

**STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LAND
400 Willoughby Ave., Suite 400
Juneau, AK 99801**

ADL No. 105910

LEASE AGREEMENT

Effective this 1st day of July, 1996, this lease agreement is entered into by the State of Alaska, hereafter referred to as "lessor," and *Haida Corporation*, hereafter referred to as "lessee," whether one or more, whose sole addresses for purposes of notification under this lease agreement are listed in section 28.

The lessor and the lessee agree that this lease, including all attachments and documents that are incorporated in this lease by reference, contains the entire agreement between the parties, and each of the covenants and conditions in this lease including any attachments will be binding upon the parties and upon their respective successors and assigns. The lessor and the lessee further agree that this lease is conditioned upon satisfactory performance by the lessor and the lessee of all covenants and conditions contained in this lease. The lessee is aware of the provisions of Title 38, Alaska Statutes, Title 11, Alaska Administrative Code, and other applicable laws, regulations, and ordinances, and fully understands the duties and obligations of the lessee under this lease, and the rights and remedies of the lessor.

This lease is subject to all applicable state, federal, and municipal statutes, regulations, and ordinances in effect on the effective date of this lease, and insofar as is constitutionally permissible, to all statutes, regulations, and ordinances placed in effect after the effective date of this lease. A reference to a statute, regulation, or ordinance in this lease includes any change in that statute, regulation, or ordinance, whether by amendment, repeal and replacement, or other means. This lease does not limit the power of the State of Alaska, its political subdivisions, or the United States of America to enact and enforce legislation or to adopt and enforce regulations or ordinances affecting, directly or indirectly, the activities of the lessee or its agents in connection with this lease or the value of the interest held under this lease. In case of conflicting provisions, statutes, regulations, and ordinances take precedence over this lease. This lease shall not be construed as a grant or recognition of authority for promulgation or adoption of municipal ordinances that are not otherwise authorized.

1. Grant. This *Tideland* lease is issued under the authority of AS 38.05.075(c), for a term of 20 year(s) beginning on the 1st day of July, 1996, and ending at 12 o'clock midnight on the 30th day of June, 2016, unless sooner terminated, subject to: compensation as specified in section 2; the attached development plan approved by the state on the 24th of June, 1996; and attached stipulations, if any, that are incorporated in and made a part of this lease, for the following, hereafter referred to as the "leasehold":

Alaska Tideland Survey # 1501, Tract A and B, located within Section 30, Township 76 South, Range 86 East, Copper River Meridian, and Section 25, T 76 South, R 85 East, Copper River Meridian, containing 27.5 acres, more or less, according to the survey plat filed in the Ketchikan Recording District on January 10, 1996, as plat # 96-2.

Excepting and reserving any general reservations to the lessor that are required by law and that may be stated elsewhere in this lease, and the following, which the state reserves for itself and others:

Subject to all platted easements and reservations and further subject to the Special Stipulations noted on Attachment A and made a part of this lease agreement.

2. Compensation. (a) The lessee shall pay to the lessor compensation as follows, without the necessity of any billing by the lessor: **Four Thousand Nine Hundred-Fifty and 00/100 Dollars (\$ 4,950)**. The lessor may, upon 10 days' notice, review and copy any records of the lessee that are necessary to verify the lessee's compliance with this paragraph.

(b) In accordance with AS 38.05.105, the lease compensation is subject to adjustment by the lessor at the commencement of the sixth year of the term and every fifth year thereafter (the "adjustment date"). The compensation adjustment takes effect on the applicable adjustment date, regardless of whether the adjustment determination occurs before or after that date. All reasonable costs of the adjustment, including reappraisal if required by the lessor, will be borne by the lessee.

3. Denial of Warranty. The lessor makes no warranty, express or implied, nor assumes any liability whatsoever, regarding the social, economic, or environmental aspects of the leasehold, including, without limitation, the soil conditions, water drainage, access, natural or artificial hazards that may exist, or the profitability or fitness of the leasehold for any use. The lessee represents that the lessee has inspected the leasehold and determined that the leasehold is suitable for the use intended, or has voluntarily declined to do so, and accepts the leasehold "as is" and "where is."

4. Use of Leasehold. Prior to execution of this lease and to commencing use or development of the leasehold, the lessee shall submit a development plan for the leasehold to the lessor and obtain the lessor's approval of the plan. Any use or development of the leasehold must be consistent with the development plan approved by the lessor. Any proposed revisions to the development plan must be submitted to the lessor for approval before any change in use or development occurs. The lessee shall use and occupy the leasehold in compliance with the approved development plan and all applicable laws, regulations, ordinances, and orders that a public authority has put into effect or may put into effect, including those of a building or zoning authority and those relating to pollution and sanitation control. The lessee may not permit any unlawful occupation, business, or trade to be conducted on the leasehold. The lessee shall properly locate all activities and improvements on the leasehold, and may not commit waste of the parcel. The lessee shall maintain and repair the leasehold including improvements in a reasonably neat and clean condition, and shall take all necessary precautions to prevent or suppress grass, brush, or forest fires, and to prevent erosion, unreasonable deterioration, or destruction of the land or improvements. The lessee agrees not to place any aboveground or underground fuel or chemical tanks on the leasehold without the prior written approval of the lessor.

