3. The City and Borough agree that the City will receive the usefulness, advantage and other economic and community benefits of the harbor for the residents of False Pass for at least twenty (20) years.
4. The City agrees to manage and operate the following described marine facilities owned by the Borough, known as the False Pass Small Boat Harbor and hereinafter referred to as the "Harbor" located at False Pass, Alaska, in the Aleutian Islands Recording District, Third Judicial District, Alaska:

All that property consisting of a breakwater and certain docks, floats, approaches, and appurtenant marine facilities located in False Pass, Alaska, in the Aleutian Islands Recording District, State of Alaska:

TERM

5. The term of this Agreement is twenty (20) years from this agreement's last signature date through the last day of September, 2025.



B. GENERAL COVENANTS

OPERATION AS PUBLIC FACILITIES

1. The City hereby agrees to manage and operate the harbor for the use and benefit of the public; to make all Harbor facilities and services available to all members of the public on the same basis and on fair and reasonable terms and without discrimination. Unless otherwise directed by the Borough or required by state and federal law, all state and federal or other publicly owned or operated vessels shall receive no special preference for berthing space at or use of the Harbor. Said vessels shall use the Harbor under the same conditions and at the same rates as those specified for the general public:

MAINTENANCE AND REPAIR

2. The City hereby agrees to continuously maintain the Harbor in a good state of repair, at no cost to the Borough. Provided, however, that all necessary "major repairs" not caused by any action, neglect or negligence of the City shall be undertaken and completed by the Borough, at Borough expense or with funds from the account established pursuant to paragraph 7(d) of this Agreement, subject to the appropriation of sufficient funds for that purpose. The City shall be responsible for all minor repairs and routine preventative maintenance:
 - a. The term "major repair" as used herein is defined as any maintenance or repair having a cost for a single maintenance or repair operation which exceeds twenty-five thousand dollars (\$25,000).
 - b. The terms "minor repair and routine preventative maintenance" as used herein is defined as routine maintenance and repair having a cost for a single maintenance or repair operation of twenty-five thousand (\$25,000) or less, and generally includes the following:
 - (1) Replacement of damaged flotation material.
 - (2) Replacement of damaged decking or other structural members.
 - (3) Repair of electrical utilities and water and fuel systems.
 - (4) Replacement of broken or damaged piling and fenders.
 - (5) Replacement of eroded bank and breakwater protection or fill material.



(6) Repair of all structural and non-structural damage caused through impact or collision by vessels using the facilities.

- c. The Borough shall have the right to require the City to perform maintenance and repair in the event any inspection of the Harbor by the Borough reveals a failure by the City to adequately maintain Harbor facilities. Such corrective maintenance or repair work shall be accomplished by the City within a reasonable period of time as determined by the Borough. The City shall perform, at its own expense, all major repair or rehabilitation that could have been avoided but for the City deferring minor repairs or routine maintenance.
- d. Notwithstanding the other provisions of this paragraph B2, the City shall not be required to spend more than \$25,000 in any one City fiscal year for all minor repairs and routine preventative maintenance. Routine preventative maintenance includes only those activities that are for the purpose of preserving or restoring the condition of the Harbor. The City shall notify the Borough in a timely manner if the City anticipates that minor repair and routine preventative maintenance expenditures will exceed \$25,000 during the remainder of any City fiscal year.

HARBOR UPKEEP

3. The City agrees to maintain the Harbor in a clean and orderly manner at all times. Derelict or abandoned vessels shall not be allowed to occupy moorage space. Oil drums, nets, fishing gear, skiffs, garbage cans or unsightly debris may not be stored on the Harbor.

LIABILITY

4. The City shall indemnify, defend, and hold the Borough, its officers, employees and agents 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 City, its agents, employees, or officers arising from the City's management, operation, maintenance or other activity with respect to the Harbor.

HARBOR ORDINANCES; HARBORMASTER

5. The City shall employ appropriate personnel and promulgate such ordinances, resolutions or regulations as may be necessary to provide safe, orderly operation and management of the Harbor. Ordinances, resolutions and regulations shall be in conformance with all of the terms and conditions contained herein, and shall be consistent with applicable ordinances and resolutions of the Borough. The applicable provisions of a Borough



ordinance, resolution or regulation with respect to the Harbor shall supersede the provision of any ordinance, resolution or regulation of the City that is inconsistent therewith, notwithstanding the date the Borough ordinance is adopted.

