STATE OF ALASKA DEP ARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER
SOUTHCENTRAL REGIONAL LAND OFFICE

PRELIMINARY DECISION

ADL 234663
Pacific Kelp Company, Inc.
Application for Lease
AS 38.05.083

This Preliminary Decision (PD) is the State's preliminary best interest finding regarding a proposed disposal of interest in state-owned tide and submerged lands. The public is invited to comment on this PD. The deadline for commenting is **11:59 pm June 26, 2026.** Please see the Public Notice section of this decision for requirements related to submitting comments for consideration.

Requested Action:
The Department of Natural Resources (DNR), Division of Mining, Land and Water (DMLW), Aquatic Farm Leasing Program has received a request from Pacific Kelp Company, Inc. to lease 102 acres, more or less, of state-owned tide and submerged lands for 10 years for the purpose of commercial growth and harvest of four species of kelp: giant kelp (*Macrocystis pyrifera*), sugar kelp (*Saccharina latissima*), ribbon kelp (*Alaria marginata*), and bull kelp (*Nereocystis leutkeana*). The proposed lease site is located within Felice Strait, southwest of Mary Island, and northeast of Duke Island, approximately 25 miles southeast of Ketchikan, Alaska. The location of the project area is further described as being within the SE1/4 of Section 33 and the SW1/4 of Section 34, Township 78 South, Range 94 East, and the NW1/4 of Section 3, Township 79 South, Range 94 East, Copper River Meridian.

Requested Improvements:
Parcel 1: 1,512 feet by 2,947 feet (102 acres, more or less)
(6) 10,000 to 30,000-pound steel high-scope drag embedment moorings
(6) steel anchor chains of various lengths
(6) fiber rope anchor lines of various lengths
(6) polyethylene foam corner floats
(6) 9.25-gallon plastic tensioning floats
(6) fiber rope tensioning float tethers
(2) fiber rope header lines
(58) fiber rope inner growlines
(2) fiber rope edge growlines
(300) 26.4-gallon polyethylene shell, foam-filled growline floats

(300) 252-pound concrete weights
(300) fiber rope growline float tethers
(1) fiber rope traverse set line

Proposed Action:
DMLW is considering the issuance of a 10-year aquatic farmsite lease to Pacific Kelp Company, Inc. for the purpose of installing a submerged longline culture system for commercial growth and harvest of giant kelp, sugar kelp, ribbon kelp, and bull kelp.

Scope of Decision:
The scope of this decision is to determine if it is in the State's best interest to issue this aquatic farmsite lease.

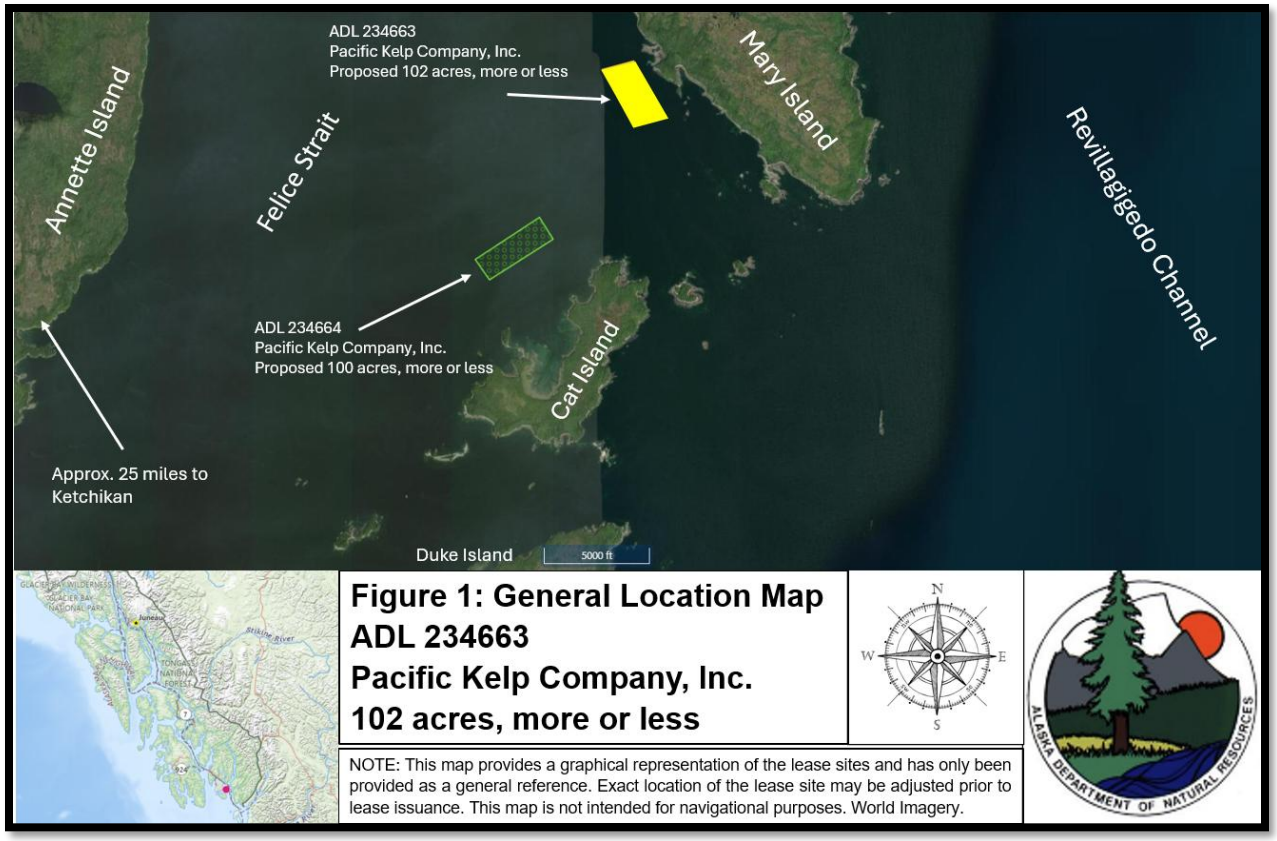
Authority:
This lease application is being adjudicated pursuant to Alaska Statute (AS) 38.05.035(e) Delegation of the Powers and Duties of the Director, AS 38.05.070(b) Generally, and AS 38.05.083 Aquatic Farming and Hatchery Site Leases.

The authority to execute the Preliminary Decision, Final Finding and Decision, and the lease has been delegated to the Regional Manager of the Southcentral Regional Land Office under AS 38.05.035(b)(1).

Administrative Record:
The administrative record for the proposed action consists of the Constitution of the State of Alaska, the Alaska Land Act as amended, applicable statutes and regulations referenced herein, the 2000 Central/Southern Southeast Area Plan and other classification references described herein, and the casefile for the application serialized by DNR as ADL 234663.

Legal Description, Location, and Geographical Features:
The state-owned tide and submerged land where this proposed lease site is located is described as follows:

- **Site reference name**: Mary Island
- **Geographical locations**: Located within Felice Strait, southwest of Mary Island, and northeast of Duke Island, approximately 25 miles southeast of Ketchikan, Alaska.



- **Approximate Lat/Longs (NAD 83)**:

  Parcel 1: Suspended grow out area, 1,512 feet by 2,947 feet

  NE Corner: 55° 3.726'N, 131° 14.586'W
  SE Corner: 55° 3.306'N, 131° 14.160'W
  SW Corner: 55° 3.240'N, 131° 14.580'W
  NW Corner: 55° 3.660'N, 131° 15.006'W

- **Legal description**: SE1/4 of Section 33 and the SW1/4 of Section 34, Township 78 South, Range 94 East, and the NW1/4 of Section 3, Township 79 South, Range 94 East, Copper River Meridian, Alaska
- **Recording district**: Ketchikan
- **Existing parcel survey, if applicable**: None
- **Municipality/Borough**: Ketchikan Gateway Borough
- **Native Corporations/Federally Recognized Tribes**: Sealaska Corporation, Central Council of the Tlingit and Haida Indian Tribes of Alaska, Cape Fox Corporation, Metlakatla Indian Community Annette Island Reserve, Organized Village of Saxman, Ketchikan Indian Corporation
- **Size:** 102 acres, more or less

Title:
A DNR Title Report (RPT-24239/24240) was requested on February 19, 2026, from DMLW's Realty Services Section. A Title Report issued from DMLW's Realty Services Section will state whether the State of Alaska holds title to the subject tidelands under the Equal Footing Doctrine and the Submerged Lands Act of 1953. DMLW reserves the right to modify the Final Finding and Decision based upon information contained within the Title Report.

Third Party Interests:
No third-party interests are known at this time.

Classification and Planning:
The project area is subject to the 2000 Central/Southern Southeast Area Plan (CSSEAP), Region 5: Ketchikan, Map: 3-26 Ketchikan South, Mary-Duke Islands Subregion (3-251). The tideland designation for this site is General Use, which converts to a classification of Resource Management Land, described in Chapter 4 of the CSSEAP (4-6).

Within Chapter 2 of the CSSEAP, Areawide Land Management Policies, Aquatic Farming section, goals are to, "provide opportunities to increase income and diversify the state's economy through the use of state tidelands and submerged lands for aquatic farming" (2-5). The Chapter 2 Management Guidelines state that, "aquatic farming will be allowed on state tidelands or submerged lands where there is no significant conflict and the objectives of statute and this management plan are met" (2-6).