5. Encumbrance of Leasehold. The lessee may not encumber or cloud the lessor's title to the leasehold, or any portion of the leasehold, nor enter into any lease, easement, or other obligation of the lessor's title without the prior written approval of the lessor.

6. Assignment of Interest. The lessee may not assign or sublet any interest held under this lease, including a security interest, without the prior written approval of the lessor. The lessor may approve such assignment or subletting if the lessor finds it to be in the best interest of the state. No such assignment or subletting will be effective until approved by the lessor in writing, and the assignee agrees to be subject to and governed by the provisions of this lease, any subsequent amendments to this lease, any additional stipulations, or reappraisal as deemed appropriate by the lessor, and all applicable laws, regulations, and ordinances in the same manner as the original lessee. No assignment or subletting of the leasehold, or any portion thereof, by the lessee will annul the lessee's obligation to pay the compensation required for the full term of this lease. Except as provided in this lease, no subdivision of the leasehold interest may occur without the prior written approval of the lessor.

7. Conditional Lease. If all or part of the leasehold has been tentatively approved, or approved, but not yet patented, by the United States to the lessor, then this lease will be conditioned upon receipt by the lessor of such patent. If for any reason the lessor does not receive patent, any compensation paid to the lessor under this lease will not be refunded. Any prepaid compensation for land to which patent is denied the lessor will be refunded to the lessee of record in the amount of the pro-rata portion of the unexpired term. The lessor will have no further liability to the lessee for the termination of the lease.

8. Payment of Taxes and Assessments. The lessee shall pay prior to delinquency all taxes and assessments accruing against the leasehold.

9. Section Line Rights-of-Way. If the leasehold borders on or includes one or more section lines, the lessor hereby

, lessee

expressly reserves unto itself and its successors and assigns a right-of-way or rights-of-way pursuant to AS 19.10.010.

10. Navigable and Public Waters. (a) Pursuant to AS 38.05.127 and 11 AAC 53.330, the lessor reserves a public access easement to and along all public or navigable water bodies that border on or are included in this leasehold. No public access easement may be obstructed or otherwise rendered incapable of reasonable use for the purposes for which it was reserved. No public access easement may be vacated, abandoned, or extinguished without the prior written approval of the lessor.

(b) The Public Trust Doctrine guarantees public access to, and the public right to use, navigable and public waters and the land beneath them for navigation, commerce, fishing, and other purposes. This lease is issued subject to the principles of the Public Trust Doctrine regarding navigable or public waters. The lessor reserves the right to grant other interests to the leasehold consistent with the Public Trust Doctrine.

11. Condemnation of Leasehold or Improvements. If the whole or any part of the leasehold is taken by any authorized body or person vested with the power of eminent domain, by negotiation, court action, or otherwise, the following provisions control:

(1) Taking of the entire leasehold. If all of the leasehold is taken by condemnation, this lease and all rights of the lessee will immediately terminate, and the compensation will be adjusted so that it is due only until the date the lessee is required to surrender possession of the leasehold. The lessor is entitled to all the condemnation proceeds, except that the lessee will be paid the portion of the proceeds attributable to the fair market value, as determined in the condemnation proceedings, of any buildings or improvements taken that were placed on the condemned leasehold by the lessee in accordance with the approved development plan.

(2) Taking of substantial part of the leasehold. If the taking is of a substantial part of the leasehold, the following rules apply:

(A) If the taking by condemnation reduces the ground area of the leasehold by at least 30 percent or materially affects the use being made by the lessee of the leasehold, the lessee has the right to elect to terminate the lease by written notice to the lessor not later than 180 days after the date of taking.

(B) If the lessee elects to terminate, the provisions in subsection (1) of this section govern the condemned portion of the leasehold and the covenants and conditions of the lease govern disposal of the remainder of any buildings or improvements made by the lessee in accordance with the approved development plan.

(C) If the lessee does not elect to terminate, the lease continues and the lessor is entitled to the full condemnation proceeds except the portion attributable to the fair market value, as determined in the condemnation proceedings, of any buildings or improvements taken that were placed on the condemned portion of the leasehold by the lessee in accordance with the approved development plan. Compensation at the existing rate will terminate on the date the lessee is required to surrender possession of the condemned portion of the leasehold. Except as it may be adjusted from time to time under the covenants and conditions of the lease and applicable statutes, compensation for the balance of the term will be adjusted by the lessor to reflect the taking.

(3) Taking of insubstantial part of the leasehold. If the taking by condemnation reduces the ground area of the leasehold by less than 30 percent and the lessor determines that the taking is of such an insubstantial portion that the lessee's use of the leasehold is not materially affected, the lessee may not elect to terminate the lease and the compensation provisions of subsection 2(C) of this section will govern.

12. Valid Existing Rights. This lease is subject to all valid existing rights, including easements, rights-of-way, reservations, or other interests in land in existence on the date of execution of this lease.