HARBOR USE AGREEMENTS

6. The City may enter into such agreements for the berthing, use and management of the Harbor as are necessary and appropriate;
 - a. provided, no agreement of any nature with respect to the Harbor is valid or binding upon the City of the Borough to the extent such agreement is contrary to this Agreement or to any ordinance or resolution of the City or the Borough adopted prior to the effective date of such agreement between the City and a third party. The authority of the City to enter into agreements with third parties with respect to the use of the Harbor is derived solely from this Agreement and any agreement of any nature between the City and a third party is subject to the terms, conditions and limitations of this Agreement; further, any agreement or the provisions thereof that are inconsistent or in conflict with or are prohibited under this Agreement are voidable in the sole discretion of the Borough. The City shall be liable to the Borough for all damages or losses to the Borough arising out of agreements or provisions thereof between the City and a third party that are inconsistent, in conflict with, or prohibited by this Agreement.
 - b. The Harbor was financed, in part, with the proceeds of a tax exempt bond issued by the Aleutians East Borough. Any management, Harbor use or other agreement that would, alone or in combination with one or more other agreements of the City with respect to the Harbor, adversely affect the tax exempt status of said bonds, is, to such extent, void *ab initio* and unenforceable. Further, if bond counsel to the Aleutians East Borough determines that any provision of this Agreement would adversely affect the tax exempt status of such bonds or that it permits or contemplates agreements between the City and third parties that would adversely affect the tax exempt status of such bonds, such minimum amendments to the agreement as may be necessary to preserve the tax exempt status of said bonds, as determined by bond counsel for the Aleutians East Borough, are deemed to have been made as if contained in this Agreement upon the date of execution of this Agreement. A lease of long term use agreement between the City and a third party user of the Harbor, and any lease or Harbor operating or management agreement between the City and third party is void and unenforceable unless in writing



and approved by the Borough and the Borough bond counsel prior to its execution.

REVENUES, EXPENSES, FUNDS AND ACCOUNTS

7. The City shall establish a tariff, and shall collect a fee or charge, for all uses of the Harbor.

a. The City shall include, but not be limited to, fees or charges for moorage, demurrage, wharfage, and services to a vessel. The tariff and all changes thereto shall be filed by the City if filing is required by state and federal law.

b. The fees charged by the City shall be established at a level sufficient to:

(1) Meet the expenses of adequate management and administration of the Harbor.

(2) Satisfy all minor repair and routine maintenance requirements, present and future, as defined in Paragraph (2)b.

(3) Provide for contingencies and emergencies.

(4) Provide the funds required for the major rehabilitation and repair account.

(5) Provide and maintain a harbormaster office, parking area improvements, and sanitary facilities unless any of the foregoing are waived by the Borough, and, as may be required by state or federal agencies, oily waste disposal tanks, connection to vessel pumpout stations for sewage disposal and other waste disposal facilities or services, and trash collection facilities.

c. All fees, charges, rates, reimbursements, or other amounts received by the City for moorage within the Harbor shall be deposited in a special fund known as the Harbor Fund established by the City. Said fund shall be separate and distinct from other funds of the City (including those established for the operation of other City docks, harbors or other marine facilities) and shall be used exclusively for the administration, operation, maintenance, repair, rehabilitation, and improvement of the Harbor by the City, and to meet reserve requirements and Borough debt service, if any, secured by revenues of the Harbor. The City shall annually appropriate to such fund all



anticipated and actual Harbor receipts and prior year Harbor Fund balances.

d. The City shall establish a major repair and rehabilitation account with the Harbor Fund established under Paragraph 7(c):

- (1) For the purpose of this subparagraph 7(d), "year-end Harbor Fund balance" is the unreserved year-end balance of the Harbor Fund not appropriated for reasonable Harbor operating costs, including Borough debt service, if any, reserved and a reasonable contingency amount. The year-end Harbor Fund balance shall lapse to and be deposited in the major repair and rehabilitation account. It is the purpose of this subparagraph 7(d)(1) to ensure that all Harbor revenues that are not reasonably required for the operation, maintenance and minor repair of the Harbor be accumulated in the major repair and replacement account for use, as may be designated by the Borough, for major repairs or rehabilitation of the Harbor and the construction of additions or improvements to the Harbor. Provided, the Borough may release funds from this account to the City for Harbor operating expenses if the Assembly determines that such a release is necessary in order to meet unusual and unanticipated Harbor operating expenses incurred or to be incurred by the City.
- (2) The City shall hold monies in the account, in trust, for the Borough, provided, in order to ensure that such monies are immediately available for emergency or other needs, the City shall annually appropriate the anticipated maximum balance of the account (including the anticipated deposit of the year end Harbor Fund balance) as part of its annual budget appropriation. The City shall make major repairs or improvements to the Harbor from the funds in the major repair and rehabilitation account only when specifically directed by the Borough or shall pay over to the Borough from said account so much as the Borough determines is required to perform major repairs, rehabilitation or improvements on the Harbor. Upon authorization by the Borough, the City may accomplish, by contract or with its own forces, such major repair, rehabilitation or improvements as are required and may withdraw from said account amounts up to a maximum specifically authorized by the Borough for such work. Upon termination of this agreement, the City shall promptly pay over to the Borough all funds held in trust in said account for the Borough.



