

Record in the Petersburg Recording District

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 Gerald J. Whitethorn and Richard C. Tamblin, dba Alaska Commercial electronics, whose mailing address is P.O. Box 1550, Petersburg, Alaska 99833, hereinafter referred to as the "Lessees."

RECITALS

WHEREAS, the real property subject to this lease lies within the boundaries of the City of Petersburg, Alaska, First Judicial District, Petersburg Recording District; and

WHEREAS, Lessor holds title to such real property; and

WHEREAS, the real property subject to this lease has 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 demonstration: (1) the proposed use of the nominated parcel is a beneficial use in terms of highest and best use; and (2) it is in the City's interests to lease the nominated parcel; and

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

WHEREAS, Lessees desire to lease the parcel described herein for the purpose of constructing marine and commercial electronics sales and service; and

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," designated as Lease Parcel _____, a portion of ATS No. 9 as shown on a Plat entitled _____ and filed as Plat # 94-8 in the Petersburg Recording District on the 28 day of June, 1994.

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 May 15, 1994 and ending at midnight on May 14, 1999.

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 2049, 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 \$1,794.00 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 parcel 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 five year anniversary date. 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 used only for marine and commercial electronics sales and service.

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 in approved fuel tanks.

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, 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:

Gerald J. Whitethorn
Richard C. Tamblin
ALASKA COMMERCIAL ELECTRONICS
PO Box 1550
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.

Section 15.12: Effect of Headings. The captions, section headings and numbers, and article headings and numbers in this lease are inserted only as a matter of convenience and in no way define, limit or describe the scope or intent of the sections or articles of this agreement, nor in any way affect the agreement.

Section 15.13: Time of the Essence. Time is of the essence in all provisions of this lease.

IN WITNESS WHEREOF the City of Petersburg, Alaska as Lessor, acting through its City Manager, being duly-authorized, and Gerald J. Whitethorn and Richard C. Tamblin, as Lessees, having authority to execute this lease, have hereunto set their respective hands, agreeing to keep, observe and perform all the terms, conditions and provisions herein contained or attached.

PASSED AND APPROVED by the Petersburg City Council on the 16 day of May 1994.

DATED this 7 day of June, 1994.

LESSOR:
CITY OF PETERSBURG

BY: [Signature]

Its: City Manager

ATTEST:

[Signature]
Patricia Curtiss
City Clerk



STATE OF ALASKA)
) ss.
 FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 7 day of June, 1994, before the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared Linda Snow and Patricia Curtiss to me known to be the City Manager and City Clerk of the City of Petersburg respectively, which executed the above and foregoing instrument, and acknowledged to me said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation

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

Frances G. Jones

Notary Public in and for the State of Alaska residing at Petersburg, Alaska. My commission expires 11/21/97.



DATED THIS 7 day of June, 1994.

LESSEES:

By:

Gerald J. Whitethorn

By:

Richard C. Tamblin

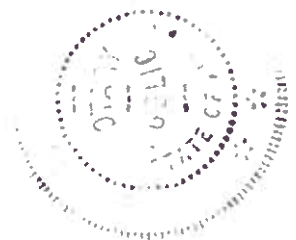
UNITED STATES OF AMERICA)
) ss.
 STATE OF ALASKA)

THIS IS TO CERTIFY that on this 7 day of June, 1994, before the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared Gerald J. Whitethorn and Richard C. Tamblin to me known to be the persons described in and who executed the above and foregoing

instrument, and acknowledged to me that they 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.

Notary Public in and for the State of Alaska residing at Petersburg, Alaska. My commission expires 11/21/97.



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

94-834 CC

RECORDED - FILED 66	
PETERSBURG REC. DIST.	
DATE	JUNE 28 1994
TIME	9:10 A.M.
Requested by	City of Petersburg
Address	