



Petersburg Borough

12 South Nordic Drive
Petersburg, AK 99833

Meeting Agenda Harbor Board Meeting

Thursday, August 17, 2023

7:00 PM

Assembly Chambers

You are invited to a Zoom webinar.
When: Aug 17, 2023 07:00 PM Alaska
Topic: 8.17.2023 Harbor Board Meeting

Please click the link below to join the webinar:

[https://petersburgak-
gov.zoom.us/j/85895502220?pwd=VHhXNUYzT0JXb0FTMThiYlhjY2pMdz09](https://petersburgak.gov.zoom.us/j/85895502220?pwd=VHhXNUYzT0JXb0FTMThiYlhjY2pMdz09)
Passcode: 407248

Or Telephone:
(720) 707-2699 or (253) 215-8782
Webinar ID: 858 9550 2220
Passcode: 407248

1. **Call to Order / Roll Call**
2. **Approval of Minutes**
 - A. June 23, 2023 Harbor Board Meeting Minutes
3. **Amendment and Approval of Meeting Agenda**
4. **Persons to be Heard Related to the Agenda**

Persons wishing to share their views on any item on today's agenda may do so at this time.
5. **Persons to be Heard Unrelated to the Agenda**

Persons wishing to share their views on topics not on today's agenda may do so at this time.
6. **Harbormaster Report**
 - A. August 17, 2023 Harbormaster's Report
7. **Unfinished Business**
8. **New Business**
 - A. Wikan Enterprises, Inc. Application to Purchase Borough-Owned Leased Tidelands

Manager Giesbrecht requests the Harbor Board provide recommendation to the Assembly regarding the land purchase application filed by Wikan Enterprises, Inc. to purchase the tidelands parcel they currently lease from the Borough, for resale.

9. Communication

10. Discussion Items

11. Adjourn



Petersburg Borough

12 South Nordic Drive
Petersburg, AK 99833

Meeting Minutes Harbor Board Meeting

Friday, June 23, 2023

12:00 PM

Assembly Chambers

1. Call to Order / Roll Call

Chairman Martin called the meeting to order at 12:00 p.m.

PRESENT

Board Chair Bob Martin
Board Member John Murgas
Board Member Don Spigelmyre
Board Member Jim Stromdahl

EXCUSED

Board Member Daniel Cardenas
Board Member Casey Knight
Board Member Scott Roberge

Public in attendance: Pilot reporter, Jake Slaven, Jeff Meucci
Staff in attendance: Harbormaster Wollen

2. Approval of Minutes

A. February 9, 2023 Harbor Board Meeting Minutes

An amendment to the February 9, 2023 Harbor Board meeting minutes was made to clarify under agenda item 8(B) that Member Murgas commented there was not ample notification given for the February 9 meeting agenda. The February 9, 2023 Harbor Board meeting minutes were unanimously approved as amended.

Voting Yea: Board Chair Martin, Board Member Murgas, Board Member Spigelmyre, Board Member Stromdahl

3. Amendment and Approval of Meeting Agenda

The agenda was approved as submitted.

Voting Yea: Board Chair Martin, Board Member Murgas, Board Member Spigelmyre, Board Member Stromdahl

4. Persons to be Heard Related to the Agenda

No views were shared.

5. Persons to be Heard Unrelated to the Agenda

No views were shared.

6. Harbormaster Report

A. June 23, 2023 Harbormaster Report

Harbormaster Wollen reviewed her written report. The report is attached and made a permanent part of these minutes.

7. Unfinished Business

There was no unfinished business.

8. New Business

A. Rate Increase for Vessels that do not Frequently Move

Harbormaster wollen asked the Board for comments concerning increasing moorage rates for customers who have permanent stall leases whose vessels do not annually leave their assigned stall for a period of time. Board Members discussed the merits of more public involvement as well as having staff craft a proposal before discussing particulars. No action was taken.

B. One-time Derelict Boat Disposal Fee

Harbormaster Wollen asked the Board for comments concerning implementing fee(s) related to derelict boat disposal. Board members requested staff to craft a proposal before discussing particulars. No action was taken.

9. Communication

10. Discussion Items

A. State Seaplane Facility Condition Assessment

This discussion did not take place because a board member had to leave the meeting at 1:00 p.m., which left the Board without a quorum.

11. Adjourn

The meeting was adjourned at 1:00 p.m.

Voting Yea: Board Chair Martin, Board Member Murgas, Board Member Spigelmyre, Board Member Stromdahl

August 2023 Harbormaster Report

Staff: Jim Engell was back for the summer to help cover shift work. We hired Mark Neidiffer in July to fill the maintenance position so have a full crew as we approach fall.

Maintenance:

North Harbor –Seasonal cleaning and upkeep.

Middle Harbor – Seasonal cleaning and upkeep.

South Harbor – Seasonal cleaning and upkeep. Aging waterline has been cause for concern with diver needed assistance repairs.

Crane Dock – Crane inspector was through in June for annual inspection, listed a few corrections which were made and both are running smoothly.

Drive Down – Busy! The notice boards we regularly put out posting reserved times seems to work well and the fleet has been extremely patient with other users needing access to the facility. Remind customers to use their time efficiently at the facility.

Scow Bay – Continue to monitor area daily and maintenance as needed.

Port Storage - gear coming and going

Dredge update: Western Marine is working with the USACE to resume dredge operations October 1. Staff has been working with contractor and agency to help facilitate moving vessels around as project begins as well as finger float removal on C & B Floats to accommodate the dredge barge reach to SH 400 Row.

PETRO Trade update: Nothing new

Scow Bay: Sen. Sullivan had a recent public meeting on the Capital floor where he pointedly asked the of the USCG about progress of replacing the Elderberry and the importance of keeping this asset in Petersburg.

Misc:

-Signage for no wake and harbor no wake zone have been ordered and will be put up as soon as we received them. Confirmation the materials were received and getting constructed.

-waiting list continues to grow

-busy summer



Petersburg Borough, Alaska

Land Disposal Application

(\$500.00 non-refundable filing fee required)

Form must be completed in its entirety to be considered

Office Use:
 Rec'd. by: DKT
 Fee: \$ 500.00
 Date Rec'd: 6/22/23

Date: June 7, 2023

This is a request for land disposal via (circle one):
 Lease **Purchase** Exchange Other

Parcel ID #(s) of Subject Property:
1001958.00

Proposed term of lease: _____
 (total years)

Legal Description of Property:
 Subdivision: Wikan Enterprises PLAT#: 9293
Section 33
Zone 1

Current Zoning of Property:
Tidelands: 37&38
Range: 79E

Applicant Name: John B, Sheri L Wikan; Wikan Enterprises, Inc
 Applicant Mailing Address: PO Box 929
Petersburg, AK 99833
 Applicant Contact Info: (907) 518-1120
 (phone and/or email) swikan@gmail.com

1. Size of Area requested (identify the minimum area necessary in square feet): 6,722
2. Attach a map showing the location of the land requested. Map must show surrounding area with the land requested clearly marked with bolded borders or highlighted color.

3. Narrative on use of property: Explain proposed use of land and when use is expected to begin and end. Include any planned new construction or renovation, including time-frame when construction or renovation will be completed and type of materials to be used. Provide the estimated dollar value of proposed improvements. Explain the value of the proposal to the economy of the borough and any other information you feel should be considered. (attached additional sheet if necessary)

See attachments. 103 A Dock St.

4. Name and address of all adjacent land owners or lessees, including upland owner(s) if applicable: (attach additional sheet if necessary)

US Coast Guard: 107 Dock St
Petro 49 Inc: 100 Dock St
Birchell Properties: 904 S Nordic Dr (auto repair and coffee shop)
Alaska Commercial Electronics: 908 S Nordic Dr
Petro 49 Inc: 901 S Nordic Dr
Petro 49 Inc: 902 S Nordic Dr

5. Are there any existing permits or leases covering any part of the land applied for?
[X] Yes [] No If yes, please check one: ([X] Lease [] Permit)

Describe the type of permit or lease, if applicable, and the name and last known address of the permittee or lessee: Tidelands Lease; Wikan Enterprises, Inc./ John B and Sheri L Wikan

6. What local, state or federal permits are required for the proposed use? (list all)
State of Alaska Business License; Petersburg Borough Sales Tax Account

7. If applicant is a corporation, provide the following information:
A. Name, address and place of incorporation: Wikan Enterprises, Inc, PO Box 929, Petersburg, Alaska
Incorporated in the State of Alaska

B. Is the corporation qualified to do business in Alaska?: [X] Yes [] No

Name and address of resident agent: Sheri Wikan; PO Box 929, Petersburg, AK 99833

8. Why should the Planning Commission recommend Assembly approval of this request?

Wikan Enterprises, Inc is a business that has successfully operated for over 30 years and has played an integral role in the local economy. Our services are critical to the commercial fishing fleet in the region, providing essential maintenance and repairs for marine diesel engines. We are trying to pass our business on to new owners, that will continue on with what we've built over the last three decades. Please see attachments for more details.

