



a division of **Petro 49, Inc.**

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January 25, 2019

Mr. Stephen Giesbrecht
Borough Manager
Petersburg Borough

Dear Mr. Giesbrecht;

In response to your letter on December 17, 2018 regarding the Borough's position on the proposed land swap:

Petro 49 agrees to coordinate with the Borough for a Phase I Environmental Assessment on the properties which would be transferred to the Borough. As the Borough would be acquiring title to the property from Petro 49, it is the Borough's responsibility to pay for the Phase I on the property it would acquire. Petro 49 would have the responsibility to pay for the Phase I on the property that it is acquiring from the Borough.

Petro 49 will agree to the land exchange process outlined in Petersburg Borough Ordinance #2018-12, Section 16.12.140 where property values are determined by appraisal. Petro 49 will not agree to a straight swap of properties unless the appraisal process determines the properties to have equivalent values.

Petro 49 will not pay for the Borough's lost lease revenue. The Borough is responsible for the related financial impacts of acquiring, financing and utilizing the new property in exchange for the leased property.

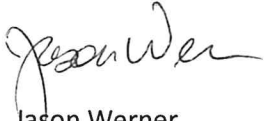
Petro 49 is willing to wait 30 months from the closing of the land exchange for the berthing project to achieve full funding. After 30 months, Petro 49 requests to have the net proceeds be applied to its remaining lease payments.

The Berthing Dolphin Project allows Petro 49 to continue servicing its local customers while a cruise ship is berthed. Customers displaced by a cruise ship either adjust the timing of their purchase or shift the purchase to another Petro 49-owned facility in Southeast Alaska. Additional fuel sales in Petersburg generate additional sales taxes.

Petro 49 would not agree to have a valuation increase of the fuel dock lease when the Project is completed. Petro 49 would already be funding a portion of the Project with the excess proceeds from the land swap and the Project serves to enhance the cruise ship docking.

Should you have further questions, I would be happy to discuss our proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Werner". The signature is fluid and cursive, with the first name "Jason" and last name "Werner" clearly distinguishable.

Jason Werner
C.F.O.
Petro 49, Inc.
907-273-8267