As specified within the CSSEAP in Chapter 2, in managing State tidelands and submerged lands adjacent to federal conservation units, specifically the Tongass National Forest, DNR will take into consideration the management intent for the uplands identified in the Tongass Land and Resource Management Plan. Aquatic farming operations that are incompatible with the management intent will generally not be authorized unless the conditions of the other local, state, and federal permits or authorities are met and unless there is an overriding state interest and there is no feasible and prudent alternative. DNR will consult with the U.S. Forest Service when determining compatibility of activities. (2-6). An Agency Review request was sent to the U.S. Forest Service for this proposed farmsite on January 29, 2026, with no concerns received by DMLW.

Chapter 3 states that tidelands designated as General Use (Gu) will be determined on a site-by-site basis whether development is appropriate at a given tideland site (3-238). Additionally, in Chapter 4, Resource Management Land is defined as land that might have a number of important resources but for which a specific resource allocation decision is not possible because of a lack of adequate resources, economic, or other relevant information (4-3). Based on these statements, there will not likely be conflict in this area due to the development of an aquatic farm.

In accordance with the CSSEAP, aquatic farming is an allowable use and is therefore consistent with the plan. The proposed operation must be in the best interest of the state before an authorization may be issued. Factors that are to be considered in this decision are identified in 11 AAC 63.050(b).

Traditional Use Findings:
Traditional use findings will not be discussed in this Preliminary Decision because the proposed lease site is located within the Ketchikan Gateway Borough, an organized borough. Pursuant to AS 38.05.830 a traditional use finding is not required. However, 11 AAC 63.050(b)(5)(B) require consideration of whether the lease site impacts traditional and existing uses of the site. Known traditional and existing uses of the area include, but are not limited to, residential use, sightseeing, recreation, tourism, sport fishing, salmon hatcheries, and upland access. The proposed aquatic farm should not interfere with traditional and/or existing uses of the area, including commercial or sport fishing, subsistence activities, navigation, and recreation. Public and Agency Notice may reveal more unknown uses. If such information becomes available, any potential or existing conflicts will be addressed in a final best interest finding.

Access:
Access to the aquatic farm is by skiff (55 minutes) from the Ketchikan South Tongass Launch Ramp. All support equipment and gear will be located on private property near Ketchikan.

Access To and Along Navigable and Public Waters:
AS 38.05.127 and 11 AAC 51.045 require that before leasing land, DMLW determines if a body of water is navigable and if it is, that DMLW provides for easements or reservations as necessary to ensure free access to and along the waterbody. The waters of Felice Strait are tidally influenced and thus navigable. However, the lease is entirely within these waters and located further than 50 feet from Mean High Water, thus a .127 easement is not necessary.

Public Trust Doctrine:
Pursuant to AS 38.05.126 all authorizations for this site will be subject to the principles of the Public Trust Doctrine; specifically, the right of the public to use navigable waterways and the land beneath them for: navigation, commerce, fishing, hunting, and other purposes. These rights must be protected to the maximum extent practicable while allowing for the development of this project. As such, DMLW is reserving the right to grant other authorizations to the subject area consistent with the Public Trust Doctrine.

Lease Discussion:
Pacific Kelp Company, Inc. submitted an application for a 10-year DNR aquatic farm lease to cultivate kelp on April 28, 2025. In response to a request for additional information from DMLW and Alaska Department of Fish & Game (ADF&G), Pacific Kelp Company, Inc. submitted an

updated application on December 30, 2025. The application was deemed complete on January 23, 2026.

The proposed lease will be comprised of one parcel, consisting of 102 acres, more or less. The parcel will measure 1,512 feet by 2,947 feet containing submerged longlines for the cultivation of four species of kelp: giant kelp (*Macrocystis pyrifera*), sugar kelp (*Saccharina latissima*), ribbon kelp (*Alaria marginata*), and bull kelp (*Nereocystis leutkeana*).
The parcel will contain approximately 71,827 total feet of growline in a catenary array, deployed at 25 to 30-feet of depth, and held in place by six 10,000 to 30,000-pound steel high-scope drag embedment moorings. The moorings (anchors) will be marked on the water surface by polyethylene foam floats and 9.25-gallon plastic tensioning floats. The array will have 60 total growlines, ranging from 984 to 1,640 feet in length. Each growline will have up to five 252-pound concrete weights on it, spaced evenly, to counteract the buoyant nature of the kelp. Each growline will also have up to five 26.4-gallon polyethylene shell, foam-filled floats to mark the placement of the line on the water surface.

The site will be a year-round operation as giant kelp will be the predominant species cultivated, which entails seeding, monitoring, and harvesting all year. Harvest will occur up to four times per year by trimming the top canopy of the kelp. The kelp trimmings will be collected and towed to private property for processing. Species like sugar kelp will be harvested in the late winter/early spring.

There will not be any support facilities on the site. All equipment storage and kelp biomass warehousing and processing will be conducted on private property. The only activities that will occur on the parcel will be gear installation, maintenance and monitoring, outplanting, and harvesting. The gear will remain in place year-round.

At this time the Commercial Use Requirement (CUR) states a farm must make annual sales of aquatic farm products of at least $3,000.00 per acre or $15,000.00 per farm by the commencement of the fifth year of operation and continue for the rest of the lease term. Failure to meet CUR constitutes a default and may be cause for termination. Annual reports of sales are due January 31 of each year.

Should the proposed lease be approved, the lease will be issued for a 10-year term beginning no later than one year following the effective date of the Final Finding and Decision. The proposed lease will be subject to the terms of DMLW's standard lease document and any Additional Stipulations based, in part, upon the following considerations.

Development Plan:
The Development Plan dated December 30, 2025, is accepted by DMLW as complete but may be subject to change based on agency and public review. Should the proposed lease be granted, it is

anticipated that the Development Plan will need to be updated throughout the life of the lease as activities and/or infrastructure are added or subtracted. All updates must be approved, in writing, by DMLW before any construction, deconstruction, replacement of infrastructure, or change in activity will be permitted. DMLW reserves the right to require additional agency review and/or public notice for changes that are deemed by DMLW to be beyond the scope of this decision.

Hazardous Materials and Potential Contaminants:
Hazardous materials will not be stored within the proposed leasehold. Requests to store hazardous materials in the future may require additional stipulations.

Lease Performance Guaranty (bonding):
In accordance with AS 38.05.083(e) and 11 AAC 63.080, Pacific Kelp Company, Inc. will be required to submit a performance guaranty for the lease site to cover the costs to the department of restoring the leased site in the event the lessee abandons the site for site cleanup, restoration, and any associated costs after termination or expiration of the leases.

$10,200.00 Performance Guaranty: This bond will remain in place for the life the proposed lease. The bond amount is based upon the level of development, amounts of hazardous material/substances on site, and the perceived liability to the State. This bond will be used to ensure the applicant's compliance with the terms and conditions of the lease issued for their project. This bond amount will be subject to periodic adjustments and may be adjusted upon approval of any amendments, assignments, re-appraisals, changes in the development plan, changes in the activities conducted, changes in the performance of operations conducted on the authorized premises, or as a result of any violations to one or more of the authorizations associated with this project. The following stipulations shall be included in any authorization pursuant to this decision.

The lessee must post a performance guaranty in the amount of $10,200.00 to secure faithful performance with all terms and conditions of the Lease and to insure site restoration of the leasehold. This performance guaranty must remain in effect for the duration of the Lease term or until released in writing by the Authorized Officer (AO). The AO for the State of Alaska, DNR, DMLW, is the Regional Manager or designee. Failure by the lessee to provide replacement security shall be grounds for the AO to make a claim upon the existing security to protect the lessor's interests.

If three or more lessees post an association bond to cover all of their leases, the minimum security amount is 50 percent of the amount individually calculated for each lease. The association must designate an agent for notification purposes. The association has the right to be notified of the termination of a lease covered by its association bond. If neither the former lessee nor the association completes the site restoration as required by AS 38.05.090, the department will use the association bond for this purpose, up to 100 percent of the amount individually calculated for that

lease. The association may remove a lease in good standing from the coverage of its association bond after 60 days' notice to the department, during which time the affected lessee must make other arrangements to comply with this section. A lease that is in default or that has been terminated with site restoration still pending may not be removed from the coverage of the association bond.

The guaranty amount will be subject to periodic adjustments and may be adjusted upon approval of any amendments to the Lease, assignments, reappraisals, changes in the Development Plan, approval of a reclamation plan, any change in the activities conducted, or performance of operations conducted on the leasehold and as a result of any violations to the Lease agreement.

The guaranty may be utilized by the AO to cover actual costs incurred by the State of Alaska to pay for any necessary corrective actions in the event the lessee does not comply with the site utilization, restoration requirements and/or other stipulations contained in the Lease agreement. If the lessee fails to perform the obligations under the Lease agreement within a reasonable timeframe, the AO may perform the lessee's obligations at the lessee's expense. The lessee agrees to pay within 60 days following notice, 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 and conditions of the Lease agreement. The provisions of this authorization shall not prejudice the State's right to obtain a remedy under any applicable law or regulation. The performance guaranty will be released upon expiration of the Lease provided that all terms and conditions of the Lease have been met, including restoration of the leasehold to a safe and clean condition found acceptable by the AO.

Insurance:

To protect the State from Liability associated with the use of the site, the applicant shall provide and maintain a comprehensive general liability insurance policy with the State of Alaska named as an additional insured party per the stipulations of the authorization. The applicant shall secure or purchase at its own expense, and maintain in force at all times during the term of this lease, liability coverage and limits consistent with what is professionally recommended as adequate to protect the applicant and the State, its officers, agents and employees from the liability exposures of ALL the insured's operations on state land. The insurance requirement may be adjusted periodically.