13. Inspection. The lessor will have reasonable access to the leasehold for purposes of inspection.
14. Mineral Reservations. This lease is subject to the reservations required by AS 38.05.125 and the rights and obligations imposed by AS 38.05.130.
15. Concurrent Use. This lease is subject to reasonable concurrent uses as provided under Article VIII, Section 8 of the Constitution of the State of Alaska. The concurrent user who is found to be at fault for damage or injury arising from noncompliance with the terms governing the user's concurrent use is liable for damages and the user's interest is subject to forfeiture or termination by the lessor. In this context, the term "concurrent user" includes the lessee and any other person or entity who lawfully uses the land subject to this lease, but does not include the State of Alaska.
16. Surface Resources. Unless otherwise provided by this lease or other written authorization, the lessee may not sell or remove from the leasehold any timber, stone, gravel, peatmoss, topsoil, or any other material valuable for building or commercial purposes. Material required for the development of the leasehold may be used only in compliance with the approved development plan.
17. Appropriation or Disturbance of Waters. During the term of this lease, the lessee will have the right to apply for an appropriation of ground or surface water on the leasehold in accordance with AS 46.15 and 11 AAC 93.060.
18. Acquisition of Rights or Interests. Any right or interest acquired during the term of this lease and accruing to the benefit of the leasehold will remain appurtenant to the leasehold, and may not be severed or transferred from the leasehold without the prior written approval of the lessor. In the event of termination or forfeiture of this lease, any such right or interest will vest in the lessor.
19. Land Alterations Due to Natural or Artificial Causes. The interest described in this lease constitutes the entire leasehold. If, through natural or artificial causes, accretion or reliction of land occurs contiguous to the leasehold, the Lessee has no right to occupy or use the accreted land unless a separate lease is entered with the Lessor with respect to such lands. The rules of law usually applicable to accretion or reliction of land do not apply to this lease, nor to the interest described in this lease.
20. Waiver or Forbearance. The receipt of compensation by the lessor, with or without knowledge of any default on the part of the lessee, is not a waiver of any provision of this lease. No failure on the part of the lessor to enforce a covenant or condition of this lease, nor the waiver of any right under this lease by the lessor, unless in writing, will discharge or invalidate the application of such covenant or condition. No forbearance or written waiver affects the right of the lessor to enforce any covenant or condition in the event of any subsequent default. The receipt of compensation by the lessor after termination or any notice of termination will not reinstate, continue, or extend this lease, or destroy, or in any manner impair the validity of any notice of termination that may have been given prior to receipt of the compensation, unless specifically stated by the lessor in writing.
21. Default and Remedies. (a) Time is of the essence in this lease. If the lessee defaults on the performance of any of the covenants or conditions of this lease, and the default is not remedied within 60 days after written notice of such default has been received by the lessee and by the holder of a security interest in the leasehold approved by the lessor, or within any additional period the lessor allows for good cause, the lessee will be subject to legal or any other administrative action deemed appropriate by the lessor, including termination of this lease. The lessor may include in the notice of the default or give a separate written notice stating that if the default is not remedied, this lease shall terminate on a date certain, which shall be at least 60 days after receipt of the first notice. Upon the date specified in such notice, unless the default has been remedied, the lease shall expire automatically without further notice or action by the lessor and this lease and all rights of the lessee under the lease shall terminate. Upon termination of the lease the lessor shall have an immediate right to possession of the leasehold and any possession by the lessee shall be unlawful. It is specifically agreed that no judicial action shall be necessary to terminate this lease or to allow the lessor to retake possession in the event of default by the lessee. No improvements may be removed from the leasehold while the lease is in default except with the lessor's prior

written approval. If this lease is terminated for default, all compensation paid by the lessee is forfeited to the lessor. The lessor is not liable for any expenditures made or undertaken by the lessee under this lease. Any costs or fees, including attorney's fees, reasonably incurred by the lessor for the enforcement of this lease, shall be added to the obligations due and payable by the lessee.

(b) The rights, if any, of third-party security interest holders or lienholders are controlled solely by AS 38.05.103 and 11 AAC 58.590. If the lessee fails to remedy the default within the time allowed in subsection (a) of this section, the holder of an approved security interest who has received notice under subsection (a) of this section may remedy the default. The holder shall act within 60 days from the date of receipt of notice under subsection (a) of this section, or within any additional period the lessor allows for good cause.

(c) The lessor may, at the lessor's option, following the lessee's default and failure to remedy, or after termination of this lease due to such default and failure to remedy, accelerate the unpaid compensation for the remainder of the term of this lease. The lessee's obligation to pay such accelerated rent to the lessor survives termination of this lease.

(d) If this lease is terminated, or all or any portion of the leasehold is abandoned by the lessee, the lessor may immediately enter, or re-enter and take possession of the leasehold, and without liability for any damage, remove all persons and property from the leasehold and may, if necessary, use summary proceedings or an action at law. The words "enter" and "re-enter" as used are not restricted to their technical legal meaning. Any entry, re-entry, possession, repossession, or dispossession by the lessor, whether taken with or without judicial action, does not absolve, relieve, release, or discharge the lessee, either in whole or part, of any liability under the lease.

(e) The lessor, upon or at any time after giving written notice of any default, may enter or re-enter the leasehold to remedy any default by the lessee or exercise any right given under this lease, all without the intervention of any court being required. The curing of such default shall not be deemed for any purpose to be for the benefit of the lessee.