9. How is this request consistent with the Borough's comprehensive plan?

By allowing the sale of the tidelands for the purpose of continuing an existing essential business and addressing the financial advantages and risks associated with leasehold improvements, the borough can promote economic development, stability, and longterm prosperity. The sale aligns with the statutes provided and demonstrates that outright sale, in contrast to leasing, is in the best interests of the borough. Please see attachments for more details.

10. Prior to submitting this application, please verify with pertinent Borough Departments that the land requested for lease, purchase or exchange is not needed for a public purpose by speaking with the appropriate personnel in the Electric, Water, Wastewater, Community Development, Harbor or Public Works Departments and obtain their comments and signatures below. (attach additional sheet if necessary):

Department Comments: Attached comments from Harbormaster Wollen in email dated June 21, 2023 3:36 pm

Signature of Department Commenter

Department Comments: Attached comments from Public Works Director Cotta in email dated June 21, 2023 3:51 pm

Signature of Department Commenter

Department Comments: Attached comments from Community Development Director Cabrera in email dated June 21, 2023 4:31 pm

Signature of Department Commenter

Department Comments: Attached comments from Utility Director Hagerman in email dated June 29, 2023 2:46 pm

Signature of Department Commenter

Dear Planning Commission & Borough Assembly,

As we embark on the retirement process and seek to sell our business, Wikan Enterprises, Inc., we are quickly learning that we will need to acquire the leased property our largest business asset sits on, our 3200sf shop. Without the inclusion of these tidelands in the business sale, we would be unable to attain a fair market value for our business due to the financial implications listed below. Regrettably, should the borough decide against selling us the tidelands we have been leasing for over 30 years, we will be unable to successfully sell the business as a whole, and will be compelled to undertake the liquidation process and cease operations within the next 1-2 years. Considering the type of services we offer, this would be detrimental to our local fishing fleet, and overall economy.

When we started our business, the availability of suitable commercial or industrial land was significantly limited. Building our business on this leased land was our last resort. Had we possessed a comprehensive understanding of the long-term ramifications associated with constructing our business assets on leased land, particularly in light of the ever-evolving landscape of finance and lending, we would have endeavored more vigorously to acquire this land at an earlier stage. Nevertheless, we find ourselves at the present juncture.

Please take into consideration the following information when forming your decision to allow for the Direct Sale of this land:

1. **Importance of Continued Economic Development:** Wikan Enterprises, Inc. has played an integral role in the local economy, serving as a Detroit Diesel Dealer, Volvo Penta Dealer, and performing maintenance and rebuilds on many other brands of marine engines. Our services are critical to the large commercial fishing fleet in the area, providing essential maintenance and repairs to their marine diesel engines. It was mentioned by the Harbormaster recently, that our fleet will be growing with the development of the Scow Bay Harbor area as well, so this business will become even more essential if that is the case. By continuing to operate and grow, our business sustains not only the livelihoods of our employees but also supports the economic well-being of the community. Selling the tidelands and allowing the business to continue under new ownership ensures the preservation of jobs, support for our commercial fishing fleet and ongoing economic development.

2. **Unforeseen Market Value Implications:** When we embarked on this journey in 1992, we were unaware that building our business on leased land would have a significant impact on its market value. Over the years, we invested our time, energy, and resources into constructing the building that houses our operations and outfitting it to meet the needs of our customers and regional building codes. However, we were not advised that leasehold improvements would be considered less valuable than those on owned land. This unforeseen consequence has created a disparity between the true value of our business and the market perception of its worth.

3. Limited Options for Financing and Investment: As we work with potential buyers for our business, we face substantial challenges due to the nature of leasehold improvements. Lending institutions view the building as a leasehold improvement, leading to shorter loan terms, higher interest rates, stricter lending criteria, and higher costs. This restricts the pool of qualified buyers, as they encounter difficulties securing financing for an investment perceived as riskier compared to real property purchases. By selling the tidelands and transitioning the business to a real property, broaden financing options, and ultimately secure a fair market value for our years of hard work.

4. Unique Expertise and Industry Demand: With over five decades of experience, we have developed a deep understanding of the marine diesel industry and established ourselves as a trusted resource for our customers. We are one of only two marine diesel shops in the area, catering to the specific needs of commercial fishing vessels. Our knowledge, expertise, and reputation are invaluable assets that contribute to the overall competitiveness and growth of the industry. Selling the business in its entirety, rather than liquidating the leasehold improvements separately, ensures the continuation of this vital resource for the community.

5. Precedents being set: It is worth noting that the Harbor Department has plans to engage in a land exchange with Petro 49, Inc. This exchange involves the trading of comparable leased and zoned land situated directly across the street from Wikan Enterprises, Inc. in return for a privately owned parcel already held by Petro 49, Inc. The implementation of this arrangement would establish a precedent for the borough to release leased tidelands to the private sector.

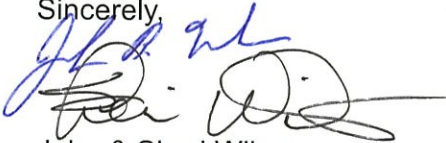
6. Possible public auction of leased tidelands: In the event the borough determines it is beneficial to release this property through a sale, we respectfully advocate for a direct sale rather than an auction, as is allowed in the Petersburg borough statutes. As noted by a borough official recently, the borough could potentially permit the sale of our leased property at auction, which further underscores the inherent risks associated with owning assets on leased land.

Presently, we have a prospective party interested in carrying on the business in its existing state. However, should they encounter challenges in meeting the financial requirements of a commercial loan or be unwilling to assume the risks associated with acquiring leasehold improvements rather than real property, we will proceed with the liquidation of our business. This will include the sale of our building, to any entity that can afford to pay us what we need to attain for the price of our largest asset.

Given the unique circumstances and challenges surrounding the proposed sale of our business, we kindly request that the Planning Commission and Borough Assembly take our perspective into account and extend support for the sale of the tidelands. Such a decision would not only afford us equitable market value for our business but also foster sustained economic growth, safeguard employment opportunities, and preserve the viability of the marine diesel industry within the region. We firmly believe that our years of unwavering diligence and commitment warrant just compensation.

Thank you for devoting your time and consideration to this matter. We eagerly anticipate a favorable resolution that benefits all parties involved. Please help us ensure that this important trade business stays operational in Petersburg.

Sincerely,



John & Sheri Wikan
Wikan Enterprises, Inc.

Dear Planning Commission & Borough Assembly,

We would like to express our endorsement for Wikan Enterprises, Inc's acquisition of the tidelands property it sits on, from the borough. As prospective buyers of this business, we respectfully urge you to consider the distinct advantages and potential that come with owning this property. We would like to emphasize the importance of purchasing the tidelands on which the business operates, rather than continuing to lease the land. We believe that ownership of the land is crucial for the long-term stability, growth, and financial viability of the business.

In learning more about the process of purchasing this shop, and being informed of different loan programs and market valuation information, we have been made aware of some factors that have put the process on hold for us. The risk involved with investing in a leasehold improvement on property owned by the borough will likely result in us not moving forward with this purchase, if the borough is unwilling to dispose of the property to the Wikans prior to the sale of their business. Below are key points highlighting the hurdles of financing presented by continuing to lease the land and the benefits of purchasing the tidelands:

1. **Enhanced Financing Opportunities:** The acquisition of the tidelands provides us, as prospective buyers, with significantly improved financing options compared to leasing. Financial institutions perceive leasehold improvements as less valuable and more risky collateral than real property. By owning the land, we can secure more favorable loan terms, including longer loan durations, lower interest rates, and reduced down payments (from upward of 25% cash down in a leasehold improvement situation, to as low as 5% down, as real property). This not only lowers our financing costs but also ensures greater financial stability for the business.

2. **Increased Market Value:** Leasehold improvements, such as the building constructed by the current owners, are not considered real property and are subject to more rapid depreciation. This depreciation negatively impacts the overall market value of the business, making it less attractive to potential lenders and investors. However, by purchasing the tidelands and owning the real property, the market value of the business is enhanced, bolstering its financial prospects and increasing its appeal to financing institutions. Just like the Wikans, we will need to protect any investments we make in this community, for the future, when we also decide to retire, or need to sell the business for any other reason.