Survey:

In accordance with AS 38.04.045, this short-term lease does not require a survey. However, the State of Alaska reserves the right to require one in the future, should the need arise due to changes in statutes or increased use of the area. Pacific Kelp Company, Inc. has submitted GPS coordinate point(s) for the corners of the proposed leasehold.

Compensation and Appraisal:

DMLW has approved an administrative lease fee schedule for aquatic farmsites that meet the conditions listed within the schedule. The most current lease fee schedule will be used to establish the

fair market rental each lessee must pay. Fees are subject to adjustment per AS 38.05.083(c). The current annual rate for a 102-acre aquatic farm lease is a base fee of $9,951 for the first 100 acres, and $66 per additional acre or portion thereof. In accordance with the Aquatic Farmsite Fee Schedule, Report No. 2522-17, a breakdown of the lease fee will be as follows:

102 acres (Base fee of $9,951) + (2 additional acres x $66) = **$10,083.00 per year**

If the applicant does not agree with the fee schedule amount of $10,083.00, a fair market value determination can be obtained by the applicant. Fair market value is determined by obtaining a DNR approved appraisal of the lease site. If an appraisal is conducted to determine fair market value of the lease site, the applicant will be required to pay the appraised amount and the $10,083.00 annual fee will no longer be an option. The appraisal cost will be borne by the applicant. The parcel may need to have an approved Alaska Tidelands Survey to accomplish the appraisal. If a survey is required, the cost will be incurred by the applicant.

Assignment of Lease:
The proposed lease, if issued, may be transferred or assigned to another individual or corporation only with prior written approval from DMLW. A lease will not be assigned to an entity if that entity does not meet the statutory requirements of the lease or if the lessee is considered not to be in "good standing" with this or any other agency authorization.

Subleases:
Subleasing is permissible through AS 38.05.095, if the proposed lease is approved. A sublease is defined as improvements not owned by the lessee that are located within the leasehold on the land or located on structures owned by the lessee. A sublease pertaining to the proposed lease includes but is not limited to, user agreements, license agreements, or any contracts between the lessee and other commercial entities. All potential subleases must first be approved in writing by DMLW. DMLW may conduct further agency review and/or public notice before making a determination on the appropriateness of the proposed sublease. The sublease fee will be 25% of the annual fee paid to the lessee by the sublessee. All sublessees and activities must meet the statutory qualifications under which the original lease was issued.

Reclamation:
In accordance with AS 38.05.090(b), all lessees must restore their lease sites to a "good and marketable condition" within 120 days after termination of the lease.

Agency Review:
An Agency Review was conducted starting on January 29, 2026, and ending on February 19, 2026. ADF&G emailed DMLW on February 10, 2026, to request a deadline extension to comment until February 26, 2026, which was granted. Information and comments received from sections within

DMLW prior to and during agency review have been considered and included in the preparation of this PD. The following agencies were included in the review:

- DNR Division of Parks and Outdoor Recreation
- DNR DPOR Office of History and Archaeology, State Historic Preservation Office
- DNR Natural Resource Conservation and Development Board
- DNR Division of Oil and Gas
- DNR Division of Agriculture
- Alaska Department of Fish and Game
- Alaska Department of Environmental Conservation
- Alaska Department of Transportation and Public Facilities
- Alaska Department of Commerce, Community, and Economic Development
- Alaska Department of Public Safety
- Alaska Mental Health Trust Land Office
- Alaska Association of Conservation Districts
- U.S. Forest Service
- U.S. Army Corps of Engineers
- U.S. Fish and Wildlife Service
- U.S. National Park Service
- National Oceanic and Atmospheric Administration
- U.S. Environmental Protection Agency
- U.S. Coast Guard
- U.S. Navy
- Southeast Soil & Water Conservation District
- Ketchikan Gateway Borough
- City of Ketchikan

Agency Review Comment(s):
During the Agency Review, DMLW received comments from two agencies.

U.S. Army Corps of Engineers (USACE) Comment:
The USACE submitted an email comment dated February 6, 2026, stating:

> Department of the Army authorization is required if anyone proposes to place dredged and/or fill material into waters of the U.S., including wetlands and/or perform work in navigable waters of the U.S.
>
> Section 404 of the Clean Water Act requires that a DA permit be obtained for the placement or discharge of dredged and/or fill material into waters of the U.S., including jurisdictional wetlands (33 U.S.C. 1344). The Corps defines wetlands as those areas that are inundated or saturated by surface or groundwater at a frequency and duration sufficient to support,

and under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions.

Section 10 of the Rivers and Harbors Act of 1899 requires that a DA permit be obtained for structures or work in or affecting navigable waters of the U.S. (33 U.S.C. 403). Section 10 waters are those waters subject to the ebb and flow of the tide shoreward to the mean high-water mark, and/or other waters identified by the Alaska District. Aquaculture structures and work would require Section 10 Authorization.

DMLW Response:

DMLW acknowledges the USACE's comment. DMLW provided a copy of the email from the USACE to the applicant and notified them to contact the USACE for their specific permit information and requirements.

Alaska Department of Fish & Game (ADF&G) Comment:

ADF&G's Permit Coordinator submitted a letter on behalf of ADF&G Division of Commercial Fisheries (Management, Gene Conservation Lab and Fish Pathology), Division of Sport Fish, Division of Wildlife Conservation, Subsistence Section and Habitat Section dated February 24, 2026. Within the letter from ADF&G is a Department Advisory, advising the applicant of general conditions pertaining to ADF&G's statutory and regulatory provisions for issuance of an Aquatic Farm Operation Permit (AFOP) if the applicant's project is approved. ADF&G also requests that the letter dated February 24, 2026, be included in the preliminary decision as an advisory to the applicant and for public reference.

The following concerns and recommendations are noted in the ADF&G letter and may be addressed in the AFOP:

- Division of Commercial Fisheries has reviewed this request and has no concerns. This site was discussed with the applicant and Southeast Alaska Regional Dive Association (SARDFA). While the eastern boundary is in waters less than 60ft MLLW, this is not specifically prohibited. There is commercial Dungeness crab harvest in the broader statistical area (101-23) but it does not likely occur in the proposed project area.
- Division of Wildlife Conservation, Marine Mammal Research Program: This application complies with the guidelines set forth with the ADF&G marine mammal mariculture policy updated in April 2024. Any advisories or mitigation steps recommunicated by NOAA Fisheries National Marine Fisheries Service (NMFS) or the US Fish and Wildlife Service (FWS) to reduce marine mammal disturbances should be followed. Large whales, especially humpbacks, are highly susceptible to entanglement in lines in the water; Removing all gear from the water during the non-growing season may minimize gear loss, user conflicts, and marine mammal entanglement and habitat exclusion potential. Any marine mammal entanglements should be immediately reported to the NMFS 24 hr. Stranding Hotline and the ADF&G Permit Coordinator.

DMLW Response:
DMLW acknowledges ADF&G's comment. As one of the resource managers in the area, ADF&G's input is an important source of information. DMLW relies on input from ADF&G and other stakeholders to advise of any expected impacts and solutions that may fall outside of DNR's authority. The applicant was provided a copy of ADF&G's letter dated February 24, 2026. As requested in ADF&G's letter, the PD herein contains ADF&G's letter, which will be advertised for a 30-day public comment period. Per the development plan submitted by the applicant, all gear associated with the site will be left onsite year-round. DNR's statute and regulations for aquatic farmsite leases do not specify management of aquatic farms relating to fish and game but authorize DNR to issue a lease for state-owned tideland, shoreland or submerged land to develop an aquatic farm. Management of fish and game is within the authority of ADF&G, and as such, DMLW must defer to them and encourages the applicant to work directly with them. ADF&G may add to its operation permit authorization the conditions it deems appropriate.

Public Notice of the Preliminary Decision:
Pursuant to AS 38.05.945, this PD will be noticed for a 30-day public comment period starting on May 26, 2026. The Metlakatla, Ketchikan, and Ward Cove post office(s) located near the proposed leasehold will be requested to post the notice pursuant to AS 38.05.945(b)(3)(C). The notice will be posted on the Alaska Online Public Notice website pursuant to AS 38.05.945(b)(3)(B) located at: https://aws.state.ak.us/OnlinePublicNotices/Default.aspx. Additionally, Public Notice will be sent to all nearby Regional Corporations, Village Corporations, Municipalities/Boroughs, neighboring property owners, DMLW authorization holders, and other interested parties.

The public is invited to comment on this PD. All comments received during the public comment period will be considered in the Final Finding and Decision (FFD). A copy of the FFD, along with instructions on filing an appeal, will be sent to all persons who comment on the PD. If public comments result in significant changes to the PD, additional public notice may be given.

To be eligible to appeal the FFD, a person must provide written comments during the PD comment period.

Written comments about this project must be received in this office no later than 11:59 PM on June 26, 2026, to be considered.

To submit comments, please choose one of the following methods:

Postal: Department of Natural Resources
Southcentral Regional Land Office
ATTN: Jen Kopnicky
550 West 7th Avenue Suite 900C
Anchorage, AK 99501-3577

E-mail: jen.kopnicky@alaska.gov
Fax: (907) 269-8913

DNR-DMLW complies with Title II of the Americans with Disabilities Act of 1990. Individuals with disabilities who many need auxiliary aids, services, or special modifications to comment should contact Alaska Relay at 711 or 1-800-770-8973 for assistance at no cost.