(f) At any time after termination of this lease, the lessor may re-let the leasehold, or any part thereof, in the name of the lessor for such term and on such conditions as the lessor may determine, and may collect and receive the compensation therefor. The lessor shall not be responsible or liable for failure to re-let the leasehold or for any failure to collect any compensation due upon such re-letting, nor shall the lessor be required to account for or pay to the lessee any excess compensation received as a result of such re-letting. The lessee shall be liable for any deficiency, and for all costs, expenses, and fees incurred by the lessor arising out of the default, including the lessor's efforts to re-let the leasehold.

(g) No right or remedy conferred upon or reserved to the lessor in this lease or by statute, or existing in law or equity, is intended to be exclusive of any other right or remedy, and each and every right shall be cumulative.

22. Disposition of Improvements and Chattels After Termination. AS 38.05.090 will govern disposition of any lessor-approved chattels or improvements left on the leasehold after termination. At the lessor's sole option, improvements not approved by the lessor shall be removed from the leasehold and the site restored to its original condition at the lessee's sole expense, or be forfeited to the lessor. The lessee shall be liable to the lessor for any costs, expenses, or damages arising out of the disposition of improvements not approved by the lessor, and may be required to pay rent on any improvements or chattels left on the parcel in accordance with 11 AAC 58.680.

23. Indemnity to Lessor. The lessee shall indemnify, defend, and hold the lessor harmless from and against all claims, demands, judgments, damages, liabilities, penalties, and costs, including attorney's fees, for loss or damage, including but not limited to property damage, personal injury, wrongful death, and wage, employment, or worker's compensation claims, arising out of or in connection with the use or occupancy of the leasehold by the lessee or by any other person holding under the lessee, or at the lessee's sufferance or invitation; and from any accident or fire on the leasehold; and from any nuisance made or suffered on the leasehold; and from any failure by the lessee to keep the leasehold in a safe and lawful condition consistent with applicable laws, regulations, ordinances, or

orders; and from any assignment, sublease, or conveyance, attempted or successful, by the lessee of all or any portion of the leasehold or interest therein contrary to the covenants and conditions of this lease. The lessee holds all goods, materials, furniture, fixtures, equipment, machinery, and other property whatsoever on the parcel at the sole risk of the lessee, and shall defend, indemnify and hold the lessor harmless from any claim of loss or damage by any cause whatsoever, including claims by third parties.

24. Insurance. If required by the lessor, the lessee shall obtain insurance in an amount determined by the lessor to be sufficient. The lessor shall be named as an additional insured party of any such insurance. The types and amount of insurance shall be specified in the attached stipulations made a part of this lease agreement and may be adjusted periodically. The lessee shall maintain that insurance as long as required by the lessor. Any insurance acquired by the lessee for the purpose of providing insurance coverage under this lease must be issued by an insurer authorized to do business in the State of Alaska under the provisions of AS 21.09.010 and AS 21.27.010 for the type of policy being written.

25. Bonding. If required by the lessor, the lessee shall furnish a bond, cash deposit, certificate of deposit, or other form of security acceptable to the lessor in an amount determined by the lessor to be sufficient to ensure faithful performance of the covenants and conditions of this lease, and to cover the cost of site cleanup and restoration and any associated costs after termination of the lease. The amount and conditions of the bond shall be specified in the attached stipulations made a part of this lease agreement. The lessee shall maintain the bond as long as the lessor deems necessary, and in the amount required by the lessor, which amount may be adjusted periodically.

26. Environmental Compliance. (a) The lessee shall, at the lessee's own expense, comply with all existing and hereafter enacted environmental responsibility laws ("Environmental Laws"). The lessee shall, at the lessee's own expense, make all submissions to, provide all information to, and comply with all requirements of the appropriate governmental authority (the "Authority") under the Environmental Laws.

(b) Should the Authority require that a remedial action plan be prepared and that a remedial action be undertaken because of the presence of, or any disposal, release, spill, or discharge, or threatened disposal, release, spill, or discharge of or contamination by hazardous materials at the leasehold that occurs during the term of this lease or arises out of or in connection with the lessee's use or occupancy of the land described in section 1 of this lease, then the lessee shall, at the lessee's own expense, prepare and submit the required plans and financial assurances and carry out the approved plans. The lessee's obligations under this section shall arise if there is any event or occurrence at the leasehold during the term of this lease, or arising out of or in connection with the lessee's use or occupancy of the land described in section 1 of this lease, that requires compliance with the Environmental Laws.

(c) At no expense to the lessor, the lessee shall promptly provide all information requested by the lessor for preparation of affidavits or other documents required by the lessor to determine the applicability of the Environmental Laws to the leasehold, and shall sign the affidavits promptly when requested to do so by the lessor.

