CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2022-06

A RESOLUTION OF THE UNALASKA CITY COUNCIL AUTHORIZING A 66-YEAR LEASE OF UNALASKA TIDELANDS SURVEY 103 TRACTS B AND C TO LFS, INC., AND AUTHORIZING TERMINATION OF AN EXISTING LEASE OF TRACT C

WHEREAS, the City of Unalaska is the owner of Unalaska Tideland Survey (UTS) 103 Tracts B and C, both a portion of former Alaska Tideland Survey (ATS) 1452; and

WHEREAS, LFS, Inc. is the owner of the uplands adjacent to Tracts B and C of UTS 103, having acquired such lands from Bill Shaishnikoff; and

WHEREAS, Bill Shaishnikoff is the owner of Bering Shai Marine, LLC, which currently holds a lease of UTS 103 Tract C pursuant to that certain Tidelands Lease Agreement by and between the City of Unalaska and Bering Shai Marine, LLC, dated October 7, 2013 (“Bering Shai Lease”); and

WHEREAS, the term of the Bering Shai Lease is through October 7, 2088; and

WHEREAS, Bering Shai Marine desires termination of the Bering Shai Lease so that Tract C may be leased to LFS; and

WHEREAS, LFS has applied to lease Tracts B and C UTS 103; and

WHEREAS, UCO § 7.12.020 grants the owner of upland property adjacent to tide and submerged land a preference for lease of such submerged lands; and

WHEREAS, UCO § 7.12.020 requires City Council approval of any lease of City property having a term greater than 5 years and that no lease shall be for a term of more than thirty years unless the City Council determines from the purpose of the lease or the nature of improvements which may be placed thereon that a longer term would benefit the City; and

WHEREAS, with the inclusion of an early termination provision, the Tidelands Lease Agreement attached hereto differs materially from that lease agreement proposed by Resolution 2021-76; and

WHEREAS, a lease of Tracts B and C of UTS 103 for the remainder of the term of the Bering Shai Lease, approximately 66 years and 8 months, is of benefit to the City as it promotes long-term, substantial, durable and desirable investment in the City of Unalaska’s tidelands and allows for an existing business to expand in our community.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council authorizes the lease of UTS 103 Tracts B and C to LFS, Inc., with the term of said lease to run through October 7, 2088 in accordance with the terms and conditions of the Tidelands Lease Agreement attached hereto; and
BE IT FURTHER RESOLVED that the Unalaska City Council authorizes the City Manager to terminate the Bering Shai Lease, with the consent of the lessee, in order to effect the tidelands lease authorized by this resolution.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on February 22, 2022.

____________________________
Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:

____________________________
Marjie Veeder, CMC
City Clerk
MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: William Homka Planning Director
Through: Erin Reinders, City Manager
Date: February 22, 2022
Re: Resolution 2022-06: Authorizing a 66-year lease of Unalaska Tidelands Survey 103 Tracts B and C to LFS, Inc., and authorizing termination of an existing lease of Tract C

SUMMARY: A tidelands lease between City of Unalaska and LFS, Inc. has been drafted and processed on the direction received from City Council, in accordance with City Code Title 7, and Regulations for Tidelands Leasing, License, Exchange or Sale. Bering Shai Rock & Gravel, LLC is the leaseholder of Unalaska Tidelands Survey 103 Tract C. LFS, Inc. has applied to lease adjacent Tract B and for permission to assume the remaining 66 years of the existing Bering Shai Rock & Gravel, LLC lease on Tract C. LFS, Inc. is a Washington corporation that also conducts business in Unalaska and has already purchased real property adjacent to the tidelands. The requested lease term exceeds 5 years and requires City Council approval. Staff recommends approval.

PREVIOUS COUNCIL ACTION
- December 14, 2021: City Council Meeting, Resolution 2021-76, postponed (previous application)
- December 28, 2021: City Council Meeting, Resolution 2021-76, disapproved (previous application)
- January 11, 2022: Executive Session on Unalaska Tidelands Survey 103, Tracts B & C

BACKGROUND: LFS, Inc. made a similar application in November, 2021 and staff presented a draft lease to City Council on December 14, 2021. Council raised several questions and postponed a decision on Resolution 2021-76 to December 28, 2021.

When Council discussed this item at the meeting on December 14, there was specific interest in the Corps Permit, appraisal, cross access, and the lease term. These topics are reviewed below.

US Army Corps of Engineers Permit
A permit from the Corps of Engineers is required to fill or discharge material into waters of the United States. Council expressed concern that Bering Shai may have filled tidelands beyond the boundaries of its lease of Tract C.