Recommendation:

DMLW has completed a review of the information provided by the applicant, examined the relevant land management documents, agency comments, and land ownership, and has found that this project is consistent with all applicable statutes and regulations. DMLW considered both direct and indirect benefits to the State. DNR finds granting of the proposed lease provides the greatest benefit to the State.

I find the proposed action may be in the State's best interest and recommend approval to proceed with public notice.

05/19/2026

Jen Kopnicky Date
Natural Resource Specialist 3

Preliminary Decision:

It is the determination of the Division of Mining, Land, and Water that it may be in the State's best interest to issue an aquatic farmsite lease to Pacific Kelp Company, Inc., as described above. This Preliminary Decision shall now proceed to public notice.

Cinnamon Micelotta 05/19/2026

Cinnamon Micelotta, Natural Resource Manager 2 Date
Southcentral Regional Land Office
Division of Mining, Land & Water

Attachments

- Attachment A – Development Plan
- Attachment B – ADF&G Letter
- Attachment C – SAMPLE Lease Agreement
- Attachment D – SAMPLE Additional Stipulations

Attachment A
Development Plan

PROJECT DESCRIPTION

DATE SUBMITTED: 4/30/2025

Company Name

Pacific Kelp Co.

Site Location [*Include water body, distance from nearest community, any landmarks, general region of Alaska, and whether on state tidal and/or submerged lands or private. Provide enough information to understand where it is located.*]

The site location in Southeast Alaska is approximately 25 mi Southeast of Ketchikan, AK. In Felice Strait, Southwest of Mary Island, northeast of Duke Island.

Site Dimensions, Acres for Each Parcel

102 acres of total permit area. The total lease area is approximately 1,512 feet wide by approximately 2,947 feet long for a total square feet of approximately 4,455,864 sq ft

Total Acres of All Parcels

Approximately 102

Species You Intend to Farm [*Include scientific and common species name*]

Macrocystis Pyrifera, Giant Kelp
Saccharina Latissima, Sugar Kelp
Alaria Marginata, Ribbon Kelp
Nereocystis Leutkeana, Bull Kelp

Attachment A
Development Plan

Culture Method [*Describe operation activities to be done onsite such as outplanting of seedstock, husbandry techniques to be used (culling, sorting, washing, etc.), maintenance and monitoring activities, management of fouling organisms and incidental species, predator control measures, and schedule of activities such as timing of outplanting seeded lines or adding seedstock into trays, etc. Describe what methods you plan to use based on the definition in* ***5 AAC 41.400(6)****. "Culture" means to use or the use of methods to manipulate the biology and the physical habitat of a desired species to optimize survival, density, growth rates, uniformity of size, and use of the available habitat, and to efficiently produce a product suitable for a commercial market.*]

We plan to predominantly cultivate Giant Kelp (Macrocystis Pyrifera) on our proposed farm site, which entails outplanting (seeding), monitoring, and harvesting on site, all year-round. We plan to build one growing array on our farm site, approximately 25 acres in size.

Regardless of which species we cultivate, our plan is to leave our gear in the water year-round. Our farm structure is a catenary farm designed in partnership with Kelson Marine, a leading marine engineering firm.

Kelp sporophytes will be outplanted by unwinding a seeded PVC pipe over the length of a grow rope. We do not anticipate using any husbandry techniques at this time other than basic density management and the monitoring and maintenance of our farm site and seeded lines. We will monitor for for biofouling, marine entanglement, use conflicts and potential impacts to local marine populations. We do not plan to use any predator control measures.

Culture Gear and Equipment (Type, Size, Number, Configuration, Material, and Anchoring System) [*If more than one parcel, indicate what parcel specific gear will be located on. If more than one species, indicate gear to be used for each. Gear includes any structure that holds or protects the organism like trays, tiers of lantern nets, Vexar bags, OysterGro system, grow-out submerged longlines, predator netting, longlines, buoys, depth control systems, etc. Include approximate installation schedule, or if and what gear will remain installed year-round etc.*]

[See attached document]

Attachment A
Development Plan

Seed Acquisition Plan (Commercially produced and/or wildstock) [*Commercially produced juveniles or seed stock must be obtained from an approved seed source. Do you intend to collect wildstock juveniles or natural set organisms for direct culture on your proposed site? Yes/No. If yes, describe collection methods (applicable for indigenous species: i.e. mussels, scallops, abalone, natural set aquatic plants, etc. This does not refer to broodstock collection on behalf of hatcheries for propagation. If increasing number of acquisitions per year, indicate projected amounts per year. Aquatic plant species can be combined into total feet of line per year.]*

We plan to engage with one or several approved seed and hatchery service suppliers within Alaska, such as Mothers of Millions, Lexa Meyer, or Oceans Alaska, to propagate our seed.

The total linear feet of line to be seeded for cultivation is estimated to not exceed 71,827 ft. The growing array will have no more than 60 lines, ranging from 984 to 1,640' in length.

Harvest Equipment and Method [*Describe harvest equipment and methods to be used, activities to be done onsite, and schedule of harvest of aquatic farm product. If more than one species, include harvest information for each species or group of species like macroalgae if the harvest information is the same.*]

The aquatic site will be operated year round. We plan to harvest multiple times per year by "trimming" the kelp canopy. (up to 4 times per year per individual). In the event that we cultivate a non-canopy kelp species like Saccharina Latissima, we will follow existing industry practices in Alaska and harvest annually in the late winter / early spring. Our plan is to leave our gear in the water year round, regardless of what species is cultivated. No matter what species is cultivated, we will continue to regularly monitor our site and perform regular and preventative maintenance.
In regards to the equipment and methods used, we plan on using a simple knife or other cutting apparatus on a long pole to trim the kelp canopy from the longlines. Given that macrocystis is positively buoyant, we will then collect the biomass that floats to the top of the water with a net or hook and place the trimmed kelp into brailer bags which will then be transported via tender boat to Ketchikan for processing.

"Wet weight yield" will be measured to determine biomass growth rates on site. All canopy trimmings will be collected on site and we will minimize the amount of waste kelp clippings that could enter into the larger environmental area from our farm. All harvesting will be conducted on site as will the transfer of kelp to brailer bags. We do not anticipate any other activities in regards to harvesting/processing to be conducted on site.

Support Facilities (Type, Size, Number, Configuration, Material, and Anchoring) [*Support facilities include caretaker facility, storage rafts, work rafts, processing rafts, etc.*]

We do not plan on constructing or utilizing support facilities on our site. All equipment storage and kelp biomass warehousing and processing will be conducted on private property and not on state lands or waters.

Attachment A
Development Plan

Access to and from Site [*Include nearest community, transportation type used and how many times traversing back and forth*]

Our proposed site is a 55 minute boat ride from Ketchikan (one way) and is accessible via boat on the inside passage. We plan to launch a 20-30ft skiff from Ketchikan South Tongass Launch Ramp or a local area harbor to monitor our farm site at least once per week (weather permitting) – although likely at a higher frequency. We may also monitor our permitted area through contracted agreements with local operators or companies.

Storage Location of Equipment and Gear When Not in Use [*Include whether on private lands and nearest community*]

We plan to store our equipment and gear on private property near Ketchikan. We do not plan to store any equipment or gear on state lands or waters.

C. PROJECT OPERATION PLAN

1. **How will support facilities, culture gear and anchoring systems be maintained?**
   a. How often, in days per month, do you intend to monitor your site for things such as adequate anchoring, disease, exotic species settlement, fouling, gear drift, snow load, wind damage, vandalism, etc.?

      Growing season 4 (days/month) **Off months** 0 (days/month)

   b. How will you keep the gear and shellfish free of fouling organisms (hot-dip, air dry, pressure washing, etc.)?

      Washing or removal by hand.

   c. How will you manage reduction of competing species over the course of operations (relocate sea stars, grow-out cages, or other possible protection from competing species)?

      We will consult industry and environmental experts on best management practices with the least environmental impact and employ those methods only if necessary.

   d. If you intend to use predator netting, how long will you keep netting over your product?

      N/A (months)

   e. If using predator netting, how will you minimize impacts on non-target species, including seabirds, seals, sealions, walrus and whales?

      N/A

2. **Projected Harvest Rotation Consistent with Life History**
   a. How often do you intend to harvest your product by species?

      We expect to harvest macrocystis up to 4x / year. Other species 1x per year.

   b. Do you plan on utilizing density manipulation by culling or redistribution?

      We may reduce the density of plants to maximize biomass yield if we deem it necessary. In the event that we need to reduce the density of planting on our farm in a given area we would perform that manually using a knife or other cutting apparatus in only the specified area.

Attachment A
Development Plan

Project Narrative:

The proposed aquatic farm lease is one parcel totaling 102 acres of state owned tidal and submerged lands and is located in Felice Strait in Southeast Alaska in waters 70 – 150' deep.
Our plan is to construct a cultivation system, inclusive of the anchoring system, at ~50 acres in size, within the ~102 acres of lease area. We plan to predominantly cultivate Giant Kelp (Macrocystis Pyrifera) on our proposed farm site, which entails outplanting (seeding), monitoring, and harvesting on site.

Our cultivation array has been designed in partnership with Kelson Marine, a leading marine engineering firm and is a catenary design. We will install approximately 71,827 feet of growline on our catenary array, which will be deployed at approximately 25 to 30 feet of depth, MLLW. Our array will have 60 lines, ranging from 984 to 1,640 ft in length. Given that our species is positively buoyant, each of the lines will have up to 5 weights on it, spaced evenly apart, to counteract the buoyant nature of the kelp. Environmental loads on open ocean structures are driven by current, waves, water levels and wind.