- e. The City shall keep complete financial records in accordance with generally accepted accounting practices, reflecting all revenue derived by the City from the Harbor as well as all funds expended by the City for the maintenance and operation of the Harbor. The right is hereby reserved to the Borough to examine said financial records at any time during normal business hours. In addition, the right is hereby reserved to the Borough to require the City to submit an annual audit or summary of Harbor Fund income and expenses (including reserves).

PROHIBITED MOORAGE

8. The City shall not permit moorage of vessels which might overstress or otherwise damage the Harbor facilities.

IMPROVEMENTS

9. Any permanent improvement, development or structure proposed by the City or a third party to be constructed or placed within the Harbor, whether upon or separate from an existing facility or improvement in the Harbor, must be approved in writing by the Borough prior to construction or placement.

OWNERSHIP OF IMPROVEMENTS

10. All improvements made in or to the Harbor and all fixtures added to and incorporated into the use of the Harbor shall become the property of the Borough upon their construction, addition to or incorporation into the Harbor, unless the City and the Borough agree otherwise in writing.

OPERATOR PROVIDED UTILITIES AND WATER SYSTEM

11. Where electrical facilities or electrical, fuel or water distribution systems are not provided by the Borough, the City may install with its own personnel with prior approval of the Borough, or have installed by a competent contractor, adequate lighting and power, fuel and water distribution systems. Under no circumstances may the City alter or modify existing Harbor facilities for the purpose of installing electrical utilities, fuel or water systems without first obtaining specific written approval from the Borough. The Borough will either furnish or approve minimum design standards to accomplish the work. Prior to the installation of any power in or to the Harbor, whether to power permanent fixtures or equipment or for distribution to vessels, the City shall provide for the design of the system by an engineer with recognized experience in the design of electrical systems for marinas and docks that may be affected by electrolysis. The Borough may require a review of the design by a second engineer or a consultant before approving the project.



FUEL AND HAZARDOUS MATERIAL HANDLING

12. If fuel or any other hazardous materials are handled in the Harbor, the City shall insure that only properly trained personnel handle such fuel or materials and that adequate procedures are followed for safely storing, dispensing, and otherwise handling fuel or hazardous materials in accordance with the most current edition of the National Fire Protection Code and all applicable federal, state, and local laws and regulations, in particular, applicable United States Coast Guard regulations. The City shall ensure that all necessary permits, operations manuals, and other authorizations are issued and are in place before permitting the handling of fuel or other hazardous materials and may require the shipper or handler to obtain such permits and authorizations and to bear all or any part of the expense of obtaining such permits or authorizations and any additions or changes to the Harbor facilities that are needed to comply. Such additions or changes to the Harbor facilities must be approved by the City and the Borough.

ENVIRONMENTAL POLLUTION

13. In the event of a spill or the discharge of a petroleum product or hazardous material at the Harbor, the City shall immediately report the spill or discharge to the appropriate authorities and to the Borough, act promptly to contain the spill or discharge, repair any damage, remove the petroleum product or hazardous material and clean up the affected area, restore the Harbor and affected waters to a safe condition and otherwise comply with the applicable provisions of state and federal law.

TERMINATION OF AGREEMENT

14. The Borough may cancel this Agreement by giving the City ninety (90) days advance written notice upon the failure of the City to perform, keep and observe any of the terms, covenants, and conditions contained in this Agreement, provided:
- a. The deficiency is not cured by the City within said ninety (90) day period.
 - b. The City may terminate this Agreement at any time by notifying the Borough in writing at least six (6) months prior to the effective date of such termination.
 - c. The Borough may terminate this Agreement at any time by notifying the City in writing at least twelve (12) months prior to the effective date of such termination.



- d. Upon termination or cancellation of this Agreement for any reason, the City shall, on the effective date of such termination or cancellation, transmit all amounts received that would have been required by paragraph 7.c. of the Agreement to be deposited in the Harbor Fund; provided, if, for the fiscal year in which the termination or cancellation occurs, the City has contributed to the Harbor Fund from unrestricted other local revenues, the City may retain a portion of such other revenues prorated for time from the beginning of the year. The cancellation or termination of this Agreement for any reason shall constitute and shall have the effect of an assignment to the Borough of all accounts receivable and causes of action of the City with respect to the Harbor and its operation effective on the effective date of the termination or cancellation. All reasonable obligations of the City incurred with respect to the Harbor and its operation prior to the effective date of the termination or cancellation shall be reimbursed by the Borough upon demand and proof of payment by the City; provided, the Borough may assume direct liability for City obligations specifically identified in writing by the Borough for such treatment.
- e. Upon termination or cancellation of this Agreement, the City shall immediately turn over to the Borough all plans, records, agreements, and other documents relating to the Harbor and its operation under this Agreement and shall make available to the Borough and its agents all records of the City that may directly or indirectly affect or reveal the financing of the Harbor operation by the City.
- f. Termination or cancellation of this Agreement does not affect the undischarged obligation of one party to this Agreement to the other.