Bering Shai received a permit in April 2013 for fill and construction within the tidelands divided into two phases, Phase I in Tract C and Phase II in Tract B. Present conditions appear consistent with the site plan presented in the permit.

However, while Bering Shai received a Corps permit for the complete project, it failed to acquire a lease from the City for Tract B before commencing work there.
**Appraisal**

Appraisals of Tracts B and C are expected to be available by May, 2022. Both tracts were appraised for a total value of $227,000 in 2013 before Bering Shai’s improvements. Until the appraisal is complete, we do not know the current value of the tidelands or of the improvements made by Bering Shai. We do know, however, that Bering Shai anticipated approximately an $8.6 million investment for both phases in 2013. The rent will ultimately be set at 10% of the appraised value. For some added context, Bering Shai currently pays $4,721 rent annually for Tract C.

City Council has the option of including the value of improvements to either parcel in the appraisal and annual rent for this new lease. Bering Shai only has a lease to Tract C and never leased Tract B. As LFS, Inc. could seek reassignment of the Tract C lease, Staff does not recommend including the value of improvements there. However, because Bering Shai did not lease Tract B from the City before making improvements, Staff believes it would be appropriate to include the value of the improvements in the appraisal. The lease takes this recommended approach.

**Cross Access**

The Captains Bay Road public right of way ends at OSI’s facility north of Bering Shai. The road south of that point is private and passes through several different private properties with different owners. Despite the absence of any easement guaranteeing access through the uplands of any of those properties, the public has historically been allowed to use the road through Bering Shai to access the end of the bay. Negotiating access through Bering Shai’s property would not solve all of the access issues in Captains Bay, but it would be an improvement over the status quo.

The tidelands have an easement separate from the road extending 50’ below the mean high water line meant to facilitate access for the public between the uplands and water. The lease allows the City to install utilities in the tidelands.

Access through LFS’s uplands may be addressed either through the planning and zoning process of the uplands or as a condition of the tideland lease. The uplands are currently a Native Allotment, and thus generally exempt from zoning. If LFS acquires them, they will revert to a Holding District, which prohibits most development. LFS will need to apply to rezone the uplands, as well as apply for building permits, in order to develop the property. City Council ultimately approves all zoning amendments.

Because the road traverses the uplands, not the tidelands, Staff recommends addressing cross access as part of that planning and zoning process. Therefore, the revised draft lease does not address uplands road access. Staff will work ensure that any access can accommodate future development in Captains Bay.

Alternatively, Council may decide to require access as part of the tideland lease.

**Lease Term**

LFS, Inc. has requested a 75 year lease. The City Manager Regulations for Tidelands recommends lease terms of 30 years but allows longer terms if Council determines that it would benefit the public, by encouraging investment or if the improvements will outlast a 30 year lease.
Another option available to LFS, Inc. would be seek reassignment of Bering Shai’s remaining 67 year lease on Tract C. This would result in separate leases, potentially with different terms, for Tracts B & C. Improvements span both tracts, so treating both as a single lease is preferable to avoid issues in the future.

As a compromise, Staff recommended a 67 (now 66) year term for both tracts to match the remaining time on Bering Shai’s current lease. The lease requires LFS, INC. to invest at least $5 million in capital expenditures in the tidelands within 25 years or the City may revoke the lease.

Staff and the City Attorney worked to address City Council’s questions and prepared a substitute resolution, revised draft lease agreement, and corresponding memo with the information outlined about included, at City Council’s meeting on December 28, 2021. City Council denied the LFS, Inc. application on December 28, 2021 due to the lease’s lengthy term. This left the possibility of a lease reassignment for Tract C in question and uncertainty on how to proceed.

On January 11, 2022 City Council, City Legal Counsel and Staff met in Executive Session to discuss Unalaska Tidelands Survey 103, Tracts B & C. City Council provided direction to Legal Counsel on how to proceed with a lease agreement, which included the addition of a termination clause, in advance of any new application for the subject property. Staff and Counsel crafted a cancellation clause and presented it along with a new draft lease to the applicant/attorney for review in advance of tonight’s meeting.

Concurrent dialogue about tidelands leasing between council members and LFS’s parent company (Trident) officials resulted in confusion on the status of the LFS lease application. As a result, the officials requested a meeting with City Administration to learn about the City’s leasing policies and process in general, and discuss how this particular lease with LFS was proceeding. On January 27, 2022, Mayor Vince Tutiakoff, City Manager Erin Reinders and Planning Director William Homka met with Trident’s Stephanie Moreland to explain Unalaska’s tideland policies and procedures for reviewing applications. The meeting provided us the opportunity to set forth a timeline for making a new application and establishing benchmarks for moving forward.