Kelson Marine's characterization of these meteorological and oceanographic ("metocean") variables and their extreme values conforms to NS 9415:2021 (Standards Norway, 2022). To ensure a conservative analysis, and to comply with guidance from the relevant permitting agencies for this project, the 25-year storm condition was taken to be the design standard for the present study and incorporated relevant wind, current, waves, tides and varying water level data to ensure structural integrity across a range of environmental scenarios and stresses. Much of Kelson Marine's work conforms with industry standards and catenary arrays are common practice in the cultivation of macroalgaes.

Harvest will occur up to 4 times per year by 'trimming' the top canopy of the kelp. Kelp trimmings will then be collected and stored in floating brailer bags, which will then be towed back to the dock for further processing. All processing will occur on private property. The only activities to occur on state-owned tidal and submerged lands will be gear installation, maintenance & monitoring, outplanting, and harvesting. Gear will remain in the ocean year-round.

Attachment A
Development Plan

CULTURE GEAR & EQUIPMENT

(Additional Detail for Application Question due to space constraints)

Total array dimensions (Incl. anchor system): 1,066ft x 2,113ft

Type	Size*	Qty	Material	Anchoring System
High-scope drag embedment moorings	10,000 - 30,000 lbs	6	Steel	N/A
Anchor Chain	3.27 in diameter	6	Steel	High-scope drag embedment moorings
Anchor Line	3.78 in diameter	6	Fiber rope (e.g. UHMWPE)	High-scope drag embedment moorings
Corner Float	13.1 ft diameter	6	Polyethylene foam	High-scope drag embedment moorings
Tensioning Floats	9.25 gallon	6	Plastic	High-scope drag embedment moorings
Tensioning Float Tether	1.1 in diameter	6	Fiber rope (e.g. polypropylene)	High-scope drag embedment moorings
Header Line	3.78 in diameter	2	Fiber rope (e.g. UHMWPE)	High-scope drag embedment moorings
Growline-Inner	.87 in diameter	58	Fiber rope (e.g. polyester)	High-scope drag embedment moorings
Growline-Edge	.87 in diameter	2	Fiber rope (e.g. polyester)	High-scope drag embedment moorings
Growline Float	26.4 gallon	300	Polyethylene shell, foam-filled	High-scope drag embedment moorings
Weights	252 lb	300	Concrete	High-scope drag embedment moorings
Growline Float Tether	.87 in diameter	300	Fiber rope (e.g. polyester)	High-scope drag embedment moorings
Transverse Set Line	3.78 in diameter	1	Fiber rope (e.g. UHMWPE)	High-scope drag embedment moorings

Figure 1: General Location Map

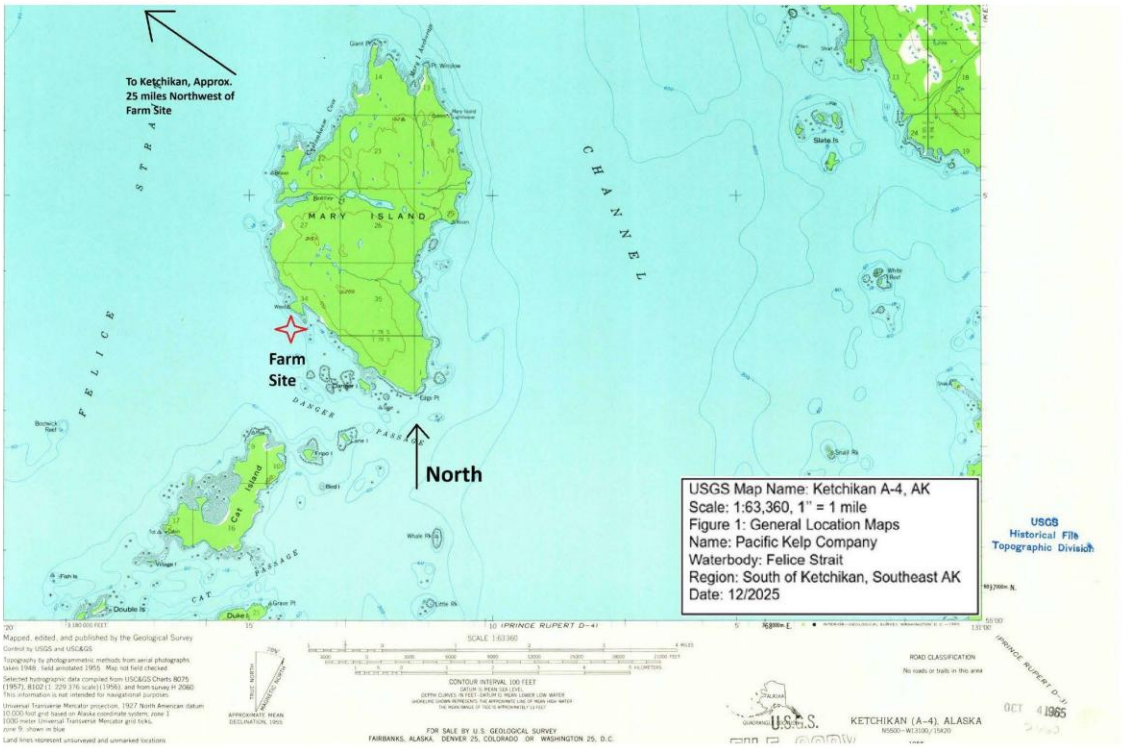
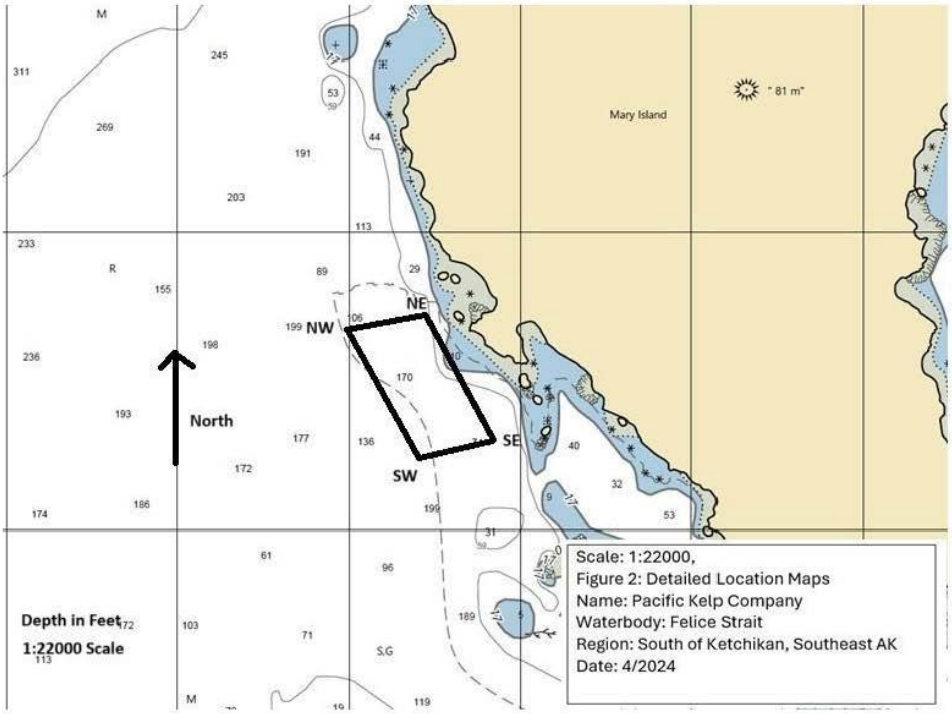
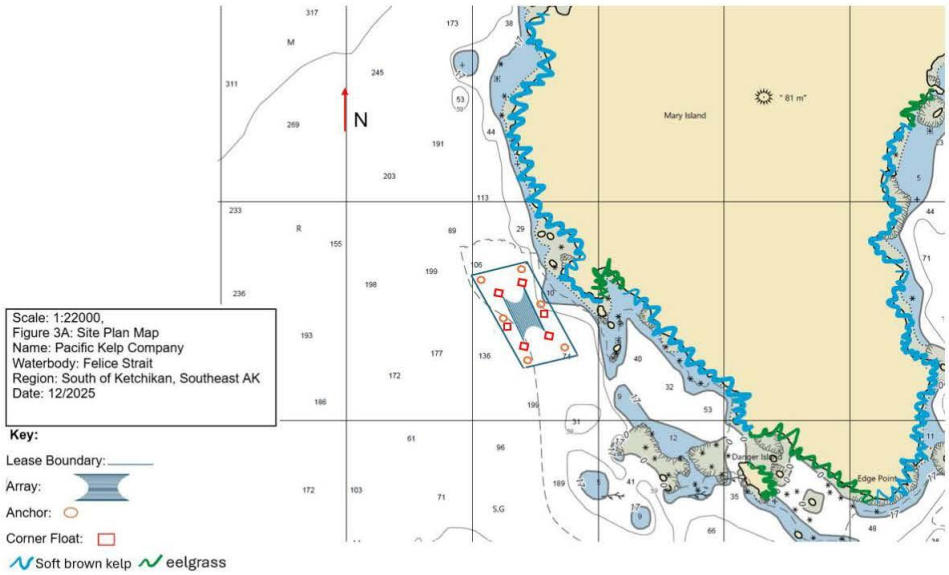


Figure 2: Detailed Location Map, NOAA Chart No. US4AK5GP



17

Figure 3A: Site Plan Map



Site plan view at a 1: 22000 scale of the cultivation system. The approximate location of anchors, corner buoys, and line elements are shown. Not to scale.