(d) The lessee shall indemnify, defend, and hold harmless the lessor from all fines, penalties, suits, judgements, procedures, claims, demands, liabilities, settlements, and actions of any kind arising out of or in any way connected with the presence of or any disposal, release, spill, or discharge or any threatened disposal, release, spill, or discharge of or contamination by hazardous materials at the leasehold that occurs during the term of the lease or arises out of or in connection with the lessee's use or occupancy of the land described in section 1 of this lease; and from all fines, penalties, suits, judgements, procedures, claims, demands, liabilities, settlements, and actions of any kind arising out of the lessee's failure to provide all information, make all submissions, and take all steps required by the Authority under the Environmental Laws or any other law concerning any spill, discharge, or contamination that occurs during the term of this lease or arises out of or in connection with the lessee's use or occupancy of the land described in section 1 of this lease.

(e) The lessee agrees that it will not discharge or dispose of or suffer the discharge or disposal of any petroleum products, gasoline, hazardous chemicals, or hazardous materials into the atmosphere, ground, wastewater disposal system, sewer system, or any body of water.

(f) In any court action or administrative proceeding, in addition to all other applicable presumptions, it shall be rebuttably presumed that any environmental contamination of the leasehold (i) has been released on the leasehold; (ii) has resulted from acts or omissions of the lessee or its agents; and (iii) has occurred during the term of this lease. The lessee has the burden of rebutting the presumptions by clear and convincing evidence.

(g) This section of this lease does not in any way alter the State of Alaska's powers and rights or the lessee's duties and liabilities under Title 46 (or its successor) of the Alaska Statutes or other state, federal, or municipal statutes, regulations, or ordinances. For example, notwithstanding the provisions of this lease, the State of Alaska shall not be precluded from claiming under AS 46.03.822 that the lessee is strictly liable, jointly and severally, for damages and costs incurred by the state for clean up of contamination on the leasehold. The obligations and provisions of this section 26 shall survive the termination of this lease.

(h) As used in this lease, the term "hazardous materials" means any hazardous or toxic substance, material, or waste that is or becomes regulated by any municipal governmental authority, the State of Alaska, or the United States government.

27. Surrender of Leasehold. Upon the expiration, termination, or cancellation of this lease, the lessee shall peacefully leave and deliver up all of the leasehold in good, sanitary, and marketable condition, order, and repair.

28. Notices. (a) Any notice or demand by the lessee will be made by hand delivery to the Director, Division of Land, or by certified mail, postage prepaid, addressed as follows (or to a new address that the lessor designates in writing), with delivery occurring upon receipt by the lessor:

To the Lessor:

Department of Natural Resources
Division of Land
400 Willoughby Avenue, Suite 400
Juneau, Alaska, 99801

(b) Any notice or demand by the lessor will be made by delivery as provided in 11 AAC 02.040(c). If delivery is by mail, the notice or demand will be addressed as follows (or to a new address that the lessee or its successor in interest designates in writing):

To the Lessee:

Haida Corporation
P.O. Box 89
Hydaburg, Alaska, 99922

The lessor will deliver a copy of any such notice or demand to each holder of a security interest in the leasehold whose assignment has been approved by the lessor under section 6 of this lease. Any security interest not approved as provided in section 6 is insufficient to require notice by the lessor under AS 38.05.103.

(c) Any notice or demand regarding the lease must be in writing and will be complete if delivered as set out above.

29. Penalty Charges. The lessee shall pay a fee for any late payment or returned check issued by the lessee as follows:

(1) Late Payment Penalty: The greater of either the fee specified in 11 AAC 05.010 or interest at the rate set by AS 45.45.010(a) will be assessed on a past-due account until payment is received by the lessor. Acceptance of a late payment or of a service charge for a late payment is subject to the lessor's rights under sections 20 and

21 of this lease.

(2) Returned Check Penalty: A returned check fee as provided in 11 AAC 05.010 will be assessed for any check on which the bank refuses payment. If the bank refuses payment, the default termination date remains the same. Late penalties under subsection (1) of this section shall continue to accumulate.


30. Modification. This lease may be modified or amended only by a document signed by both parties. Any purported amendment or modification has no legal effect until placed in writing and signed by both parties.

31. Choice of Law. This lease shall be construed under the laws of the State of Alaska. The lessee confers personal jurisdiction on the courts of the State of Alaska for any litigation under this lease.

32. Severability of Clauses of Lease Agreement. If any clause or provision of this lease is, in a final judicial proceeding, determined illegal, invalid, or unenforceable under present or future laws, then the lessor and the lessee agree that the remainder of this lease will not be affected, and in lieu of each clause or provision of this lease that is illegal, invalid, or unenforceable, there will be added as a part of this lease a clause or provision as similar in terms to the illegal, invalid, or unenforceable clause or provision as may be possible, legal, valid, and enforceable.

By signing this lease, the lessor and the lessee agree to be bound by its provisions.

LESSEE:


Michael Beal, Chief Executive Officer, Haida Corp.

LESSOR:


Andrew W. Pekovich, Regional Manager, for Director, Division of Land

APPROVED:

NOT APPLICABLE

John Shively, Commissioner,
Department of Natural Resources

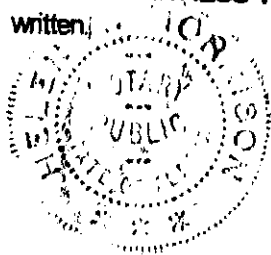
STATE OF ALASKA

Judicial District

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THIS IS TO CERTIFY that on this 12 day of JULY, 1996, before me personally appeared Michael Beal, known to me to be the CEO of Haida Corp the corporation which executed the foregoing Lease, and he acknowledged to me that he executed the same for and on behalf of said corporation, and that he is fully authorized by said corporation so to do; he acknowledged to me that he signed and executed the same freely and voluntarily, for the uses and purposes therein stated.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.