3. **Mitigating Risk:** Continuing to lease the land introduces a significant level of uncertainty and risk to the business. As lessees, we are subject to the terms and conditions set forth by the borough, including the possibility of lease termination or non-renewal at the end of the lease term. This lack of control over the land hampers our ability to secure long-term financing and plan for the future. By purchasing the tidelands, we gain a sense of security and stability, allowing us to invest confidently in the business's growth and expansion.

4. **Long-Term Business Planning:** Ownership of the tidelands enables us to implement long-term business planning, fostering stability and growth. It provides the flexibility to make

significant capital improvements, expand facilities, and adapt to changing market conditions without the limitations imposed by leasehold agreements. By having complete control over the property, we can make strategic decisions that benefit the business's long-term success, creating a sustainable enterprise that will positively impact the local community.

5. **Borough's Best Interests:** While we understand the borough's preference toward leasing land to promote orderly marine development, we believe that the sale of the tidelands in this particular case serves the borough's best interests. By facilitating the acquisition, the borough supports the stability, growth, and economic development of Wikan Enterprises, Inc., ensuring its continued contribution to the community. The sale of the tidelands aligns with the borough's goals of supporting local marine businesses and fostering a thriving economy. The failure to approve the sale of the tidelands to Wikan Enterprises, Inc. will most likely result in us pulling out from the sale of the business, which in turn would very likely lead to liquidation of the business assets, and closure of the longstanding business.

In the event that the borough determines it is beneficial to divest itself of this property through a sale, we respectfully advocate for a direct sale rather than an auction. The prospect of the borough potentially permitting a party other than the Wikans to acquire this land further underscores the inherent risks associated with owning assets on leased property.

In addition to the compelling reasons outlined above for purchasing the tidelands on which Wikan Enterprises, Inc. operates, we would like to emphasize how our specific qualifications as prospective buyers further strengthen the case for acquiring the land. While these details are minor points compared to the broader argument, they highlight our unique suitability to lead the business and ensure its continued success.

Earl Warner's extensive experience servicing and maintaining large engines and his diesel certification from Universal Technical Institute make him exceptionally well-suited to navigate the complexities of the marine diesel industry. His background as an electrician further enhances his ability to handle the technical aspects of the business. Earl's expertise and knowledge will be instrumental in providing top-notch service to the commercial fishing fleet and ensuring the seamless continuation of Wikan Enterprises, Inc.'s reputation for excellence. Earl has already committed to working full time to start his training with John.

Hillary MacDonald's diverse entrepreneurial background, which includes owning and operating various successful businesses, positions her as a capable leader in managing and growing Wikan Enterprises, Inc. Furthermore, her experience in bookkeeping and her familiarity with the operations side of a diesel marine business provide valuable insights into the financial and administrative aspects of the industry. Hillary's skills in these areas will contribute to the efficient management of the business and its sustained profitability.

We appreciate your consideration of our qualifications and our shared vision for the future of Wikan Enterprises, Inc. We hope the borough will consider the need to let go of this piece of property in order to allow this essential trade business to continue on in Petersburg. As we all are aware, many small communities, including our own, are desperately lacking a strong

workforce in the trades, and the loss of this business would be detrimental to our commercial fleet and local economy.

Sincerely,

A handwritten signature in blue ink, consisting of a series of connected loops and strokes, likely representing the names Earl Warner and Hillary MacDonald.

Earl Warner and Hillary MacDonald
Prospective Buyers



June 20, 2023

To Whom It May Concern:

I am assisting Hillary MacDonald & Earl Warner with the financing of the proposed purchase of Wikan Enterprises, Inc. Due to the fact that the building that houses Wikan Enterprises, Inc. is on land leased from the borough, the structure of a Commercial Loan associated with a Real Estate purchase changes from a Commercial Real Estate loan, to a leasehold improvement and commercial equipment & inventory loan. It is considered a leasehold improvement, rather than real property.

Typically, banks are inclined to lend only a percentage of this value. In leasehold improvement scenarios where no real estate is involved, it is common for buyers to need to provide a 25% down payment for most commercial loans of this nature, with loan terms being much shorter than those of real estate loans, making the payments much higher.

Commercial Real Estate loans, depending on the loan program, may have a down payment as low as 5-10%. Commercial Real Estate loans can often offer longer loan terms making the monthly payments much lower.

The tax assessed value of the leasehold improvements associated with Wikan Enterprises Inc. is \$115,700. To substantiate the transaction's value, a bank would likely need to order a commercial real estate appraisal (or in this case leasehold improvement valuation) which can be quite expensive, or conduct an in-house valuation based on the specific circumstances. While it is possible for an appraisal to yield a slightly higher value than the tax assessment, it may not yield much higher, and would require the use of several comparable sales of a similar nature to establish the value solely for the improvements. Generally, an acceptable appraisal relies on 4-5 comparable properties for value substantiation, which may be hard to come by in the region. It is important to note that broker's opinions of value do not suffice, as they do not meet appraisal standards.

Additionally, when appraising an improvement on leased land, appraisers often take into account the adverse impact of the remaining lease term on the value. As the lease term shortens and approaches expiration, it tends to limit the potential sale price due to the exclusion of the land. Conversely, when the land is included in the transaction, the value is often higher, allowing the seller to demand a higher price that buyers may be willing to pay. Appraisers appropriately factor in this higher value. Real estate and building transactions offer a wider range of market and finance options compared to leasehold improvements alone.

It is worth noting that even programs such as the Small Business Administration (SBA) and the U.S. Department of Agriculture (USDA) have limitations when leasehold improvements are involved without any real estate. And these loan programs are quite appealing to a buyer trying to obtain financing for the purchase of a business of this nature.

P.O. Box 241489
Anchorage, Alaska 99524-1489
Phone: (907) 562-0062 · (800) 478-2265
northrim.com



Page 2
June 20, 2023
To Whom It May Concern

In closing, it would be much easier for a commercial lender, myself included, to approach this financing if it were associated with real property vs leasehold improvements. I can be available to answer any questions that might arise in this process. Please don't hesitate to contact me anytime.

Sincerely,



David Byrne
Vice President
Commercial Loan Officer
Juneau Financial Center
907-790-5143

P.O. Box 241489
Anchorage, Alaska 99524-1489
Phone: (907) 562-0062 · (800) 478-2265
northrim.com





Angela Menish
Licensed Real Estate Agent
Anchor Properties
PO Box 2060
Petersburg, AK 99833

June 8, 2023

Petersburg Alaska Borough Assembly
PO Box 329
Petersburg, AK 99833

Dear members of the Borough Assembly,

I hope this letter finds you in good health and high spirits. I am writing to bring to your attention an urgent matter concerning the sale of Wikan Enterprises, a vital business in our community.

As a licensed real estate agent with Anchor Properties, I have had the privilege of representing my clients, John and Sheri Wikan, throughout the process of listing their esteemed diesel mechanic repair, sales, and service business. Wikan Enterprises has been the exclusive local dealership for Detroit Diesel, MTU, and Volvo Penta since its establishment in 1992.

The services provided by Wikan Enterprises are crucial to the fishing industry in Petersburg and the surrounding southeast Alaska communities. Fishing vessels heavily rely on the expertise and support offered by Wikan Enterprises to ensure their engines are in optimal condition, maximizing their fishing seasons. The potential impact of not selling the business in its entirety could have devastating consequences for these fishermen and their livelihoods. Petersburg Borough would also be adversely affected with loss of revenue stream from the absence of this business.

While there have been expressions of interest from two other parties, namely a federal agency and a refrigeration business, it is important to highlight that their interest has primarily centered around acquiring the building alone, rather than the entire business. To maintain the seamless provision of services

PO Box 2060 Petersburg, AK 99833 | p: 907.772.3300 | f: 907.782.4199 | e: info@apalaska.com | w: www.apalaska.com

and preserve the legacy established by John and Sheri Wikan, it is crucial that the business is sold as a whole.

Fortunately, there is a couple who has demonstrated a sincere interest in acquiring the business and carrying it forward in its current form. They possess the necessary experience, dedication, and passion to ensure the continuation of the exceptional services provided by Wikan Enterprises. It is imperative that we prioritize their offer to maintain the level of service our community relies upon.

John and Sheri Wikan have been transparent from the beginning of the listing process, making it abundantly clear that their foremost priority is to ensure the availability of the services their business offers to the community. Their dedication to the community and their customers is admirable, and it is crucial that we honor their wishes throughout the negotiation process.