Figure 3B: Site Plan Map Supporting Projection Diagram Dimensions

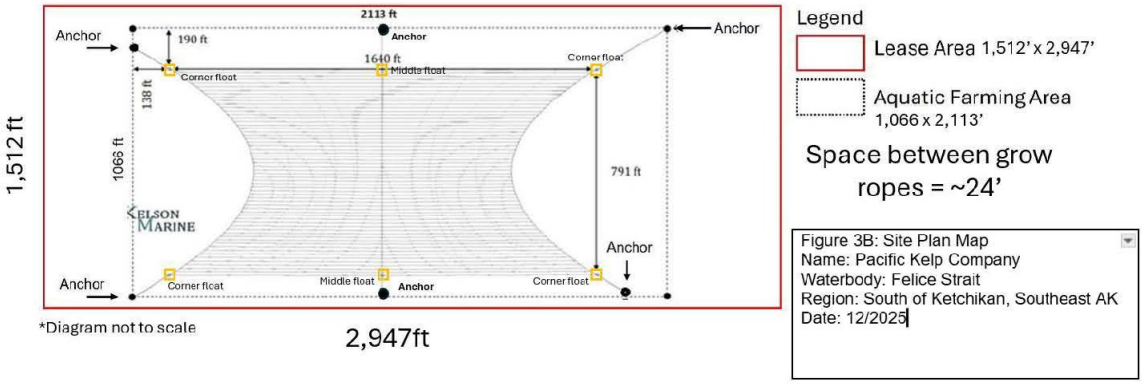
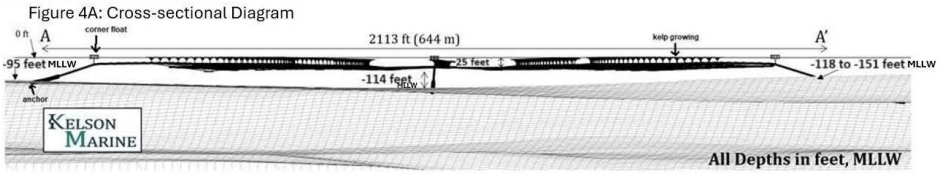
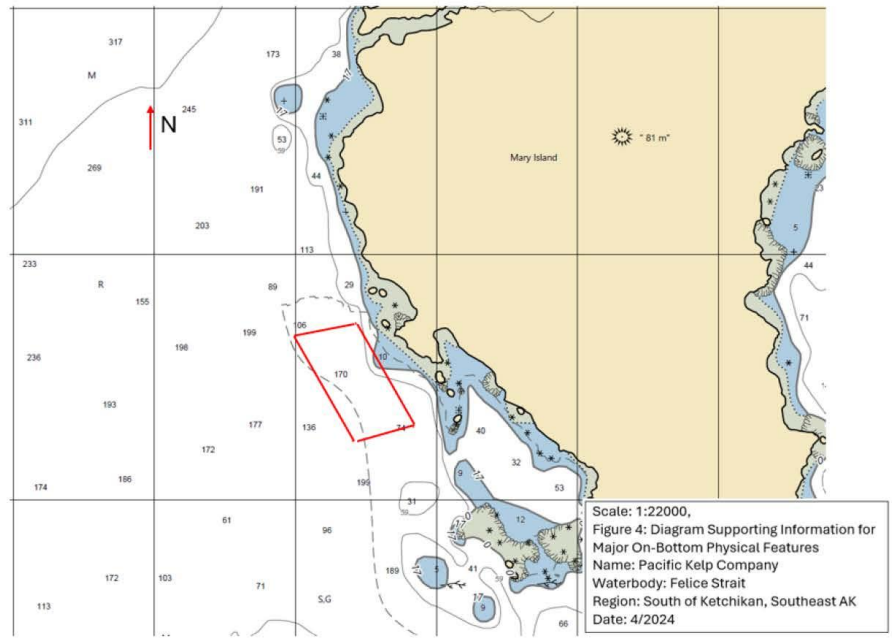


Figure 4A: Cross-sectional Diagram



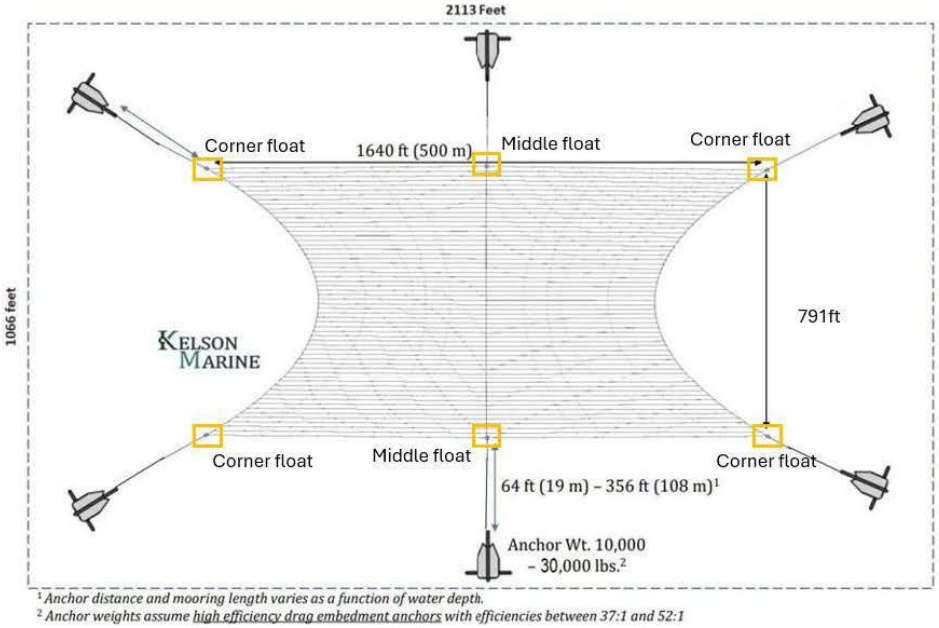
Note: All depths are distance from the surface to the bottom MLLW.
Anchor weight: Expected between 10,000 and 30,000lb (ea)
Major on bottom features in Figure 4B. Bathymetry shown in figure 4A

Figure 4B: Diagram Supporting Information for Major On-Bottom Physical Features



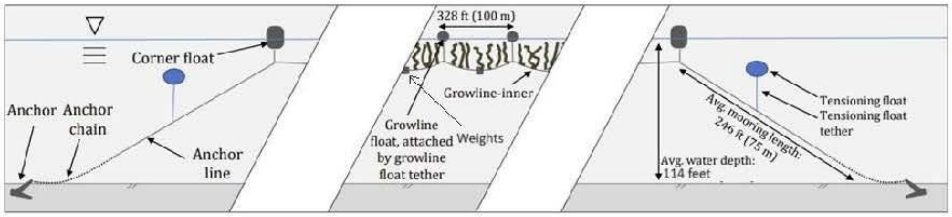
Legend:
= ROCK which covers & uncovers
S = Sand
Sh = Shells
= Mountain
= Rocky Ledges or Coral Reef
R = Rocky
Anadromous Stream
Approx. Parcel boundaries

Figure 5: Detailed Cross-Sectional Diagrams and Drawings
Note: Only depicts array and anchor system.



[1] *Anchor distance and mooring length varies as a function of water depth.*
[2] *Anchor weights assume high efficiency drag embedment anchors with efficiencies between 37:1 and 52:1*

Expected distance between grow lines = ~24’



THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Department of Fish and Game

Division of Commercial Fisheries
Headquarters Office

1255 West 8th Street
P.O. Box 115526
Juneau, Alaska 99811-5526
Main: 907.465.4210
Fax: 907.465.4168
Permit Coordinator: 907.465.4724

February 24, 2026

Jen Kopnicky
Department of Natural Resources
Southcentral Regional Land Office
Aquatic Farm Leasing Program
550 West 7th Avenue, Suite 900C
Anchorage AK 99501

Re: Alaska Department of Fish and Game Agency Review Comments
Smet / Pacific Kelp Company Aquatic Farm Site Proposal – Cat Island
DNR File No.: ADL 234663

Dear Ms. Kopnicky:

The Alaska Department of Fish and Game (ADF&G) has completed a preliminary review of the project proposal, **ADL 234663** relevant to criteria specified in authorizations for Aquatic Farming AS16.40.105 and 5 AAC 41 200-400. ADF&G Division of Commercial Fisheries (Management, Gene Conservation Lab and Fish Pathology Section), Division of Sport Fish, Division of Wildlife Conservation, Subsistence Section and Habitat Section, were part of the initial review. *There are no concerns pertaining to an aquatic farm operation permit at the proposed location.* Any comments from other government agencies or from the public that may impact applicable department provisions will be considered as part of the final department review for an aquatic farm operation permit which will be issued within 30 days of the lease being issued. Recommendations from this preliminary review are summarized below.

Department Advisory

Please advise the applicant that if the project is approved, general conditions pertaining to Alaska Department of Fish and Game statutory and regulatory provisions for issuance of an Aquatic Farm Operation Permit (AFOP) will be included in the operation permit. In addition, site-specific conditions that have been recommended by staff may be included in the AFOP.

Division of Commercial Fisheries has reviewed this request and have no concerns. This site was discussed with the applicant and Southeast Alaska Regional Dive Association (SARDFA). While the eastern boundary is in waters less than 60ft MLLW, this is not specifically prohibited. There is commercial Dungeness crab harvest in the broader statistical area (101-23) but does not likely occur in the proposed project area.