Helen G Morrison
Notary Public in and for the State of Alaska
My Commission expires: 9/7/96

STATE OF ALASKA

1ST Judicial District

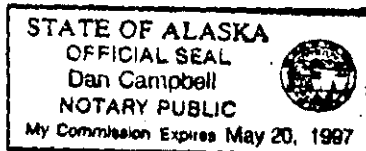
ss.

THIS IS TO CERTIFY THAT ON THIS 23RD day of JULY, 1996, before me personally appeared ANDREW W. PEKOVICH, of the Division of Land of the Department of Natural Resources of the State of Alaska, who executed the foregoing Lease and acknowledged voluntarily signing the same.

Dan Campbell
Notary Public in and for the State of Alaska
My commission expires: 5/20/97

Approved as to form February 9, 1994.

/s/ Elizabeth J. Barry, Assistant Attorney General



After recording in the Ketchikan Recording District, this document must be returned to the Department of Natural Resources, Division of Land, Southeast Regional Office, 400 Willoughby Avenue, Suite 400, Juneau, Alaska 99801.

SPECIAL STIPULATIONS

1. **Lease Development.** The development of the Lease area shall be limited in form and scope to the area and improvements specified in the development and operations plan, included as Attachment 'B'. The lessee is responsible for accurately siting development and operations within this area. Use of the area for purposes other than those specified in this agreement is a violation of this lease. Any proposed revisions to the development and operations plan must be approved in writing by the Lessor before the change in use or development occurs. This lease must be utilized for the purpose described in the approved development plan. Failure to make substantial use of the land, consistent with the approved development plan, within five years, will, in the Director's discretion, constitute grounds for cancellation.
2. **Insurance.** Pursuant to lease condition #24, the Lessee shall secure or purchase at its own expense, and maintain in force at all times during the term of this lease, the following policies of insurance to protect both the Lessee and the Lessor (the State, its officers, agents and employees). Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the Lessee's policy contains higher limits, the State shall be entitled to coverage to the extent of such higher limits. Certificates of Insurance must be furnished to the Leasing Officer prior to occupancy. The certificate must provide for a 60-day prior notice to the State in the event of cancellation, non-renewal or material change of conditions. Failure to furnish satisfactory evidence of insurance, or lapse of the policy, are material breaches of this lease contact and shall be grounds, at the option of the State, for termination of this lease agreement. All insurance policies shall comply with, and be issued by, insurers licensed to transact the business of insurance under Alaska Statute, Title 21.

Workers' Compensation Insurance. The lessee shall provide and maintain, for all its employees, Workers' Compensation Insurance as required by AS 23.30.045. Where applicable, coverage must comply with any other statutory obligations, whether Federal (i.e. U.S.L.&H), or, Jones Act) or other state laws in which employees are engaged in work on the leased premises. The insurance policy must contain a waiver of subrogation clause in favor of the State.

Commercial General Liability Insurance: Such policy shall have minimum coverage limits of \$ 2,000,000 combined single limit per occurrence. It shall provide for fire legal liability coverage in no less an amount as the general liability limits. The policy shall be written on an "occurrence" form and shall not be written as a "claims-made" form unless specifically reviewed and agreed to by the Division of Risk Management, Department of Administration. The State must be named as an additional named insured on the policy with respect to the operations of the lessee on or in conjunction with the leased premises, referred to as ADL 105910.

Any changes in the development and operations plan would warrant re-examination of the insurance to determine sufficiency. Proof of insurance is required on a yearly basis.

3. **Maintenance.** The State assumes no responsibility for maintenance of improvements constructed on state land nor liability for injuries or damages attributable to that construction.

4. **Performance Guarantee.** Pursuant to Lease Condition #25, the Lessee shall provide a surety bond or other form of security acceptable to the State in the amount of \$ 59,500* payable to the State of Alaska. Such performance guaranty shall remain in effect for the term of this Lease and shall secure performance of the lessee's obligations hereunder. The amount of the performance guaranty may be adjusted by the Lessor upon approval of amendments to this Lease, changes in the development plan, upon any change in the activities conducted or performance of operations conducted on the premises. If Lessee fails to perform the obligations under this lease within a reasonable time, the State may perform Lessee's obligations at Lessee's expense. Lessee agrees to pay within 20 days following demand, all costs and expenses reasonably incurred by the State of Alaska as a result of the failure of the lessee to comply with the terms of this lease. The provisions of this lease shall not prejudice the State's right to obtain a remedy under any law or regulation. If the Lessor determines that the Lessee has satisfied the terms and conditions of this lease the performance guarantee may be released. The performance guarantee may only be released in a writing signed by the Lessor or an authorized representative.