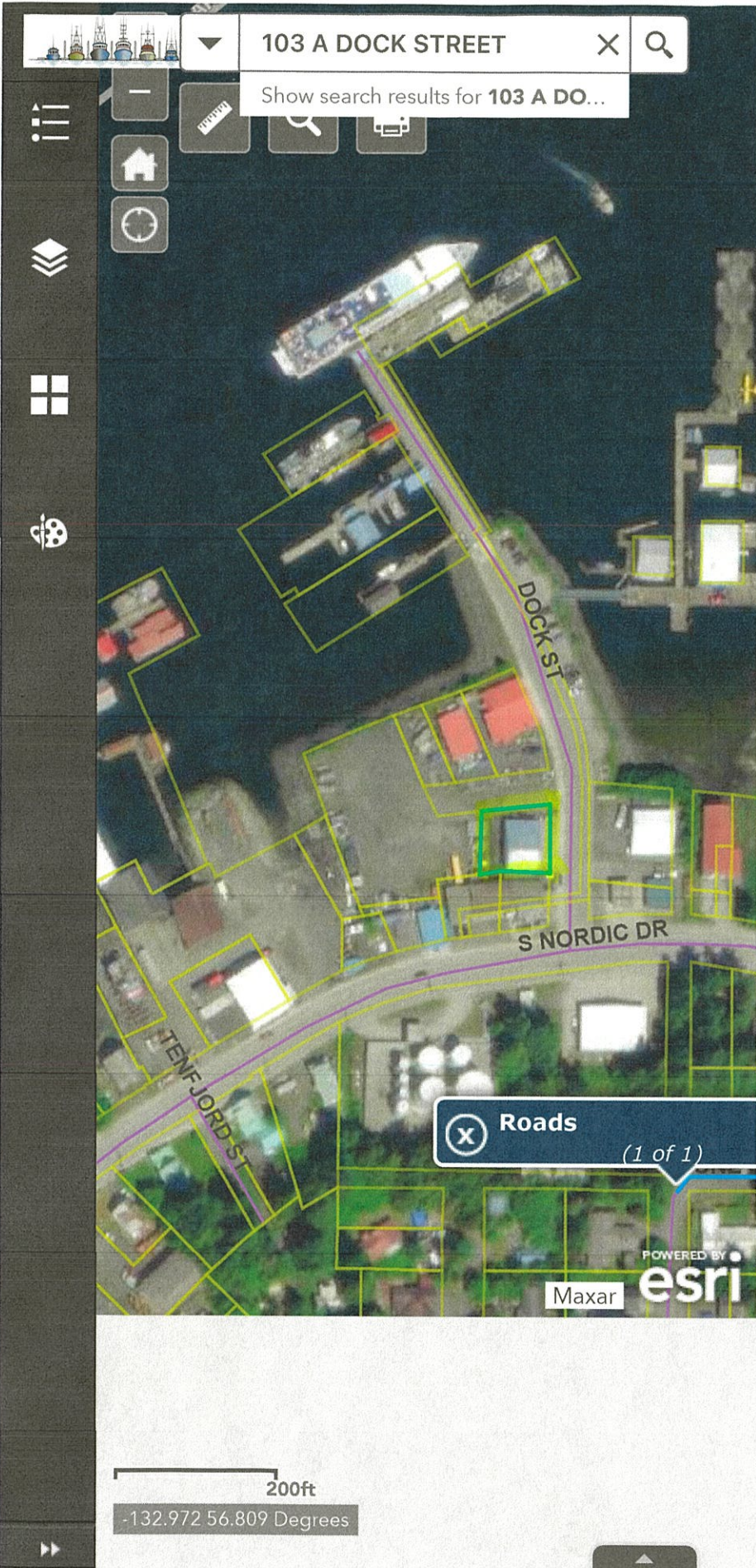
I kindly request your support in emphasizing the importance of selling Wikan Enterprises as a whole to potential buyers. By doing so, we can safeguard the essential services provided to the fishing community of Petersburg, Alaska, and surrounding areas.

Thank you for your attention to this matter. I look forward to discussing further details and collaborating to secure the best outcome for our clients, the community, and the continued success of Wikan Enterprises.

Sincerely,



Angela Menish
Licensed Real Estate Agent
Alaska License #: 206037
Anchor Properties



Tidelands

6/19/23

500.00

500.00

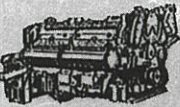
6/19/23

31809

Petersburg Borough

\$500.00

SECURITY FEATURES INCLUDE TRUE WATERMARK PAPER, HEAT SENSITIVE ICON AND FOIL HOLOGRAM.



WIKAN ENTERPRISES, INC.
PO BOX 929
PETERSBURG, AK 99833
(907) 772-4155

FIRST BANK
89-4/1252

31809
DATE 6/19/23

Memo: 19649

Five Hundred and 00/100 Dollars

AMOUNT \$ 500.00

PAY TO THE ORDER OF:
Petersburg Borough
PO Box 329
Petersburg, AK 99833

HEAT SENSITIVE

MP

0000540220

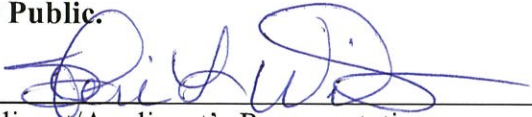
031809 125200044 0000540220

NOTICE TO APPLICANT(s):

Applicant will be required to pay a non-refundable filing fee with the Borough of \$500 to cover estimated costs of: a title report, survey, legal fees, postage, recording fees, public noticing and advertising and other costs incidental to the processing of this application.

I hereby certify that I have received and reviewed a copy of Petersburg Municipal Code Chapters 16.12 and 16.16 (as they may pertain to my particular application) and understand the Code requirements. I further certify I am authorized to sign this application on behalf of the applicant.


Please sign application in the presence of a Notary Public.



Applicant/Applicant's Representative

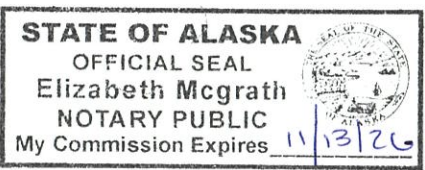
Subscribed and sworn to by Sheri L. Wikan, who personally appeared

before me this 18th day of June, 20 23.



Notary Public

Notary Public in and for the State of Alaska. My Commission Expires: 11/13/2026



NOTICE TO APPLICANT(s):

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I hereby certify that I have received and reviewed a copy of Petersburg Municipal Code Chapters 16.12 and 16.16 (as they may pertain to my particular application) and understand the Code requirements. I further certify I am authorized to sign this application on behalf of the applicant.

Please sign application in the presence of a Notary Public.

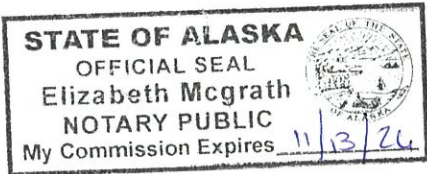
John B. Wikan
Applicant/Applicant's Representative

Subscribed and sworn to by John B. Wikan, who personally appeared

before me this 18th day of June, 2023.

[Signature]
Notary Public

Notary Public in and for the State of Alaska. My Commission Expires: 11/13/2026



Debra Thompson

From: Glorianne Wollen
Sent: Wednesday, June 21, 2023 3:36 PM
To: Debra Thompson; Chris Cotta; Karl Hagerman; Liz Cabrera
Subject: RE: Wikan Enterprises Application to Purchase Borough Property

Thanks Debbie.

Harbormaster I am not in favor of starting the trend of selling leased property unless there are substantial strings attached, strings that are probably not legal and 20 yrs from now no one will remember. We need to secure that this is property will be used for Marine Services. We have lost considerable ground in support of the original concept of a marine industrial park with Bus Depot, a mechanic garage and a coffee stand all have been oked by a sympathetic City Council. I also expect that this would upset the present applecourt in regards to every other lease that the Borough has with business/private.

Thanks, glo

From: Debra Thompson <dthompson@petersburgak.gov>
Sent: Wednesday, June 21, 2023 2:52 PM
To: Glorianne Wollen <gwollen@petersburgak.gov>; Chris Cotta <ccotta@petersburgak.gov>; Karl Hagerman <khagerman@petersburgak.gov>; Liz Cabrera <lcabrera@petersburgak.gov>
Subject: Wikan Enterprises Application to Purchase Borough Property

Dear Glo, Chris, Karl & Liz

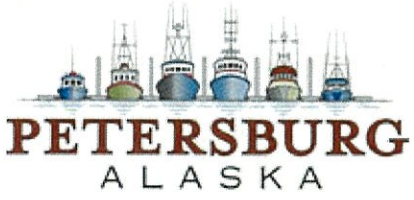
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Anyway, please respond to this email with your comments as to whether any of your departments have a need for the subject parcel as soon as you can.