Gene Conservation Lab has reviewed this request and have no concerns.

Fish Pathology Section has reviewed this request and have no concerns.

Division of Sport Fish has reviewed this request and have no concerns.

Invasive Species Program Coordinator has no comment at this time.

Division of Wildlife Conservation

Marine Mammal Research Program: This application complies with the guidelines set forth with the ADF&G marine mammal mariculture policy updated in April 2024. Any advisories or mitigation steps recommunicated by NOAA Fisheries National Marine Fisheries Service (NMFS) or the US Fish and Wildlife Service (FWS) to reduce marine mammal disturbances should be followed. Large whales, especially humpbacks, are highly susceptible to entanglement in lines in the water; Removing all gear from the water during the non-growing season may minimize gear loss, user conflicts, and marine mammal entanglement and habitat exclusion potential. Any marine mammal entanglements should be immediately reported to the NMFS 24 hr. Stranding Hotline, phone – (877) 925-7773 and the ADF&G Permit Coordinator (907-465-4724).

Access Defense Program: Has reviewed this request and have no concerns.

Seabird Program: Did not comment at this time.

Habitat Section did not comment at this time.

Subsistence Section has reviewed this request and have no concerns. No information about subsistence uses of resources in this area.

Our department requests that the Department of Natural Resources consider providing this in their Preliminary Decision as an advisory to the applicant and for public reference.

Thank you for the opportunity to provide comments on this aquatic farm proposal. If you have any questions, please contact me at (907) 465-4724.

Sincerely,

Michelle Morris
Permit Coordinator

ecc: Garold V. Pryor, Aquaculture Section Chief, ADF&G
John Smet, Pacific Kelp Company

Attachment C
SAMPLE Lease Agreement

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER
550 W. 7th Avenue, Suite 900c
Anchorage, Alaska 99501-3577

Company Name
ADL No. XXXXXX
LEASE AGREEMENT
AS 38.05.083

Effective this **Xth day** of **MONTH, YEAR**, this lease agreement is entered into by the State of Alaska, hereafter referred to as "lessor," and **Company Name** 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 lease is issued under the authority of **AS 38.05.083** for a term of **ten (10)** years beginning on the **Xth** day of **MONTH, YEAR**, and ending at 11:59 PM on the **Xth** day of **MONTH, YEAR**, unless sooner terminated, subject to: compensation as specified in section 2; the attached development plan approved by the State on **DATE**; 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":

N1/2 of Section XX and NE1/4 of Section XX, Township XX South, Range XX East, XXXXXX Meridian, Alaska

Those tide and submerged lands located on the north side of BAY, approximately XX miles west of TOWN, Alaska and further described as:

Parcel 1: #### feet by #### feet (### acres) Suspended grow-out lines

NE Corner Latitude:	55° ######'N	Longitude:	133° ######'W
SE Corner Latitude:	55° ######'N	Longitude:	133° ######'W
SW Corner Latitude:	55° ######'N	Longitude:	133° ######'W
NW Corner Latitude:	55° ######'N	Longitude:	133° ######'W

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:

The conditions and stipulations in Attachment A, Additional Stipulations.
Attachment B, Approved Operations and Development Plan, attached and made 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: **$#####.00 due on or before DATE of each year**. 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 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 51.045, 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

SAMPLE

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 the lessor issues written notice of such default to the lessee and to 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, in the notice of the default or in a separate written notice, state that if the default is not remedied, this lease shall terminate on a date certain, which shall be at least 60 days after issuance of the notice of default. 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 cleanup 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 Mining, Land and Water, 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:

Division of Mining, Land and Water
550 W. 7th Avenue, Suite 900C
Anchorage, Alaska 99501-3577

(b) Any notice or demand by the lessor will be issued as provided in 11 AAC 02.040(c). If issuance 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:

COMPANY NAME
P.O. Box ###
TOWN, AK #####

The lessor will issue 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 given 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.

SAMPLE

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

LESSEE:

_____

COMPANY NAME

LESSOR:

_____

FIRST NAME LAST NAME
Regional Manager, Southcentral Regional Land Office

STATE OF ALASKA)
) ss.
_____Judicial District)

THIS IS TO CERTIFY THAT ON THIS _____ day of _____, _____, before me personally appeared _____, known to me to be the person named and who signed the foregoing lease and acknowledged voluntarily signing the same.

_____
Notary Public in and for the State of Alaska
My commission expires:_____

STATE OF ALASKA)
) ss.
_____Judicial District)

THIS IS TO CERTIFY THAT ON THIS _____ day of _____, _____, before me personally appeared _____, of the Division of Mining, Land and Water of the Department of Natural Resources of the State of Alaska, who executed the foregoing lease on behalf of the State of Alaska, and who is fully authorized by the State to do so.

_____
Notary Public in and for the State of Alaska
My commission expires: _____

Approved as to form February 9, 1994, and September 25, 2001.

_____
/s/ Elizabeth J. Barry, Assistant Attorney General

Attachment D
SAMPLE Additional Stipulations

Additional Stipulations

ADL XXXXXX – COMPANY NAME

####-Acre Aquatic Farm Lease
Annual Lease Fee = **$#####.00**
Annual Lease Fee Due by: **DATE**
Commercial Use Requirement (CUR): **$##### Annually**
(CUR begins no later than the 5th year of operation)

1. **Authorized Officer** (AO): The Authorized Officer (AO) for the State of Alaska (State), Department of Natural Resources (DNR), Division of Mining, Land, and Water (DMLW), is the Regional Manager or designee.

2. **Preference Right:** No preference right to a sale of this leasehold is granted or implied by the issuance of this Lease. Any renewal of this Lease will be subject to current statutes and regulations at the time of Lease expiration.

3. **Lease Utilization**: Section 4 of the Lease document is hereby amended to include the following: In accordance with 11 AAC 58.510, the lessee is bound to the approved Development Plan submitted as part of the application for Lease. Use of the land or any portion of it, for purposes other than those specified in the Development Plan constitutes a breach of the Lease and may result in revocation. Failure to develop and/or utilize the leased site for a period of five years or more may, at the discretion of the AO, constitute grounds for termination of the Lease.

4. **Modifications to the Development Plan:** Sections 4 & 30 of the Lease document are hereby amended to include the following: To adequately address any modifications to the approved Development Plan, the lessee will be required to provide advance written notice to the AO for approval of those changes prior to construction or implementation and must be accompanied by the amendment fee required by 11 AAC 05.010. The AO reserves the right to reevaluate the Lease compensation and other terms and conditions of the Lease prior to approval. No modifications are approved unless specifically authorized in writing by the AO.

However, under this paragraph:

(A) the following changes do not require an amendment of the Development Plan:

(i) any change in the species or number of shellfish or aquatic plants being raised if the change is permitted by the Department of Fish and Game;

(ii) a change in the number or type of rearing structures authorized within the lease boundaries, if the change does not increase obstructions to navigation or to other public use;

(B) the department will not authorize a proposed amendment to the lease development plan for a "change of use"; for the purpose of this subparagraph and AS 38.05.083(d), "change of use" means a change from the raising of shellfish and aquatic plants to any other use; and

(C) the approval of an amendment of an aquatic farm site lease does not relieve the lessee of the obligation to obtain other necessary authorizations.

5. **Commercial Use Requirement:** The lessee shall report annually to the department, no later than January 31, on sales during the previous year of shellfish and aquatic plants raised on the lease site, not including sales of commercially harvested wild stock that had been stored at the lease site. If the lessee provides this sales information to the Department of Fish and Game by an annual report, by copies of fish tickets, or by other means, the lessee

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may fulfill this paragraph's requirement for a sales report by asking the Department of Fish and Game to give a copy of the information to the department.

Failure to comply with the commercial-use requirement set out in 11 AAC 63.030(b) is a default and cause for termination, unless the lessee shows to the AO's satisfaction that the failure is due to circumstances beyond the lessee's reasonable ability to foresee or control.

The commercial-use requirement for this ####-acre lease is $#### in annual sales and must be met by the commencement of the fifth (5th) year of the term and continued annually for the remaining lease term.

6. **Inspections:** Section 13 of the Lease document is hereby amended to include the following: The AO may designate representatives to inspect the leased area at any time**.** Sites which are determined to be in noncompliance will be subject to re-inspection for which the lessee may be assessed, at the AO's discretion, either a fee of $100 or a fee equal to the actual expenses incurred by the Division of Mining, Land and Water (11 AAC 05.010) for the inspection.

The AO reserves the right:

(A) of reasonable access to the leasehold for purposes of inspection, including the lessee's improvements and rearing structures; when the department inspects the lessee's rearing structures, the department will not lift or handle underwater rearing structures without prior notice to the lessee; the notice to the lessee may include notice by the Department of Fish and Game in accordance with AS 16.40.150(b); and

(B) upon 10 days' prior notice, to inspect records of the lessee necessary to verify the lessee's compliance with the lease provisions.

7. **Request for Data/Additional Information:** For purposes of information and review, the AO may require the lessee to furnish data related to the use, maintenance, and operational activities undertaken in connection with this leasehold. The lessee shall furnish the required data as soon as possible or as otherwise required under the terms of this Lease.

8. **Assignment:** Section 6 of the Lease document is hereby amended to include the following: In the event the lessee desires to transfer their interest of this Lease to another party, the lessee must submit a letter to the AO requesting the assignment and include a copy of the draft Assignment Agreement with that letter for review. The AO reserves the right to renegotiate new terms or conditions for the Lease prior to approving any assignment. The AO reserves the right to require an assignment between the lessee and another party in the event of a change in corporate ownership, or LLC/LLP membership/name change.

