

PETERSBURG BOROUGH
SECURITY ASSIGNMENT OF LEASE

For value received, K. C. Sales, Inc. d.b.a. S.E. Island Fuel, whose mailing address is PO Box 12, Petersburg, AK 99833, Sublessee under the Tideland Lease covering the following described property:

A 90' by 105' portion of Parcel B, Lot T-38, as listed on the Plat entitled Southeast Alaska Oil Corporation Tidelands Lease Plat, filed as Plat No. 87-28 on August 26, 1987 as shown in Exhibit A of the sublease between Petro 49, Inc., formerly Harbor Enterprises, Inc., d.b.a. Petro Marine Services and K. C. Sales, Inc. d.b.a S.E. Island Fuel, formerly Curt Birchell, d.b.a. S.E. Island Fuel

(Original lease is dated June 1, 1987 between the City of Petersburg and the Haines Terminal and Highway Company and was assigned to Harbor Enterprises, Inc., d.b.a. Petro Marine Services on June 1, 1995. A portion of the original lease, described above, was and still is subleased to K.C. Sales, Inc., d.b.a. S.E. Island Fuel, formerly Curt Birchell, d.b.a. S.E. Island Fuel in October, 1997.)

do hereby assign, for good and valuable consideration, a security interest in the above lease to First Bank, whose mailing address is 2030 Sea Level Dr. Suite 100, Ketchikan, Alaska 99901, and assigns, for the term commencing on ____ of _____, 20____, and expiring on ____ of _____, 20____. This assignment is made as collateral security for the payment of certain monies that assignor owes assignee.

Assignor:
K.C. Sales d.b.a. S.E. Island Fuel

Assignee:
First Bank

By:_____

By:_____

Its:_____

Its:_____

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

THIS IS TO CERTIFY that on this date, _____, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared _____, known to me to be the _____ of K. C. Sales d.b.a. S.E. Island Fuel as described in the foregoing instrument, and he/she acknowledged to me that he/she executed the foregoing instrument freely and voluntarily for the uses and purposes therein mentioned by authority of said company.

WITNESS my hand and official seal the day and year last hereinabove written.

Notary Public, State of Alaska
My commission expires _____

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

THIS IS TO CERTIFY that on this date, _____, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared _____, known to me to be the _____ of First Bank as described in the foregoing instrument, and he/she acknowledged to me that he/she executed the foregoing instrument freely and voluntarily for the uses and purposes therein mentioned by authority of said company.

WITNESS my hand and official seal the day and year last hereinabove written.

Notary Public, State of Alaska
My commission expires _____

The Lessor, Petersburg Borough, formerly the City of Petersburg, consents to the foregoing security assignment and agrees that in the event of default by Lessee under the lease or default by Lessee under the loan documents in favor of Assignee, Assignee will have the option to acquire the Lessee's interest under the lease for the unexpired term thereof, subject to the terms and conditions of the lease, and, in such event, shall assume all liability for the obligations of Lessee under the lease, without relieving Lessee thereof. Nothing in this instrument shall at any time relieve Lessee of its obligations under the lease.

Petersburg Borough

By: _____

Its: _____

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

THIS IS TO CERTIFY that on this date, _____, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared _____, known to me to be the _____ of the Petersburg Borough as described in the foregoing instrument, and he/she acknowledged to me that he/she executed the foregoing instrument freely and voluntarily for the uses and purposes therein mentioned by authority of said company.

WITNESS my hand and official seal the day and year last hereinabove written.

Notary Public, State of Alaska
My commission expires _____

The Sublessor, Petro 49, Inc., consents to the foregoing security assignment, subject to the terms and conditions of the original lease between the City of Petersburg and the Haines Terminal and Highway Company dated June 1, 1987, and assigned to Harbor Enterprises, Inc., d.b.a. Petro Marine Services on June 1, 1995; and, subject to the terms and conditions of the sublease between Petro 49, Inc., formerly Harbor Enterprises, Inc., d.b.a. Petro Marine Services and Curt Birchell, d.b.a. S.E. Island Fuel dated October, 1997.

Petro 49, Inc.

By: _____

Its: _____

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

THIS IS TO CERTIFY that on this date, _____, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared _____, known to me to be the _____ of Petro 49, Inc., as described in the foregoing instrument, and he/she acknowledged to me that he/she executed the foregoing instrument freely and voluntarily for the uses and purposes therein mentioned by authority of said company.

WITNESS my hand and official seal the day and year last hereinabove written.

Notary Public, State of Alaska
My commission expires _____

After Recording Return To:
Petersburg Borough
PO Box 329
Petersburg, AK 99833