In accordance with that timeline and previous communication our Counsel had with the applicant/attorney, LFS, Inc. again applied for a tideland lease on January 28, 2022. Attached to the application was a statement from the applicant: “Bill Shaishnikoff, the co-owner of Bering Shai Marine, LLC, sold the uplands to LFS, Inc. in December 2021. Bering Shai Marine, LLC is terminating the tidelands lease of Tract C as part of a related transaction. LFS, Inc. would like to enter a new lease to include Tracts B and C for the remain(der) of Bering Shai’s existing lease, to expire October 7, 2088. The short term LFS, Inc. intends to continue with the current use and maintenance of the property, and to complete the dock that was applied to and approved by the US Army Corps of Engineers for by Mr. Shaishnikoff/Bering Shai. Longer term, LFS, Inc. plans to utilize and develop the dock and uplands in support of the fisheries industry.”

**DISCUSSION:** Tonight’s City Council meeting and the presentation of a signed lease document for Council’s consideration is a key benchmark in the application process on one identified in the January 27, 2022 meeting with Trident.

LFS, Inc. applied to lease UTS 103 Tracts B and C, with combined acreage of about 14.26 acres (Tract B 11.55 acres; and Tract C 2.71 acres) on Captains Bay Road. The referenced tracts are shown on the plat attached to this memo. LFS, Inc. purchased the quarry property formerly operated as Bering Shai Marine from Bill Shaishnikoff. LFS, Inc. seeks to acquire the remaining
67 years of Bering Shai’s existing 75-year lease for Tract C, which was approved in 2013, and a new lease for Tract B. When Bering Shai added fill, constructed a ramp and created mooring space in this area some of the physical improvements transgressed into Tract B. This created concern with regard to the lease value and property appraisal. Lease rents are based on a simple formula that uses a property appraisal prepared by a licensed professional, then charging ten percent (10%) of that value as annual rent.

LFS, Inc. submitted a new application for a tidelands lease on January 27, 2022. A new lease has been drafted in accordance with previous Council Direction, Title 7, and Regulations for Tidelands Leasing, License, Exchange or Sale. City Legal Counsel also prepared a draft termination clause as part of the new lease and shared it with LFS, Inc. and Barbara Kraft, legal counsel for the applicant. The lease has been signed by the applicant and is attached to this report. The only difference between the previous lease and this new lease is the addition of the early termination clause.

The early termination clause can be read on page one of the lease, item #1 ‘Term’, part (b) and states: “Lessee may terminate this Lease prior to the end of the Term by providing written notice of termination 30 days prior to termination together with payment of an early termination fee equal to 20% of the annual Rent for the year in which such notice is given multiplied by the number of full years then remaining in the Term.”

The area involved with this lease agreement remains the same as the prior application. The property has been surveyed, platted and recorded with the State Recorder’s Office. Required permits are in the process of being reviewed by the City of Unalaska. The required proof of insurance and the lease bond have already been provided.

Resolution 2022-06 authorizes the lease of UTS Tracts B and C to LFS, Inc. with the term of said lease to run through October 7, 2088 in accordance with the terms and conditions of the revised Tidelands Lease Agreement which is attached to this report. The resolution also authorizes the City Manager to terminate the Bering Shai Lease.

**ALTERNATIVES:** If Council determines the best interest of the City is to reject Resolution 2022-06, it may reject the resolution altogether.

**FINANCIAL IMPLICATIONS:** The initial annual rent for the 14.26 acres contained in Tracts B and C shall be 10% of the appraised value. A precise figure will not be known until the appraisal report, with the applicant to bear the cost thereof, is received. As described in the proposed lease agreement, the rate will be updated every 5 years based on new appraisal of the leased tidelands excluding any future improvements made by LFS, Inc.

**LEGAL:** This lease and termination were developed and reviewed by the city attorney. Should Council adopt Resolution 2022-06, the City’s Legal Counsel will advise the manager on further revisions to the proposed lease, or other such instruments, as are reasonably necessary to address the existing Bering Shai lease.

**STAFF RECOMMENDATION:** Staff recommends adoption of Resolution 2022-06.

**PROPOSED MOTION:** I move to adopt Resolution 2022-06.

**CITY MANAGER COMMENTS:** I support Staff’s recommendation.
ATTACHMENTS:

1. LFS Tideland Lease Application
2. Aerial photo and map showing UTS 103 Tracts B and C
3. Signed Tideland Lease Agreement (pending City signature)
4. Draft Termination of Tideland Lease Agreement
5. Plat 2013-13 (UTS 103)
The undersigned hereby applies to the City of Unalaska for lease of the following as per Section 7.12 UCO and City of Unalaska City Manager Regulation Tidelands, Leasing, License, Exchange or Sale.