9. Performance Guaranty: Per section 25 of the Lease agreement: The lessee must post a performance guaranty in the amount of **$####.00** to secure faithful performance with all terms and conditions of the Lease and to insure site restoration of the leasehold. This performance guaranty must remain in effect for the duration of the Lease term or until released in writing by the AO. **Failure by the lessee to provide replacement security shall be grounds for the AO to make a claim upon the existing security to protect the lessor's interests.**

If three or more lessees post an association bond to cover all of their leases, the minimum security amount is 50 percent of the amount individually calculated for each lease. The association must designate an agent for notification purposes. The association has the right to be notified of the termination of a lease covered by its association bond. If neither the former lessee nor the association completes the site restoration as required by AS

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38.05.090, the department will use the association bond for this purpose, up to 100 percent of the amount individually calculated for that lease. The association may remove a lease in good standing from the coverage of its association bond after 60 days' notice to the department, during which time the affected lessee must make other arrangements to comply with this section. A lease that is in default or that has been terminated with site restoration still pending may not be removed from the coverage of the association bond.

The guaranty amount will be subject to periodic adjustments and may be adjusted upon approval of any amendments to the Lease, assignments, reappraisals, changes in the Development Plan, approval of a reclamation plan, any change in the activities conducted, or performance of operations conducted on the leasehold and as a result of any violations to the Lease agreement.

The guaranty may be utilized by the AO to cover actual costs incurred by the State of Alaska to pay for any necessary corrective actions in the event the lessee does not comply with the site utilization, restoration requirements and/or other stipulations contained in the Lease agreement. If the lessee fails to perform the obligations under the Lease agreement within a reasonable timeframe, the AO may perform the lessee's obligations at the lessee's expense. The lessee agrees to pay within 60 days following notice, 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 and conditions of the Lease agreement. The provisions of this authorization shall not prejudice the State's right to obtain a remedy under any applicable law or regulation. The performance guaranty will be released upon expiration of the Lease provided that all terms and conditions of the Lease have been met, including restoration of the leasehold to a safe and clean condition found acceptable by the AO.

10. **Insurance:** Per section 24 of the Lease agreement: The lessee is required to carry commercial liability insurance with the State of Alaska listed as an "**additional insured party**". The case number **ADL XXXXXX** is to be referenced on the policy.

Insurance is required and is subject to annual review and adjustment by the AO. The AO may require a reasonable increase based on a change in the lessee's Development Plan or with increased risk. The insurance policy(s) must be written by a company(s) on the Division of Insurance's "admitted list" and the broker/agent must be licensed to do business in the State. If surplus lines insurance is provided, the broker must have a surplus broker license and be listed on the "surplus lines insurance list". Additional information regarding the admitted and surplus lines lists may be obtained from the Division of Insurance at (907) 269-7900.

a) Consult, as appropriate, with an insurance professional licensed to transact the business of insurance under Alaska Statute, Title 21, to determine what types and levels of insurance are adequate to protect the lessee and lessor (the State, its officers, agents and employees) relative to the liability exposures of the lessee's commercial operations.

b) Secure or purchase at lessee's own expense, and maintain in full force at all times during the term of the Lease, adequate insurance policies and coverage levels recommended by an insurance professional, licensed to transact the business of insurance under Alaska Statute, Title 21, and acceptable to the State of Alaska. The State will expect to see at a minimum, the following types of coverage:

- **Commercial General Liability Insurance:** 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, Alaska Department of Administration.

- **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 premises. The insurance policy must contain a waiver of subrogation clause in favor of the State of Alaska.

c) Provide proof of insurance to the AO on a yearly basis. The certificate must provide for a 30-day prior notice to the State of Alaska in the event of cancellation, nonrenewal, or material change of conditions. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of the Lease and shall be grounds, at the discretion of the AO, for termination of the Lease. Generally, the AO will rely upon the best professional judgment of the licensed insurance agent and, at renewal, the agent's annual reassessment of the insured's liability exposure for determination of adequate levels of coverage. The AO reserves the right to require additional coverage if, in its discretion, it determines that it may be warranted.

In the event the lessee becomes aware of a claim against any of its liability coverage, the lessee shall notify, and provide documentation and full disclosure of the claim to the AO within 20 days.

11. **Spill Response:** Section 26 of the Lease document is hereby amended to include the following: The lessee is responsible for preventing fuel, hydraulic fluid, and oil spills that could result in contamination of contiguous land and water. Petroleum product spills shall be cleaned up immediately and any contaminated earth or vegetative materials shall be disposed of as required by the Alaska Department of Environmental Conservation regulations. To facilitate rapid spill response, adequate sorbent materials (i.e., material that collects or absorbs petroleum products while at the same time repels water) will be kept on site to be used in the event of a spill. Should any unlawful discharge, leakage, spillage, emission, or pollution of any type occur due to lessee activities, the lessee shall, at its expense, be obligated to clean the area to the reasonable satisfaction of the State of Alaska.

12. **Notification of Discharge:** Section 26 of the Lease document is hereby amended to include the following: The lessee shall immediately notify the Department of Environmental Conservation (DEC) and AO of any unauthorized discharge of any amount of oil to water, a discharge of any amount of a hazardous substance (other than oil), and any discharge of oil greater than 55 gallons on land. All fires and explosions must also be reported immediately.

If a discharge, including a cumulative discharge, of oil is greater than 10 gallons but less than 55 gallons, or a discharge of oil greater than 55 gallons is made to an impermeable secondary containment area, the lessee shall report the discharge within 48 hours. Any discharge of oil greater than one gallon up to 10 gallons, including a cumulative discharge, solely to land, must be reported in writing on a monthly basis.

Notification of discharge must be made to DEC online at ReportSpills.alaska.gov or by phone at 1-800-478-9300. Notification of discharge must be made to the appropriate DNR Office, preferably by e-mail: Anchorage email dnr.scro.spill@alaska.gov, (907) 269-8528; Fairbanks email dnr.nro.spill@alaska.gov, (907) 451-2739; Juneau email dnr.sero.spill@alaska.gov, (907) 465-3513. The lessee shall supply the AO with all incident reports submitted to DEC.

13. **Historic Preservation:** The Alaska Historic Preservation Act (AS 41.35.200) prohibits the appropriation, excavation, removal, injury, or destruction of any State-owned historic/prehistoric archaeological or paleontological site without a lease from the commissioner. Per AS 41.35.070(d), should any sites be discovered during the course of field operations, activities that may cause damage will cease and the Office of History and Archaeology in the Division of Parks and Recreation (907) 269-8700 and the appropriate coastal district shall be notified immediately.

14. **Incurred Expenses:** All expenses incurred by the lessee connected with the exercise of the privileges covered

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by this authorization shall be borne solely by the lessee and the State of Alaska shall in no way be held liable for said expenses.

15. **Navigation:** The United States Coast Guard (USCG) shall be contacted prior to placing any aquatic farm structures under this lease to determine lighting or marking requirements, such as buoys, necessary for the protection of maritime navigation, in accordance with Title 33, Code of Federal Regulations, Part 64. Required markings of this nature are Private Aids to Navigation, and must be subject to an approved permit. The USCG may be reached at the following address and phone number: Commander, 17th Coast Guard District, P. O. Box 25517, Juneau, AK 99802-5517, telephone (907) 463-2254.

16. **Site Requirements:** The lessee is required to adhere to the following:

(A) Visibly mark the corners of the site and in accordance with USCG and ADF&G (5 AAC 41.277) marking requirements;

(B) All improvements shall be secured utilizing anchoring methods with sufficient weight and holding capability to keep them in their authorized location(s) and must be retrievable upon expiration, termination, or cancellation of the lease. Anchoring systems for floating facilities moored for periods of more than 14 days must be approved by the Regional Manager and the USCG;

(C) The use of adjacent uplands for activities related to the aquatic farm site, including shore ties, is not authorized under this lease. Written permission from the upland owner and authorization from this department must be obtained prior to any use of the adjacent uplands; and

(D) Any commercially harvested wild stock acquired under AS 16, a fishery administered by DFG, may be held within the lease boundary before transporting to market. If DFG allows this activity within the lease boundary, the lessee is required to comply with DFG's operation permit requirements including clearly identifying and keeping the commercially harvested wild stock separate from any farmed product.

17. **Lease Compensation:** An administrative lease fee schedule for aquatic farm sites has been approved by the Division of Mining, Land and Water effective March 15, 2026, through March 14, 2028, under Appraisal Report 2522-17. The lease fee schedule is subject to review every two years. The annual rent for the proposal based on a ####-acre farm site is **$####.00**. (The annual fee is calculated at $450 for the first acre, or portion thereof, plus $125 for each additional acre, or portion thereof.) The lease is subject to review of the annual rent every 5 years. In other words, should the fee be increased during the term of a lease, the lease will be amended at five-year intervals for fee adjustment. The lease fee is due on or before the date determined with authorization of the lease. **It is the responsibility of the lessee to submit the annual lease payment**. A courtesy notice of the lease fee may not be sent by the State.

18. **Lease Expiration and Site Reclamation:** No later than one (1) year prior to lease expiration, the lessee shall file with the AO:

a) A complete renewal/reissuance lease application; or

b) An approved reclamation plan for the leasehold. *Reclamation plans must include a description of the methods and techniques that will be used to rehabilitate affected areas of the leasehold. The plan must also include a specific timeline showing when each step of the restoration process will be completed.*