Thank you,
 Debbie

Debra K. Thompson, CMC
 Borough Clerk/Human Resources Director

Petersburg Borough
 907-772-5405



Debra Thompson

From: Chris Cotta
Sent: Wednesday, June 21, 2023 3:51 PM
To: Glorianne Wollen; Debra Thompson; Karl Hagerman; Liz Cabrera
Subject: RE: Wikan Enterprises Application to Purchase Borough Property

I agree with Glo's comments and feel this proposed sale starts us down a slippery slope with other Borough leases. Also I seem to recall that at least one other entity (USFS) expressed some interest in acquiring parcel #01-010-037 if it were available for sale.

That being said, Public Works does not have any need for the parcel in question. Thanks,

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Borough Clerk/Human Resources Director

Petersburg Borough
907-772-5405



Debra Thompson

From: Liz Cabrera
Sent: Wednesday, June 21, 2023 4:31 PM
To: Chris Cotta; Glorianne Wollen; Debra Thompson; Karl Hagerman
Subject: RE: Wikan Enterprises Application to Purchase Borough Property

Community Development has no public use for the parcel.

Just in case the question is asked, the borough has no mechanism to address the issue raised by Glo, i.e. restricting use to marine services in this area, through its existing zoning code.

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Sent: Wednesday, June 21, 2023 3:51 PM
To: Glorianne Wollen <gwollen@petersburgak.gov>; Debra Thompson <dthompson@petersburgak.gov>; Karl Hagerman <khagerman@petersburgak.gov>; Liz Cabrera <lcabrera@petersburgak.gov>
Subject: RE: Wikan Enterprises Application to Purchase Borough Property

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Thank you,
Debbie

Debra K. Thompson, CMC
Borough Clerk/Human Resources Director

Petersburg Borough
907-772-5405



Debra Thompson

From: Karl Hagerman
Sent: Thursday, June 29, 2023 2:46 PM
To: Debra Thompson; Glorianne Wollen; Chris Cotta; Liz Cabrera
Subject: RE: Wikan Enterprises Application to Purchase Borough Property

Water, Sewer and Power utilities have no need for this subject parcel.

Karl Hagerman
Utility Director
907-772-5421

From: Debra Thompson <dthompson@petersburgak.gov>
Sent: Wednesday, June 21, 2023 2:52 PM
To: Glorianne Wollen <gwollen@petersburgak.gov>; Chris Cotta <ccotta@petersburgak.gov>; Karl Hagerman <khagerman@petersburgak.gov>; Liz Cabrera <lcabrera@petersburgak.gov>
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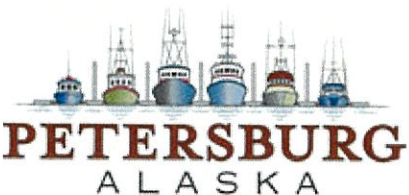
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Thank you,
Debbie

Debra K. Thompson, CMC
Borough Clerk/Human Resources Director

Petersburg Borough
907-772-5405



TIDELANDS LEASE

THIS AGREEMENT is made on the date last below signed between the City of Petersburg, a municipal corporation organized and existing under the laws of the State of Alaska, whose mailing address is P. O. Box 329, Petersburg, Alaska 99833, hereinafter referred to as the "Lessor" or "City", and JOHN B. AND SHERI L. WIKAN, whose mailing address is P.O. Box 929, Petersburg, Alaska 99833, hereinafter referred to as the "Lessee."

RECITALS

WHEREAS, the tidelands subject to this lease lie within the boundaries of the City of Petersburg, Alaska, First Judicial District, Petersburg Recording District; and

WHEREAS, Lessor holds title to such tidelands; and

WHEREAS, the City Council has classified such tidelands for leasing; and

WHEREAS, the land use plan governing the use of the tidelands subject to this lease has been prepared and approved by the City Council and thereafter publicly posted in the office of the City Clerk for a period of not less than ten (10) calendar days; and

WHEREAS, the tidelands subject to this lease have been classified for particular land uses and the uses allowed under this lease are within such classified and permitted land uses; and

WHEREAS, the tidelands subject to this lease have been appraised within six (6) months prior to the date fixed for the beginning of the term of this lease; and

WHEREAS, the particular tract subject to this lease has been nominated for lease by an application of Lessees demonstrating: (1) the strong likelihood that the nominated parcel is not subject to a valid tideland preference right claim being asserted; (2) the proposed use of the nominated parcel is a beneficial use in terms of highest and best use; and (3) it is in the City's interests to lease the nominated parcel; and

WHEREAS, Lessees have submitted a development plan with their application showing: (1) the purpose of the proposed lease; and (2) whether the intended use complies with the zoning ordinance and the comprehensive plan of the City; and

WHEREAS, public notice of this lease has been given as required by the City Code; and

WHEREAS, this lease has been offered at public auction as required by the City Code; and

WHEREAS, this lease contains such restrictions and reservations as are necessary to protect the public interest; and

WHEREAS, Lessees desires to lease the parcel described herein for the construction of diesel engine repair and machine shop.

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties agree as follows:

ARTICLE I - Demise and Description of Premises

Section 1.1: Demise and Description. Lessor hereby leases to Lessees those premises, herein called the "demised premises," as shown on the Tideland Lease Plat prepared by Rick G. Braun, entitled Wikan Enterprises, Inc. Tidelands Lease Plat and filed as Plat No. 92-23 on the 25TH day of SEPTEMBER, 1992, Petersburg Recording District, First Judicial District, ~~a copy of which is attached hereto and incorporated herein by this reference as Exhibit A.~~

ARTICLE II - Term of Lease

Section 2.1: Term. The term of this lease shall extend for a period of five (5) years, commencing on September 15, 1992 and ending at midnight on September 14, 1997.

Section 2.2: Renewal. This lease may be renewed at the option of Lessee for ten (10) additional five (5) year terms, for a combined allowable duration of fifty-five (55) years, through September 14, 2050 provided that Lessee give written notice to Lessor of Lessee's intention to exercise these options at least ninety (90) days and not more than one hundred and fifty (150) days prior to the expiration of the original lease term or any renewable term. All covenants and conditions of this lease shall remain in effect during any renewal term, except that the rental amount owing shall be subject to adjustment in accordance with Section 3.5 below, and shall be subject to review and approval by the City whose approval shall not be unreasonably withheld.

Section 2.3: Appraisal Required. The demised premises shall be appraised within six months prior to the date fixed for the beginning of any renewal term of this lease.

ARTICLE III - Rent

Section 3.1: Rent. Lessees shall pay to Lessor rent for the demised premises at the annual rate of six percent (6%) of the appraised fair market value of the demised premises and any improvements thereon owned by the City, which shall amount to \$2,520.75 (Two thousand, five hundred and twenty dollars and seventy-five cents) per year during the first five-year term of this lease. Rent owed for the first year of this lease shall be paid in a single payment upon execution of this agreement. Rental payments shall be due and owing, without the submittal of an invoice by the City, on the anniversary date each year of the execution of this agreement.

Section 3.2: Appraisal for Determination of Rent. The City shall cause the demised premises and any improvements thereon owned by the City to be appraised at their fair market value by an independent appraisal, acceptable to both parties to this lease. Said appraisal shall determine the value of the tract and any improvements thereon owned by the City.

Section 3.3: Dispute regarding Acceptable Appraiser. In the event the parties are unable to agree on an acceptable appraiser of the subject property, then each party shall select a third appraiser, which third appraiser shall then be employed for the purpose of assessing the fair market value of the demised premises and any improvements thereon owned by the City.

Section 3.4: Appraisal Costs. Lessee agrees to assume the cost of appraisal of the demised premises.

Section 3.5: Rent Adjustment. The annual rental rate payable pursuant to this lease shall be subject to adjustment by the City on the fifth anniversary of the commencement date of the initial term of this lease, and each anniversary date (based on the number of years the lease shall have been in effect) thereafter which is divisible by the number five. For the purposes of this lease, the fifth-year anniversary adjustments shall be based on increases in the fair market value of the demised premises and any improvements thereon owned by the City. All adjusted rates shall be computed at six percent (6%) of the then current fair market value of the land and any improvements owned by the Lessor and leased hereunder. Such fair market value shall be determined in accordance with the procedure set out in Sections 3.2 and 3.3 above. In the event the parties are unable to agree on an adjusted rental rate prior to such fifth-year anniversary date, the subsequently established rental rate shall be retroactively effective to such anniversary date.

ARTICLE IV -Use of Premises

Section 4.1: Use of Premises. The demised premises are to be only for the construction of a diesel repair and machine shop.

Section 4.2: Compliance with Law. Lessees shall comply with and abide by all federal, state, municipal and other governmental statutes, laws, ordinances, rules and regulations affecting the demised premises, the improvements thereon or any activity or condition on such premises.