RENEWAL

15. The City may renew this Agreement by filing a written renewal application with the Borough at least sixty (60) days before the expiration of this Agreement. This filing of an application that fully conforms to the requirements stated herein will operate to extend the term of this Agreement on a month to month basis until the earlier of the date;

- a. A new agreement is executed by both parties, or
- b. The application is rejected by the Borough in writing, stating the reasons for the rejection.

DISCRIMINATION



16. The City covenants and agrees that discrimination on the basis 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. The City recognizes the right of the Borough to take any action necessary to enforce this covenant, including actions required pursuant to any federal or state law.

EXISTING CONDITIONS

17. The City has examined the preliminary plans for the Harbor and acknowledges that the Borough has made no representation concerning final arrangement or layout of the Harbor nor the completion date of any phase or part of the Harbor.

SUBJECT TO LAWS

- 18.
- a. This agreement is issued subject to all the provisions and requirements of the agreement and the ordinances, resolutions and regulations of the Borough relating to the use and management of Borough owned marine facilities.
 - b. The City shall conduct all operations on the Harbor in compliance with all federal, state, and local laws, ordinances, rules and regulations now or hereafter in force, which may be applicable to such operations.

INSURANCE

- 19.
- a. The City shall maintain harbor keepers liability insurance in an amount not less than \$2,250,000 per occurrence and shall name the Borough as an additional insured, provided, the Borough, its employees, agents and officers may not be disabled from recovering under said policy for otherwise covered acts of the City.
 - b. Unless a lesser coverage is authorized by the Borough, the City shall maintain property damage insurance on the Harbor in an amount of \$100,000 with a deductible of not more than \$5,000. The policy shall name the Borough as owner of the Harbor and shall be for the benefit of the Borough.
 - c. The City shall provide the Borough with a copy of each policy or a certificate of insurance satisfactory to the Borough showing the amounts and type of insurance provided. The certificate shall state the



coverage provided to the Borough and shall provide that no policy may be terminated, cancelled, or permitted to expire with respect to coverage provided to the Borough except upon at least thirty (30) days written notice actually delivered or mailed to the Borough.

- d. The City shall provide and maintain, for all employees and contractors of the City engaged in work on or with respect to the Harbor, Workers' Compensation Insurance as required by AS 23.30, shall promptly make all employer contributions required by AS 23.20, and shall provide insurance coverage for employees covered by the U.S. Longshore and Harbor Workers' Compensation Act (33 U.S.C. 901 et. seq.). The City shall indemnify the Borough for all costs, expenses, and liability of the Borough arising in any manner from the failure of the City to provide the insurance or make the contributions identified in the preceding sentence.

LIENS

20. The City shall keep the Harbor free of all liens, pay all costs for labor and materials arising out of any construction, improvements or repairs by the City or a third party on the Harbor, and hold the Borough harmless from liability for any such liens, including costs and attorney fees.

NO WAIVER

21. The failure of the Borough to insist in any one or more instances upon the strict performance by the City of any provision or covenant in this agreement may not be considered a waiver or relinquishment for the future, but the provision or covenant will continue in full force. The waiver by the Borough of any provision or covenant in this agreement cannot be enforced or relied upon unless the waiver is in writing signed on behalf of the Borough.

MODIFICATION

22. The Borough may modify this agreement to meet the revised requirements of federal or state grants or to conform to the requirements of any bond covenant to which the Borough is party. Provided, that except as provided in paragraph 6.c., a modification may not reduce the rights granted the City by this agreement nor cause the City financial loss to its general fund.

VALIDITY OF PARTS

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



INTERRELATIONSHIP OF PROVISIONS

24. The basic provisions, general covenants, special covenants, supplements, addenda, and drawings attached as exhibits are essential parts of this agreement and are intended to be cooperative 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. Special covenants govern over basic provisions, both of which govern over general covenants.

NATURAL DISASTERS

25. In the event any cause which is not due to the fault or negligence of either the City or the Borough renders the Harbor unusable and makes the performance of this Agreement impossible, this Agreement may be terminated by either party upon written notice to the other party. Causes include, but are not limited to, acts of God or the public enemy, acts of the United States or the State of Alaska, fires, floods, or strikes.