5. **Solid Waste** All solid waste and debris generated from the activities conducted under this Lease shall be removed to a facility approved by the ADEC prior to the expiration, completion, or termination of the Lease or activities. Temporary storage and accumulation of solid waste (prior to its removal) shall conform to the following:

Solid waste shall be stored in a manner that prevents a litter violation under AS 46.06.080;

Putrescible wastes (material that can decompose and cause obnoxious odors) shall be stored in a manner that prevents the attraction of or access to wildlife or disease vectors; and

The premises shall be maintained free of solid waste that might create a health or safety hazard.

6. **Wastewater Disposal.** Disposal of wastewater from any operation associated with this Lease to state lands or waters is specifically prohibited, unless otherwise approved by the Alaska Department of Environmental Conservation.

7. **Fuel and Hazardous Substances.** To ensure future use of public lands as well as tide and submerged lands, fuel and hazardous substance use shall occur in a manner that avoids toxic discharge and run-off.

Spill Prevention and Cleanup. The permittee is responsible for preventing spillage and contamination of contiguous land and water as well as cleaning up any oil or other pollutants that result from activities associated with this permit. Appropriate spill response equipment must be on hand to respond to spills from any transfer or handling of fuel or other hazardous substances.

Container Marking. All independent fuel and hazardous substance containers shall be marked with the contents and the permittee's name using paint or permanent label.

* For this ADL a performance bond of \$ 3,000 is already on file, thus the remaining amount required is \$ 56,500.

8. **Notification.** The lessee shall immediately notify DNR and DEC by phone of any unauthorized discharge of oil to water, any discharge of hazardous substances (other than oil), and any discharge of oil greater than 55 gallons on land. All fires and explosions must also be reported.

The DNR 24 hour spill report number is (907) 451-2678; the Fax number is (907) 451-2751. The DEC spill report number is (800) 478-9300. DNR and DEC shall be supplied with all follow-up incident reports.

9. **Inspection.** Authorized representatives of the State of Alaska shall have reasonable access to the subject parcel for purposes of inspection. The Lessee may be charged fees under 11 AAC 05.010(a)(7)(M) for routine inspections of the subject parcel, inspections concerning non-compliance, and a final close-out inspection.
10. **Compliance with Governmental Requirements.** The lessee shall, at its expense, comply with all applicable laws, regulations, rules and orders, and the requirements and stipulations included in this Lease. Lessee shall ensure compliance by its employees, agents, contractors, subcontractors, licensees, or invitees.
11. **Destruction of Markers.** All survey monuments, witness corners, reference monuments, mining claim posts, bearing trees, and unsurveyed lease corner posts shall be protected against damage, destruction, or obliteration. The lessee shall notify the Lessor of any damaged, destroyed, or obliterated markers and shall reestablish the markers at the lessee's expense in accordance with accepted survey practices of the Division of Land.

12. **TIMBER TRANSFER PROVISIONS**

- A) **Bark Management.** The lessee shall ensure that the best practicable procedures and methodologies are utilized to control intertidal and submarine accumulations of bark.
- B) **Solid Waste Management.** The lessee shall ensure, that solid waste, including wood and other solid waste generated from the LTF, contiguous and other collateral facilities is routinely removed from the intertidal area to a DEC approved upland solid waste disposal site.
- C) **Bundle Speed.** The lessee shall ensure that the speed of log bundles entering receiving waters shall not exceed 3 feet per second.
- D) **Surface Drainage Management.** The lessee shall ensure that the operation of the LTF shall utilize the best practicable procedures for the control of surface water runoff from the facility into the intertidal area.
- E) **Control of Hydrocarbons.** The lessee shall ensure that the LTF be operated and maintained in such a manner as to minimize petroleum and lubricating products from entering the intertidal area.
- F) **Annual Monitoring for Bark Accumulation.** The lessee shall perform or ensure that annual monitoring of the log transfer and rafting area for bark debris accumulation occurs prior to each operating season in accordance with EPA dive survey standards. A copy of the dive report shall be submitted upon completion annually to the Lessor at the same time it is submitted to the EPA. The Lessor reserves the right to require an expansion of the dive survey

area beyond the transfer and rafting area including log storage areas. The Lessor reserves the right to increase the performance guarantee amount for bark removal if bark accumulation reaches or exceeds both a 3/4 acre area and a thickness of 8 cm. at any point. Should the LTF become inactive, the lessor may, at the lessee's request, temporarily suspend the monitoring and reporting requirements.

G) **Bark Accumulation.** The Lessor reserves the right to terminate this lease with 2 year prior notice if at the discretion of the Lessor, it is determined that appropriate annual dives and reports are not done or timely received or that bark accumulations have reached or exceeded a zone of deposit (ZOD) as defined in the Department of Environmental Conservation's 401 certificate, with said deposition causing harm to significant resources. As an alternative to termination for these causes, the lessee and lessor may agree to an amended development plan which authorizes an alternative transportation method that would avoid further bark deposition in marine waters.

H) **Site Restoration.** The Lessee shall be responsible for the removal of accumulated bark and other solid waste from the submerged lands if, at the discretion of the Lessor, in consultation with the ADEC and US EPA, it is determined to be an appropriate action.