Section 4.3: Uses Prohibited. This lease grants to Lessees only the surface use of the demised premises. Lessees shall not use, or permit the demised premises, or any part thereof, to be used for any purpose or purposes other than the purpose or purposes for which the demised premises are hereby leased; and no use shall be made or permitted to be made of the demised premises, or acts done, which may be considered ultra-hazardous on account of fire or otherwise. Any use not authorized by this lease shall constitute a trespass against the Lessor. No fuel storage shall be allowed on the demised premises other than fuel necessary for heating the building.

Section 4.4: Waste and Nuisance Prohibited. Lessees shall not commit, or suffer to be committed any waste on the demised premises, or any nuisance. Lessees shall not use or occupy the premises for any unlawful purpose.

Section 4.5: Environmental and Water Quality Protection.

(a) If the City has cause to believe that environmental or water quality damage has occurred or is threatened, the City may give 24 hours notice of such damage or threatened damage after which time, unless the City and Lessee mutually agree otherwise, the City shall have the right to require the Lessee, or its employees, representatives and agents to cease operations immediately and require Lessee to take immediate action, pursuant to its oil spill contingency plan, if applicable, to correct or eliminate said damage or threat thereof. Failure of Lessee to comply with such requests will be treated as a material breach of this agreement, entitling the City to terminate this agreement as provided. The City's rights under this provision shall not be construed as creating an obligation on the City's part to provide for any inspection as to environmental practices, it being agreed that compliance is the sole responsibility of Lessee.

(b) Liability for any environmental or water quality damage that is caused by Lessee or its employees, agents and representatives shall be borne by and at the sole expense of Lessee. If Lessee fails or refuses to correct or repair said damage pursuant to the Lessee's oil spill contingency plan, or otherwise, within a reasonable time, then after reasonable notice to Lessee, the City shall have the right to contract with any party to correct said condition and collect payment from Lessee for all actual costs of said correction or repair.

(c) In addition to the City's right to indemnification as stated herein, Lessee shall indemnify and hold the City harmless for any and all civil or criminal liabilities or penalties, including costs of defense, resulting from Lessee's acts or omissions which cause, threaten or are alleged to cause or threaten, environmental or water quality damage, or sanctions to be incurred because of environmental or water quality damages.

Section 4.6: Utilities. Lessees shall fully and promptly pay all costs associated with public services used by Lessees, for example, power and any other utilities of any kind furnished to the demised premises throughout the term hereof, and all other similar costs and expenses of any kind whatsoever, arising from the use, operation and maintenance of the premises and all activities conducted thereon.

ARTICLE V - Improvements

Section 5.1: Required Improvements. No improvements are required as a condition of this lease. However, any improvements made by the Lessee shall comply with all federal, state, municipal and other governmental statutes, laws, ordinances, rules and regulations.

Section 5.2: Proper Placement of Improvements. Lessees shall bear all responsibility for the proper placement of improvements on the demised premises, so as to avoid any encroachment on other lands of the Lessor or on lands owned or leased by another.

Section 5.3: Maintenance of Improvements. Lessees shall, throughout the term of this lease, at their own cost, and without any expense to Lessor, keep and maintain the premises, including all improvements of any kind which may be or become a part thereof, in good, neat, clean and sanitary order, condition and repair. Lessor shall not be obligated to make any repairs or replacements of any kind, nature or description, whatsoever, to the demised premises or to any improvements thereon.

Section 5.4: Avoidance of Pollution. Every effort shall be made by Lessees to prevent the pollution of waters.

Section 5.5: Damage to and Destruction of Improvements. The damage, destruction, or partial destruction of any improvement on the demised premises shall not release Lessees from any obligation hereunder, except as hereinafter expressly provided. In the event the improvements on the demised premises are destroyed to such an extent as to be rendered untenable by fire, storm, earthquake, or other casualty, Lessees may elect to terminate this lease by providing Lessor with written notice

within thirty (30) of the destruction of the improvements. Should Lessees elect to so terminate this lease, such termination shall be effective thirty (30) days after such notice.

Section 5.6: Removal or Reversion of Improvements Upon Termination. Improvements and/or personal property located on the demised premises and owned by Lessees may, within sixty (60) calendar days after termination of this lease, be removed by them; provided, that the City Council may extend the time for removing improvements in cases where hardship is proven. The retiring Lessees may, with the consent of the City Council, sell their improvements to any succeeding Lessee(s). All periods of time granted Lessees to remove improvements and/or personal property are subject to Lessee's payment to the Lessor of pro rata lease rentals for said periods. If any improvements and/or personal property are not removed within the time allowed, such improvements and/or personal property shall either remain the property and responsibility of Lessees or shall revert to, and absolute title shall vest in, Lessor, at the election of Lessor. Should Lessor elect to treat said improvements and/or personal property as continuing within the ownership and control of Lessees, said improvements may be removed at the expense of Lessees and under the direction of Lessor after reasonable notice from Lessor to Lessees. Should Lessor elect that said improvements and/or personal property revert to Lessor, Lessor shall provide reasonable notice to Lessees of said election.

Section 5.7: Repair of Premises. If Lessees should elect to remove any improvements and/or personal property from the demised premises upon termination of this lease, Lessees shall, at their own expense, repair any injury to the premises resulting from such removal.

ARTICLE VI - Encumbrances

Section 6.1: Lessee's Duty to Keep Premises Free of Liens. Lessees shall keep the demised premises and every part thereof and all improvements at any time located thereon free and clear of any and all mechanics, materialmen's and other liens arising out of or in connection with work or labor done, services performed, or repairs or additions which Lessees may make or permit or cause to be made, or any work or construction, by, for, or permitted by Lessees on or about the premises, or any obligations of any kind incurred by Lessees, and Lessees agree, at all times promptly and fully to pay and discharge any and all claims on which any such lien may or could be based. By this provision the parties do not in any way recognize or acknowledge the authority or right of any person to impose any such lien.

Section 6.2: Contesting Liens. If Lessees desire to contest any such lien, they shall notify Lessor of their intention to do so within fifteen (15) days after the filing of such lien. In such case, and provided that Lessees shall on demand protect Lessor by a good and sufficient surety bond against any such liens and any cost, liability or damage arising out of such contest, Lessees shall not be in default hereunder until thirty (30) days after the final determination of the validity thereof, within which time Lessees shall satisfy and discharge such lien to the extent held valid; but the satisfaction and discharge of any such lien shall not, in any case, be delayed until execution is had on any judgment rendered thereon, and such delay shall be a default of Lessees hereunder.

Section 6.3: Encumbrance of Lessee's Leasehold Interest. Lessees may encumber their leasehold interest in the demised premises, together with any improvements of Lessees. Any such encumbrance, or a foreclosure or other conveyance arising from such encumbrance, shall not relieve Lessees from its liability hereunder.

Section 6.4: Right to Notice to Mortgagee or Lienholder. If Lessees shall encumber their leasehold interest in the demised premises, and in the event of cancellation or forfeiture of this lease for cause, the holder of a properly recorded mortgage of the improvements on the land and every sublessee thereof shall be given a duplicate copy of any notice of default in the same manner as notices given to Lessees, provided however that such mortgagee or sublessee has given the City Clerk written notice of such mortgage or sublease. Such mortgagee or sublessee may, at its option, at any time before the rights of Lessees shall be terminated as provided herein, pay any of the rents due hereunder, or pay any taxes and assessments, or do any other act or thing that may be necessary and proper to be done in the observance of the covenants and conditions hereof, or to prevent the termination hereof. All payments so made, and all things so done and performed shall be as effective to prevent a termination of the rights of Lessees hereunder as the same would have been if done and performed by Lessees.

ARTICLE VII - Reservation of Rights

Section 7.1: Mineral Reservations. Lessor hereby expressly saves, excepts and reserves out of the grant hereby made, unto itself its successors, assigns and other lessees, 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 the lands subject to this lease, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils. Lessor also hereby

expressly saves and reserves out of the grant hereby made, unto itself its successors, assigns and other lessees, forever, the right by itself, or its or their agents or other representatives, to enter upon the lands subject to this lease, or any part thereof, at any and all times, for the purpose of making beneficial use of these reserved rights and to remain and to occupy as much of said lands as may be necessary or convenient for such purpose, hereby expressly reserving to itself, its lessees, successors and assigns, as aforesaid, generally all rights reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved.

Section 7.2: Surface Reservations. All deposits of stone, earth or gravel valuable for extraction or utilization are reserved by Lessor and shall not be removed from the land. Lessees shall not sell or remove for use elsewhere any of the surface resources of the demised premises, for example, stone, sand, gravel or any other material 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 City Council.