NOTICES

26. Any 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 Agreement or to any other address that the parties subsequently designate in writing.

INTEGRATION, MERGER AND AMENDMENT

27. This Agreement sets forth all the terms, conditions, and agreements of the parties and supersedes any previous understandings or agreements regarding the Harbor whether oral or written. Except as otherwise specifically provided in this Agreement no modification or amendment of this Agreement is effective unless in writing and signed by both parties.

NATIONAL OR STATE EMERGENCY

28. In case of any national emergency declared by the federal government, or any state emergency declared by the State of Alaska, the City may not hold the Borough liable for any inability to perform any part of this Agreement as a result of the national or state emergency.

APPROVAL BY BOROUGH

29. Any approvals required of the Borough by this Agreement will not be unreasonably withheld.



INGRESS, EGRESS, INSPECTION

30. The Borough reserves the right of ingress to and egress from the Harbor and the right to enter any part of the Harbor, including all improvements thereon, for the purpose of inspection at any reasonable time. Except in the case of an emergency, all inspections will be coordinated with the City.

C. SPECIAL COVENANTS

1. This Agreement becomes effective on the date set out in paragraph A2; provided, no term of the Agreement except this paragraph C1 creates and enforceable right in either party until the Borough has provided written notice to the City that the Harbor, including the docks and other facilities and improvements, are substantially complete and available for use. All revenues arising out of the rental or use of property constructed or improved with the proceeds of the Borough's general obligation bond under the Project Cooperation Agreement between the Borough and U.S. Department of the Army for the construction of breakwaters and the dredging of the new harbor in the City are revenues of the City under this agreement and, if paid to the Borough, will be received and held by the Borough in trust for the City.
2. The City and the Borough enter into this Agreement in the contemplation of
 - a. the completion of the new harbor to be constructed under the Project Cooperation Agreement between the Borough and U.S. Department of Army, and
 - b. the separate and subsequent construction by the Borough of docks, floats and other marine facilities and improvements (the Docks and Floats) within the new harbor.

If the Borough constructs the Docks and Floats from revenues other than borrowed funds, then this Agreement remains in full force and effect in accordance with its terms. If the Borough borrows all or part of the funds necessary to finance the construction of the Dock and Floats, and it is necessary for the Borough to pledge the revenues of the Docks and Floats to secure the loan, then the following provisions of this Paragraph C2 shall be in effect and shall supersede and govern to the extent such following provisions are in conflict with any other provisions of this Agreement:

- c. The Borough shall have the authority to establish all tariffs, fees, and other charges for use of the Docks and Floats. The Borough shall consult with the City to determine the rates necessary to meet the City operating and other expenses of the Harbor plus the revenues required to meet debt service payments on the Borough loan and such other reserve and coverage requirements as are set out in the



loan agreement, bond and other documents governing the loan to the Borough (the Loan Documents) for the construction of the Docks and Floats. The tariffs, fees and charges established by the Borough, may not be less, individually, than the amount requested by the City, but may be more than the amount requested by the City if the Borough determines that the estimated revenues from all tariffs, fees and charges for Docks and Float use will not be sufficient to meet the requirements of the Loan Documents and all other revenue needs of the Harbor. If the Borough determines that revenues from the Docks Floats must be increased to meet to the requirements of the Loan Documents, the Borough will give substantial consideration to the preferences of the City for the distribution of the increase among the Harbor tariffs, fees, and other charges.

- d. The will continue to bill, collect and enforce the harbor tariffs, fees and charges; provided, however, it shall establish a Docks and Floats debt service trust account (the Debt Service Trust Account) into which it shall deposit so much of the revenues from the Docks and Floats operation as are required under the terms of the Loan Documents. The funds required to be deposited to the Debt Service Trust Account are funds of the Borough immediately upon their receipt by the City and shall be paid over to the Borough from said account immediately upon request of the Borough or shall be paid over to the Borough at such regularly scheduled times as the Borough or the Loan Documents require. If the Borough's lender, either as a condition of the loan, or upon determining after making the loan that the collection rate of the City is inadequate with respect to Harbor accounts, the Borough may assume all or any part of the billing and collection function for the Harbor accounts and shall, monthly, pay over to the City the revenues collected less amounts required for billing and collection administration, debt service, reserves and coverage required by the Loan Documents. If the City fails to fully and timely pay over to the Borough the funds required to be paid from the Debt Service Trust Account, the Borough may immediately terminate this Agreement. The Borough may pledge and assign to its lender the Borough's rights to funds required to be deposited in the Debt Service Trust Account.
- e. The City shall vigorously pursue the collection of tariffs, fees and other charges arising out of use of the Docks and Floats in order to ensure timely funding of the amounts to be paid into the Debt Service Trust Account.
- f. If the Borough's lender requires fiscal or operational provisions that cannot be made within the scope of the authority reserved to the Borough under this Paragraph C2, and the City is unwilling to agree



to the required new or different provisions, either party to this Agreement may immediately terminate the Agreement.