13. **ACMP Stipulations:**

1. The log transfer facility and all in-water log raft building and log storage shall be limited to the area designated F-Ha on the Prince of Wales Island Area Plan, June 1989, (POWAP). (6 AAC 80.130)
2. In-water log storage shall be restricted to locations of water depth greater than 30 feet, measured from mean low water. (6 AAC 80.130 and 6 AAC 80.140)
3. Logs and log bundles shall not be grounded at any tidal stage. (6 AAC 80.130 and 6 AAC 80.140)
4. Log entry velocity shall be in accordance with the Log Transfer Facility (LTF) Siting, Construction, Operation and Monitoring/Reporting Guidelines which state that "the speed of log bundles entering receiving waters should be the lowest practicable speed achievable" (1985, p. 12).
5. Construction of facilities, including dredging, fill, or blasting, on state tidelands and submerged lands shall be precluded from April 1 through June 15 of each calendar year, the period of escapement of fry and smolts from Big Creek. (6 AAC 80.130)
6. The applicant must consult/notice fisheries participants regarding its shipping and towing schedules, in sufficient detail, to avoid or mitigate potential conflicts with the commercial fisheries of Cholmondeley Sound. (6 AAC 80.130)
7. Zone of Deposit. The State approves, as authorized by DEC in the 401, in accordance with the Alaska Water Quality Standards, section 18 AAC 70.033, a zone of deposit (ZOD) for accumulation of bark and wood debris on the ocean bottom at the log transfer facility identified by the Corps of Engineers as Cholmondeley Sound 23. The ZOD comprises the following areas:

- a. Log Transfer Area. A single area of continuous coverage on the ocean bottom underlying the log transfer corridor described in item 9, which may not exceed both 0.5 acre and a thickness of 10 centimeters at any point.
- b. Log Rafting Area. A single area of continuous coverage on the ocean bottom underlying the log rafting area, which may not exceed both 0.5 acre and a thickness of 10 centimeters at any point.
- c. Log Storage Area. A single area of continuous coverage on the ocean bottom underlying the log storage area, which may not exceed both 0.25 acre and a thickness of 10 centimeters at any point.
- d. Other. Patchy or discontinuous coverage in addition to the continuous coverage described in a, b, and c, the sum of which may not exceed a total of 1.0 acre above minus 60 feet MLLW.

The stipulation also requires the following:

- e. Dive survey. The permittee shall conduct a dive survey prior to each annual operating season to document the area extent and depth of bark and woody debris accumulation on the ocean bottom. Dive surveys between the log transfer device and the minus-60-foot contour must be conducted by the radial transect method established by the U.S. Environmental Protection Agency. Dive surveys under the log storage area must utilize fixed transects and depth measurement intervals sufficient to document the areas and depth profiles of continuous coverage, and to reasonably portray areas of patchy or discontinuous coverage. Because water depths under the log rafting area are approximately 10 to 13 fathoms MLLW, it is recognized that available working time during a single dive will be limited. Dive surveys under the rafting area may produce a lesser degree of documentation, but must reasonably document continuous coverage utilizing fixed transects and reasonably characterize patchy or discontinuous coverage, consistent with diver safety, and with the expectation that the dive survey under the rafting area will incorporate more than one dive if necessary to accomplish this. In the first, pre-operation dive survey, durable monuments will be placed on the ocean bottom to ensure repeatable location of transects and positions from year to year. Still or video photography must be used to depict key features of bark and wood debris accumulations. These conditions of dive surveys may be modified, with DEC's approval.
- f. Dive survey report. The permittee shall submit a dive survey report to DEC by June 1 of each year in which the permittee intends to operate the log transfer facility. The dive survey report must include the dive survey certified by the diver, with sufficient explanation to document the extent and depth of coverage by bark and woody debris in a clear and understandable manner.
- g. Bark removal plan. If the results of an annual dive survey indicate that the bark and wood debris coverage exceeds any of the stated limitations, the permittee shall notify DEC expeditiously, and shall prepare a plan for the removal of bark and wood debris from the ocean bottom. The plan must describe: (1) the proposed method of removal and alternatives considered; (2) environmental

impacts and costs of the proposed method and alternatives; (3) proposed timing of removal; (4) location and description of the method of disposal of material removed; (5) management methods at disposal site to assure meeting water quality standards and prevention of objectionable odors; (6) other information DEC determines is reasonably necessary. The proposed method is expected to be the least environmentally damaging method. Information in the plan will be presented in a simple but thorough manner. The plan, and the proposed method of removal, will be subject to review and approval by DEC.

- h. Determination of compliance. DEC will determine area of continuous coverage, and patchy or discontinuous coverage, and will determine compliance with the ZOD limitations stated in items a, b, c, and d of this stipulation, based on the results of dive surveys and other information. An area of continuous coverage may be determined to include the area of a boulder, pinnacle or other protrusion on the ocean bottom that is surrounded by, but does not retain, bark and wood debris. The Department may require the permittee to conduct additional dive surveys if an annual dive survey does not produce reasonably definite documentation of areal extent and depth of bark and woody debris.
- i. Implementation of bark removal plan. If, following the submission of an annual dive survey report, DEC notifies the permittee that the area of continuous coverage by bark or woody debris exceeds the stated limitations, the permittee shall remove bark and wood debris in whole or in part as directed by DEC in accordance with the approved plan and in a timely manner.

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