Section 7.3: Lessor's Right of Entry. Lessees shall permit Lessor, its agents, employees and other representatives, to enter into and upon the demised premises and Lessee's upland parcel at all reasonable times for the purpose of inspecting the demised premises and improvements thereon.

ARTICLE VIII - Eminent Domain

Section 8.1: Effect of Condemnation. If the whole or any part of the demised premises is taken by any authorized body vested with the power of eminent domain, the following provisions control:

Section 8.1.1: Taking of the Entire Premises. If the entire premises are taken by condemnation, the terms of this lease and all rights of Lessees will terminate at the time of the taking; i.e., at the time title finally vests in the governmental agency exercising the power of eminent domain. Lessor is entitled to all condemnation proceeds, except that Lessees shall be paid the portion of the proceeds attributable to the fair market value of the improvements placed on the condemned premises and owned by Lessees.

Section 8.1.2: Taking of Substantial Part of Premises. If the taking is of a substantial part of the premises, the following shall apply:

(a) If the taking by condemnation reduces the ground area of the demised premises by at least 30% or materially affects the use being made by Lessees of the parcel, Lessees may elect to terminate the lease by written notice to Lessor not later than ninety (90) days after the date of taking.

(b) If Lessees elect to terminate, the provisions in Section 8.1.1 shall govern the condemned portion of the demised premises and the terms of the lease govern disposal of the remainder of any improvements made by Lessees.

(c) If Lessees elect not to terminate, this lease continues and Lessor is entitled to the full condemnation proceeds except the portion attributable to the fair market value of the improvements placed on the condemned portion of the premises and owned by Lessees. Rent for the balance of the lease will be adjusted by Lessor to reflect the taking.

Section 8.1.3: Taking of Insubstantial Part of Premises. If the taking by condemnation reduces the ground area of the demised premises by less than 30% and Lessor determines that the taking is of such an insubstantial portion that Lessee's use of the demised premises is not materially affected, an election to terminate by Lessees is not allowed and the provisions of Section 8.1.2(c) will govern.

Section 8.2: Authority. By this Article, the parties do not in any way recognize or acknowledge the authority or right of any governmental entity to exercise a power of eminent domain over the demised premises or any interest created by this lease.

ARTICLE IX - Assignment and Subletting

Section 9.1: Assignment. Lessees may assign this lease, provided that the proposed assignment shall be first approved by formal action of the City Council. The assignee shall be subject to all the provisions of the lease and Lessees-assignors shall not be relieved of its obligations hereunder. However, the council may, in its discretion, approve an assignment made solely as security for a loan, whereby the lender/assignee shall not be liable for the obligations of the Lessees unless the lender/assignee is or becomes in possession of the leased property. Lessees shall not transfer, convey or otherwise dispose of this lease or the rights hereunder without the prior written consent of Lessor. Lessor may accept rent from the assignee or other transferee, but no such collection of rent shall be deemed a waiver of any term or condition of this lease, nor an acceptance of the assignee or other transferee as Lessees.

Section 9.2: Subletting. Lessees may sublease the demised premises or any part thereof leased to it under this agreement, provided that Lessees first obtain the approval by formal action of the City Council to such sublease. All subleases shall be in writing and shall include all the terms and conditions of this original lease. Lessees shall continue to be liable hereunder in accordance with the terms and conditions of this lease. Lessor may collect rent from the sublessee, but such collection shall not be deemed a waiver of any term or condition of this agreement nor an acceptance of the sublessee as Lessees. A copy of the sublease shall be filed with City Clerk.

ARTICLE X - Warranties

Section 10.1: Title and Quiet Possession. Lessor covenants that Lessor is seized of the demised premises in fee simple and that Lessees shall have quiet and peaceable possession of the demised premises during the term hereof. Prior to entering into this lease, if Lessees so request, Lessor shall provide, at Lessees' expense, title evidence sufficient to satisfy Lessees that Lessor has title to the land and can guarantee Lessees' peaceable possession.

Section 10.2: Authority of Agents. Each party to this agreement warrants that the individual signing this lease has written authority to enter into this agreement from the parties sought to be bound.

ARTICLE XI - Taxes

Section 11.1: Taxes. Lessees shall pay and discharge as they become due, promptly and before delinquency, all taxes, assessments, charges, fees, of every kind which may be levied, assessed or charged, or which may become a lien or charge on or against the land hereby demised, or any part thereof, the leasehold of Lessees herein, the premises described herein, or any improvements now or hereafter thereon or on or against Lessor by reason of its ownership of the fee underlying this lease, during the entire term hereof.

Section 11.2: Contesting Taxes. If Lessees shall in good faith desire to contest the validity or amount of any tax, assessment or other governmental charge herein agreed to be paid by Lessees, Lessees shall be permitted to do so and to defer payment of such tax or charge, the validity or amount of which Lessees is so contesting, until final determination of the contest, after giving to Lessor written notice thereof prior to the commencement of any such contest, which shall be at least thirty (30) days prior to delinquency and on protection of Lessor on demand by a

good and sufficient surety bond against any such tax, levy, assessment or other governmental charge, and from any costs, liabilities or damage arising out of any such contest.

ARTICLE XII - Insurance

Section 12.1: Insurance. Lessees shall, for any claims that may occur or be made during the initial and any extended term of this lease, at its own expense, keep in force by advance payment of premiums, the following-described insurance for protection against the claims of employees or other persons, insuring both Lessees and Lessor against any liability that may accrue against them or either of them arising from or in any way connected with the acts or omissions of Lessees, its agents, sublessees or other representatives under this Lease:

(a) Should any individual be employed in connection with this lease or the use of the demised premises, insurance in at least the required statutory amounts covering claims under workers' compensation disability benefits and other similar employee benefit act; and

(b) Comprehensive general liability insurance covering bodily injury, death and property damage with a combined single limit of not less than \$500,000.00, which insurance shall include coverage for XCU (explosion, collapse and underground) hazards and contractual liability.

Section 12.2: Insurance Certificate. The insurance shall be placed with an insurance carrier or carriers satisfactory to Lessor and shall not be subject to cancellation or any material change except after thirty (30) days written actual notice to Lessor. Lessor shall be specifically named as an additional insured on policies required by Section 12.1, Paragraph (b), above. A certificate of insurance reflecting full compliance with these requirements shall, at all times during this lease, be kept on deposit at the general offices of Lessor. If Lessees fail to comply with these insurance requirements, Lessor may terminate this agreement on ten (10) days written notice to Lessees, or may, but shall not have any duty to, obtain and pay for such insurance and keep the same in force and effect, and Lessees shall pay Lessor on demand for the premium costs thereof.

Section 12.3: Maintenance of Coverage. All public liability, property damage, and other casualty policies shall be written as primary policies; they shall not be contributing with, or in excess of, any insurance coverage that Lessor may otherwise carry. In order to maintain the same level of coverage that will exist at the commencement of this lease, the amounts and types of

coverage called for herein shall be subject to review at the end of each five-year period from the commencement date of this lease, and, if appropriate, the insurance requirement shall be increased or extended at the request of Lessor to provide the amounts and types of coverage that are at least equal to the amounts and types of coverage then carried by prudent owners of similar property. The insurance required by this Agreement shall cover all claims arising from or in any way connected with the acts or omissions of Lessees under this Agreement, whether or not such claim is asserted during the term of this Agreement or the applicable insurance policy and even though judicial proceedings may not be commenced until after the expiration of this Agreement or the applicable insurance policy. On policies as to which City is an additional insured, all coverages must apply to claims between insureds on the policy. Lessees shall maintain insurance written on an occurrence basis such that any loss does not deplete the policy limit; Lessees shall maintain insurance policies whereby at least the above-described available amounts of insurance shall be in effect throughout the time during which such insurance is required under this Agreement, even if successful claims are asserted against any such policies during their term(s).

ARTICLE XIII - Default and Remedies

Section 13.1: Default/Breach. Each of the following shall be deemed a default by Lessees and a breach of this lease:

(a) Lessees shall fail to pay any installment of rent or perform any other obligation hereunder involving the payment of money on the date the same is due.

(b) Lessees shall fail to comply with any term, provision or covenant of this lease.

(c) Lessees shall desert or vacate or shall commence to desert or vacate the demised premises or any substantial portion thereof or shall remove or attempt to remove, without the prior, written consent of Lessor, all or a substantial portion of Lessees' improvements on the demised premises.