3. It is the intent of the parties that upon the termination of this Agreement pursuant to Paragraph A2, or upon the discharge of the 2003 Series E general obligation bonds issued for the construction of the new harbor, any bonds issued to refund the 2003 Series E bonds, and any bonds or other Borough obligations issued to fund any part of the cost of the Docks and Floats, the City and the Borough will explore the transfer of the Harbor to the City.

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year stated in the acknowledgments below.

(SEAL)

CITY OF False Pass, AK.

By: John J. Nichols
Title: Mayor

ALEUTIANS EAST BOROUGH

By: Stanley D. Mack
Title: Mayor



APPENDIX A
STANDARD PROVISIONS

1. PATENT CONDITIONS.

This lease shall be subject to the terms and conditions of the patent or deed from the state of Alaska, and subject to any littoral rights and any rights of the public under the Public Trust Doctrine.

2. RESPONSIBILITY TO PROPERLY LOCATE ON LEASED PREMISES.

It shall be the responsibility of Lessee to properly locate Lessee's improvements on the Lease Premises and failure to so locate shall render Lessee liable as provided by law.

3. APPROVAL OF OTHER AUTHORITIES.

It is agreed upon and acknowledged that the issuance by Lessor of leases, including this lease, does not relieve Lessee of responsibility for obtaining licenses, permits, or approvals as may be required by duly authorized municipal, state or federal agencies.

4. LEASE UTILIZATION.

The Leased Premises shall be utilized only for the following purposes: fish processing facility, and the terms of the lease and in conformity with the provisions of relevant municipal code and applicable state and federal laws and regulations. Utilization or development of the Leased Premises for other than the allowed uses shall constitute a violation of the lease and subject to cancellation at any time.

5. LEASE PAYMENT ADJUSTMENT AND DISPUTE RESOLUTION.

Lessee agrees to a review and adjustment of the annual lease payment by the Borough Administrator not less often than every fifth year of the lease term beginning with the payment due after completion of the review period. Should the Lessee disagree with the lease payment adjustment proposed by the Borough Administrator, the Lessee shall pay for an appraisal of the leasehold. In the event the Borough Administrator disagrees with the appraisal, is unable to reach an agreement with the Lessee on the lease payment adjustment, the Lessor shall pay for a second appraisal. The Borough Administrator shall establish the lease payment adjustment based upon the second appraisal. In the event the Lessee disagrees with the lease rent adjustment, the Lessee may appeal to the Borough Assembly. The decision of the Assembly shall be final.



6. SUBLEASING.

Lessee may sublease Leased Premises or any part thereof leased to Lessee hereunder; provided that the proposed sub-lessee shall first obtain written approval from Lessor and further provided, that the improvements on the Leased Premises are the substantial reason for the sublease. Leases not having improvements thereon shall not be sublet. Subleases shall be in writing and be subject to the terms and conditions of the original lease; all terms, conditions, and covenants of the underlying lease that may be made to apply to the sublease are hereby incorporated into the sublease.

7. ASSIGNMENT.

Lessee may assign its rights and obligations under this lease; provided that the proposed assignment shall be approved in writing by Lessor prior to any assignment. The assignee shall be subject to all the provisions of the lease. All terms, conditions and covenants of the underlying lease that may be made applicable to the assignment are hereby incorporated into the assignment.

8. MODIFICATION.

The lease may be modified only by an agreement in writing signed by all parties in interest or their successor in interest.

9. CANCELLATION AND FORFEITURE.

- (a) The lease, if in good standing, may be cancelled in whole or in part, at any time, upon mutual written agreement by the parties.
- (b) Lessor may cancel the lease if it is used for any unlawful purpose.
- (c) If Lessee shall default in the performance or observance of any of the lease terms, covenants or stipulations thereto, or of the regulations now or hereafter in force or service of written notice by the Lessor without remedy by Lessee of the conditions warranting default, Lessor may subject Lessee to appropriate legal action including, by not limited to, forfeiture of the lease. No improvements may be removed by Lessee or other person during any time Lessee is in default.
- (d) Failure to make substantial use of the land, consistent with the proposed use, within one year shall in the discretion of the Lessor with approval of the Borough Assembly constitute grounds for default.