Section 13.2: Default Remedies. If Lessees default in their performance or observance of any of the lease terms, covenants or stipulations, or the terms of any ordinances of the City Code or other legal requirements, and the default continues for thirty (30) calendar days after service of written notice by Lessor, without remedy of the default, Lessor shall take such action as is necessary to protect its rights and best interests, including the exercise of any and all rights after default permitted by

this lease. No improvements may be removed by Lessees or any other person during any time Lessees are in default under this lease.

Section 13.3: Rights upon Default after Notice. After notice has been given and the default remains uncorrected for a period of thirty (30) days, Lessor, in addition to any rights and remedies that Lessor may otherwise be given by statute, common law or otherwise, may:

(a) Reenter the demised premises and take possession of and remove all property from the same, without liability for any damage therefor, remove all persons and property therefrom, either by summary proceedings, suitable action at law, or other legal means, provided that any entry or reentry, possession, repossession or dispossession by Lessor, whether taken by summary proceedings or otherwise, shall not be deemed to absolve, relieve, release, or discharge Lessees, either in whole or in part for the monetary liability under this lease;

(b) Declare the lease cancelled and the term ended;

(c) Relet the Demised premises in whole or in part for any period equal to or greater or less than the remainder of the original term of this lease, for any sum which may be reasonable;

(d) Collect any and all rents due or to become due from sublessees or other occupants of the demised premises;

(e) Recover from Lessees the following items of damage:

(1) Actual attorney's fees and other expenses reasonably incurred by reason of the breach or default by Lessees,

(2) The cost of performing any covenant on the Lessees' part to be performed,

(3) Interest at the maximum allowable rate on all amounts owing to Lessor from the date due until payment thereof in full, and

(4) An amount equal to all rents due for the remainder of the term without reduction for anything other than the amount in fact received on releasing of the demised premises;

(5) Obtain specific performance of this lease.

Section 13.4: Remedies Cumulative. The remedies of Lessor hereunder shall be deemed cumulative and not exclusive of each other.

ARTICLE XIV - Termination and Holding Over

Section 14.1: Redelivery of Premises. Lessees shall, at the expiration or sooner termination of this lease, peaceably and quietly quit and surrender to Lessor the demised premises in as good a state and condition as the premises were at the commencement of the term.

Section 14.2: Cancellation by Agreement Due to Unlawful Purpose or Upon Notice. Leases in good standing may be cancelled in whole or in part, at any time, upon mutual written agreement by Lessees and the City Council, or by the City Council acting alone if the subject premises are used for any unlawful purpose or upon one year's written notice to Lessees, as described in 2.1 above.

Section 14.3: Reentry by Lessor. In the event the lease is terminated, or in the event that the demised premises, or any part thereof, are abandoned by Lessees during the term of this lease, Lessor or its agents, servants or representatives, may, immediately or at any time thereafter, reenter and resume possession of said lands or such part thereof, and remove all persons and property therefrom, either by summary proceedings, a suitable action or proceeding at law or other legal means, without being liable for any damages therefor. No reentry by Lessor shall be deemed an acceptance of a surrender of lease.

Section 14.4: Disposal Upon Termination. In the event that this lease is terminated, the City Council may offer the demised premises for lease or other appropriate disposal pursuant to the provisions of the City Code.

Section 14.5: Forfeiture of Rental Upon Termination. In the event that this lease shall be terminated because of any breach of Lessees, the annual rental payment last made by Lessees shall be retained by Lessor.

Section 14.6: Holding Over. Upon failure of Lessees to surrender possession of the demised premises at the termination of this lease, Lessees' possession of the demised premises shall continue on a month-to-month tenancy at the yearly rental rate charged in the last year of the last term of the agreement, on a monthly pro rata basis. Lessees shall acquire no additional rights to, or interest in, the demised premises by holding-over after termination of this lease, and shall be subject to legal action by Lessor to require the surrender of the demised premises. All terms of this Agreement shall apply during the hold-over period. The receipt by Lessor of any rent or any other sum of money after the termination in any manner of the term demised, or after the giving by Lessor of any notice hereunder to effect such termination, shall not reinstate, continue or extend the resultant term herein demised, or in any manner impair the

efficacy of, any such notice or termination as may have been given hereunder by Lessor to Lessees prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by Lessor.

ARTICLE XV - General Provisions

Section 15.1: Disclaimer. Lessor's consent to Lessees' use of the demised premises shall not be construed as approving or endorsing the use of the demised premises for the purposes proposed by Lessees and the City disclaims any such express or implied approval or warranty.

Section 15.2: Notices. Any notice or demand, which under the terms of this lease or under any statute or City Code provision must be given or made by the parties hereto, shall be in writing and shall be given or made certified mail, return receipt requested, addressed to the other party at the address of record, designated as follows:

(a) The Lessor:

City of Petersburg
Attention: City Manager
P. O. Box 329
Petersburg, Alaska 99833

(b) The Lessees:

John B. and Sheri L. Wikan
P.O. Box 929
Petersburg, Alaska 99833

Either party may designate in writing another address to which such notice or demand shall hereafter be given. Any notice given under this provision shall be deemed delivered when deposited in a United States general or branch post office enclosed in a certified-mail prepaid wrapper or envelope, addressed as provided in this section.

Section 15.3: Inspection of Premises. Lessees acknowledge that they have been given unlimited opportunity to inspect the demised premises and accept said premises as is, in their present condition.

Section 15.4: Non-Waiver. No failure on the part of Lessor to enforce any covenant or provision herein contained, nor any waiver of any right hereunder by Lessor, unless in writing and signed by the parties sought to be bound, shall discharge or

invalidate such covenants or provisions or affect the right of Lessor to enforce the same in the event of any subsequent breach or default. The receipt of rent by Lessor with knowledge of any breach of the lease by Lessees or any default on the part of Lessees in observance or performance of any of the conditions or covenants of this lease shall not be deemed to be a waiver of any provision of this lease.

Section 15.5: Responsibility/Indemnification. Lessees agree to assume full control and responsibility for all activities connected with this lease. Lessees shall defend and save harmless Lessor from and against any and all losses, damages, liabilities, expenses, claims and demands of whatsoever character, direct or indirect, arising out of or in any way connected with this lease.

Section 15.6: Integration. This lease sets forth all the covenants, terms, conditions and understandings between the parties hereto, and there shall be no covenants, terms, conditions or understandings, either oral or written, between them other than as herein set forth.

Section 15.7: Modification. This lease may not be modified orally or in any manner other than by an agreement in writing signed by all parties in interest or their successors in interest.

Section 15.8: Recording of Lease. Lessees shall record this lease at their own expense as soon as possible after its execution by both parties. Directly after recording this lease, Lessees shall provide Lessor with a copy of the lease stamped by the Recorder's Office showing the date and time of recording.

Section 15.9: Attorney's Fees. If Lessor must institute any action to recover any payment due under this lease, or on account of any breach of this lease, or to recover possession of the leased premises, Lessor shall be entitled to recover its actual attorney's fees and all costs and expenses reasonably incurred by it in connection with such action and on any appeal therefrom.

Section 15.10: Severability of Terms. The invalidity or unenforceability of any provisions of this agreement shall not affect or impair any other provisions.

Section 15.11: Binding Effect. The terms, provisions and covenants contained in this lease shall apply to, inure to the benefit of, and bind the parties and their respective successors, except as otherwise herein expressly provided.

WITNESS My Hand and Official Seal the day and year in this certificate first above written.

Francis Jones



Notary Public in and for the State of Alaska, residing at Petersburg, Alaska. My commission expires Nov 21, 1993

DATED THIS 15th day of September, 1992.

LESSEES:

JOHN B. WIKAN

By: *J.B. Wikan*

SHERI L. WIKAN

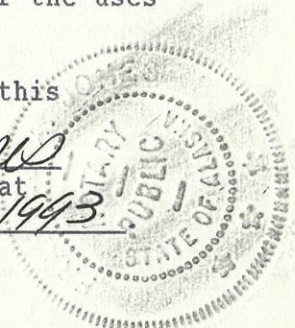
By: *Sheri L. Wikan*

UNITED STATES OF AMERICA)
) ss.
STATE OF ALASKA)

THIS IS TO CERTIFY that on this 15 day of Sept, 1992, before the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared John & Sheri Wikan to me known to be the person described in and who executed the above and foregoing instrument, and acknowledged to me that th signed the same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS My Hand and Official Seal the day and year in this certificate first above written.

Francis Jones



Notary Public in and for the State of Alaska, residing at Petersburg, Alaska. My commission expires Nov 21, 1993

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Return to: P. Curtiss
City of Petersburg
PO Box 329
Petersburg, Alaska
99833

92-816 CC

RECORDED - FILED	
PETERSBURG REG. DIST.	
DATE	Sept. 25, 19 92
TIME	2:07 P.M.
Requested by	City of
Address	PETERSBURG