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10. NOTICE OR DEMAND.

Any notice or demand, which under terms of a lease or under any statute must be given or made by the parties thereto, shall be in writing, and be given or made by registered or certified mail, addressed to the other party at the address of record. However, either party may designate in writing such new or other address to which the notice or demand shall thereafter be so given, made or mailed. A notice given hereunder shall be deemed delivered when deposited in a United States general or branch post office enclosed in a registered or certified mail prepaid wrapper or envelope addressed as hereinbefore provided.

11. RIGHTS OF MORTGAGE OR LIENHOLDER.

In the event of cancellation or forfeiture of a lease for cause, the holder of a properly recorded mortgage, conditional assignment or collateral assignment will have the option to acquire the lease for the unexpired term thereof, subject to the same terms and conditions as in the original lease.

12. ENTRY AND REENTRY.

In the event that the lease should be terminated as hereinbefore provided, or by summary proceedings or otherwise, or in the event that the demised lands, or any part thereof, should be abandoned by Lessee during the term, Lessor or its agents, servants, or representative, may, immediately or any time thereafter, reenter and resume possession of lands or such thereof, and remove all personals and property there from either by summary proceedings or by a suitable action or proceeding at law without being liable for any damages therefore. No reentry by Lessor shall be deemed an acceptance of a surrender of the lease.

13. RE-LEASE.

In the event that the lease should be terminated as herein provided, or by summary proceedings, or otherwise, Lessor may offer the lands for lease or other appropriate disposal pursuant to the provisions of the Borough Code.

14. FORFEITURE OF LEASE PAYMENT.

In the event that the lease should be terminated because of any breach by Lessee, as herein provided, the annual rental payment last made by Lessee shall be forfeited and retained by Lessor as partial or total damages for the breach.

15. WRITTEN WAIVER.

The receipt of lease payment by Lessor with knowledge of any breach of the lease by Lessee or of any default on the part of Lessee in observance or performance of



any of the conditions or covenants of the lease shall not be deemed a waiver of any provision of the lease. No failure on the part of the Lessor to enforce any covenant or provision therein contained, nor any waiver of any right thereunder by Lessor unless in writing, shall discharge or invalidate such covenants or provisions or affect the right of the Lessor to enforce the same in the event of any subsequent breach or default. The receipt, by Lessor, or any lease payments or any other sum of money after the termination, in any manner, of the term demised, or extent the resultant term therein demised, or destroy, or in any manner impair the efficacy of any such notice or termination as may have been given thereunder by Lessor to Lessee prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by Lessor.

16. EXPIRATION OF LEASE.

Unless the lease is renewed or sooner terminated as provided herein, Lessee shall peaceably and quietly leave, surrender and yield up the Lessor all the leased land on the last day of the term of the lease.

17. RENEWAL PREFERENCE.

Any renewal preference granted Lessee is a privilege, and is neither a right nor bargained for consideration. The lease renewal procedure and renewal preference shall be that provided by ordinance in effect on the date the application for renewal is received by the Borough Administrator.

18. REMOVAL OR REVERSION OF IMPROVEMENT UPON TERMINATION OF LEASE.

Improvements owned by Lessee shall within sixty calendar days after the termination of the lease be removed by Lessee; provided, such removal with not cause injury or damage to the lands or improvements demised; and further provided, that Lessor may extend the time for removing such improvements in cases where hardship is proven. Improvements owned by Lessee may, with the consent of the Lessor, be sold to the succeeding Lessee. All periods of time granted Lessee to remove improvements are subject to Lessee's paying the Lessor pro rata lease payments for the period.

- (a) If any improvements and/or chattels not owned by Lessor and having an appraised value in excess of five thousand dollars as determined by an assessor are not removed within the time allowed, such improvements and/or chattels on the lands, after deducting for Lessor lease payments due and owing and expenses incurred in making such sale. Such rights to proceeds of the sale shall expire one year from the date of such sale. If no bids



acceptable to the Borough Administrator are received, title to such improvements and/or chattels shall vest in Lessor.

- (b) If any improvements and/or chattels having an appraised value of five thousand dollars or less as determined by an assessor, are not removed within the time allowed, such improvements and/or chattels shall revert to, and absolute title shall vest in Lessor.

19. RENTAL FOR IMPROVEMENTS OR CHATTELS NOT REMOVED.

Any improvements and/or chattels belonging to Lessee or placed on the lease during Lessee's tenure with or without his permission and remaining upon the premises after the termination date of the lease shall entitle Lessor to charge Lessee a reasonable lease payment therefore.

20. COMPLIANCE WITH REGULATIONS CODE.

Lessee shall comply with all regulations, rules, and the code of the Aleutians East Borough, and with all state and federal regulations, rules and laws as the code or any such rules, regulations or laws may affect the activity upon or associated with the leased land.

21. CONDITIONS OF PREMISES.

Lessee shall keep the premises of the lease in neat, clean, sanitary and safe condition and shall take all reasonable precautions to prevent, and take all necessary action to suppress destruction or uncontrolled grass, brush or other fire on the leased lands. Lessee shall not undertake any activity that causes or increases a sloughing off or loss of surface materials of the leased land.

22. INSPECTION.

Lessee shall allow an authorized representative of Lessor to enter the lease land for inspection at any reasonable time.

23. USE OF MATERIAL.

Lessee of the surface rights shall not sell or remove for use elsewhere any stone, gravel, peat moss, topsoils, or any other materials valuable for building or commercial purposes; provided, however, that material required for the development of the leasehold may be used, if its use is first approved by the Lessor.

24. RIGHTS-OF-WAY.

Lessor expressly reserves the right to grant easements or rights-of-way across leased land if it is determined in the best interest of the Lessor to do so.



25. WARRANTY.

Lessor does not warrant by its classification or leasing of land that the land is ideally suited for the use authorized under the classification or lease and no guaranty is given or implied that it shall be profitable to employ land to said use.

26. HOLDING OVER.

If Lessee holds over beyond the expiration of the term of this lease and the term has not been extended or renewed in writing, such holding over will be a tenancy from month-to-month only.

27. INTEREST ON LATE PAYMENTS.

Should any installment of rent or other charges provided for under the terms of this lease not be paid when due, the same shall bear interest at the rate established by ordinance for late payments or at the rate of 12 percent per annum, if no rate has been set by ordinance.

28. TAXES, ASSESSMENTS, AND LIENS.

During the term of this lease, Lessee shall pay, in addition to the rents, all taxes, assessments, rates, charges, and utility bills for the Leased Premises and Lessee shall promptly pay or otherwise cause to be discharged, any claim resulting or likely to result in a lien, against the Leased Premises or the improvements placed thereon.

29. EASEMENTS.

Lessee shall place no building or structure over any portion of the Leased Premises where the same has been set aside or reserved for easements.

30. ENCUMBRANCE OF PARCEL.

Lessee shall not encumber or cloud Lessor's title to the Leased Premises or enter into any lease, easement, or other obligation of Lessor's title without prior written consent of Lessor; and any such act or omission, without the prior written consent of Lessor, shall be void against Lessor and may be considered a breach of this lease.

31. VALID EXISTING RIGHTS.

This lease is entered into and made subject to all existing rights, including easements, rights-of-way, reservations, or other interests in land in existence, on the date of execution of this lease.



32. STATE DISCRIMINATION LAWS.

Lessee agrees, in using and operating the Leased Premises, to comply with applicable sections of Alaska law prohibiting discrimination, particularly Title 18 of the Alaska Statutes, Chapter 80, Article 4 (Discriminatory Practices Prohibited). In the event Lessee's failure to comply with any of the above non-discrimination covenants, Lessor shall have the right to terminate this lease.

33. UNSAFE USE.

Lessee shall not do anything in or upon the Leased Premises, nor bring or keep anything therein, which will unreasonably increase or tend to increase the risk of fire or cause a safety hazard to persons or obstruct or interfere with the rights of any other tenant(s) or in any way injure or annoy them or which violates or causes violation of any applicable health, fire, environmental or other regulation by any level of government.

34. HOLD HARMLESS.

Lessee agrees to defend, indemnify, and save Lessor, its employees, volunteers, consultants and insurers, with respect to any action, claim, or lawsuit arising out of or related to the use and occupancy of the Leased Premises by Lessee. This agreement to defend, indemnify, and hold harmless is without limitation as to the amount of fees, costs, expense, or damages resulting from settlement, judgment or verdict, and includes the award of any costs and attorney's fees even if in excess of Alaska Civil Rules 79 or 82. This indemnification agreement applies to the fullest extent permitted by law and is in full force and effect whenever and wherever any action, claim, or lawsuit is initiated, filed, or otherwise brought against Lessor relating to this lease. The obligations of Lessee arise immediately upon actual or constructive notice of any action, claim, or lawsuit. Lessor shall notify Lessee in a timely manner of the need for indemnification, but such notice is not a condition precedent to Lessee's obligations and may be waived where the Lessee has actual notice.

35. SUCCESSORS.

This lease shall be binding on the successors, administrators, executors, heirs, and assigns of Lessee and Lessor.

36. CHOICE OF LAW; VENUE.

This lease shall be governed by the law of the State of Alaska. Venue shall be in the State of Alaska, Third Judicial District at Anchorage.