Applicant's Name and Company: LFS, Inc.
Mailing Address: c/o Legal Dept., 5303 Shilshole Ave NW, Seattle WA 98107
Email: shampshire@lfsinc.com Day Time Phone: 206-839-7442 Message Phone: __________
Is the applicant the upland owner? ☐ Yes ☐ No
Upland Owner Name (if available): _________
Upland Owner Mailing Address: __________

--FOR OFFICE USE ONLY--
Date: ___________________ ATS/UTS #: ___________________
Proof of Insurance: Lease Bond: Development Plan: 
Permit Applications: Platting Action: Application Fee: 

--LEASE APPLICATION FOR--
Category A Tideland: ☐
Category B Tideland: ☐
Category C Tideland (Intake/Outfall Lines): ☐
If outfall/intake line is needed or existing, is there a ROW permit issued? ☐ Yes ☐ No
ATS/UTS Zone Designation: Developable Tidelands: ☐ Subsistence Tidelands: ☐
Brief Description of Request: (attach additional information to support the request)

see attached

Preferred Term of Lease: Balance of existing lease of Tract C
Approximant Value of Proposed Improvements: $N/A
TIDELAND LEGAL DESCRIPTION: (Fill in applicable blanks)

Tax Lot ID No.: 0803200 and 0803100

Acreage / Square Feet: 2.71 plus 11.40 acres

ATS/UTS#: UTS 103

Tract: C and B

Section(s): 21 Township: 73S Range: 11W

REQUIRED SUPPLEMENTAL INFORMATION

• Subdivision Plat for Category A or B Tideland & Survey for Category C Tideland
• Proof of Application for Required State and Federal Permits
• Scaled Site Plan
  o proposed and existing electric, sewer and water service routing
  o proposed and existing building(s), structure(s), or fill on site
  o adjacent rights of way(s)
  o label bordering right of ways and properties
  o dimensions of structures, height, distances from property lines to all structures.
  o access to all structures
  o location of existing monuments in the field
• Lease Bond
• Proof of Required Insurance

CERTIFICATION:

I hereby certify that (I Am) (I have been authorized to act for*) the owner of the entity described above and that I desire a tideland lease for this property identified above in conformance with the Unalaska Code of Ordinances and hereby dispose and say that all of the above statements are true. I am familiar with the code requirements and certify, to the best of my knowledge, belief, and professional ability, that this application meets the requirements. I understand that payment of the application fee is non-refundable and is to cover costs associated with the processing of this application and that it does not assure approval of the request. I also certify that I have read the City of Unalaska City Manager Regulation Tidelands, Leasing, License, Exchange or Sale and am familiar with its requirements.

1/28/2022

Signature

Date

*Please fill out and submit Authorization to Make Application by Agent form if acting as Owner’s Agent
Bill Shaishnikoff, the co-owner of Bering Shai Marine, LLC, sold the uplands to LFS, Inc. in December 2021. Bering Shai Marine, LLC is terminating the tidelands lease of Tract C as part of a related transaction. LFS, Inc. would like to enter a new lease to include Tracts B and C for the remainder of Bering Shai’s existing lease, to expire October 7, 2088 (correcting a typographical error on the existing lease).

The short term LFS, Inc. intends to continue with the current use and maintenance of the property, and to complete the dock that was applied to and approved by the US Army Corps of Engineers for by Mr. Shaishnikoff/Bering Shai. Longer term, LFS plans to utilize and develop the dock and uplands in support of the fisheries industry.
Exhibit A

- **UTS 103 Tr. C**
- **UTS 103 Tr. B**
- **UTS 103 Tr. D**
- **USS 8449 Lot 2**

Original Lease (Tract C)

Additional New Lease (Tract B)

Parcel Boundary

Maps and associated information have been created or purchased by the City of Unalaska and were compiled from the most authentic data available. The City is not responsible for any errors or omissions contained hereon.

All data and materials Copyright © 2021. All Rights Reserved.
This Tidelands Lease Agreement ("Lease") is made and entered into as of the Effective Date (as defined in paragraph 42, below), between the City of Unalaska, a first-class Alaska municipal corporation ("Lessor"), whose address is P.O. Box 610, Unalaska, Alaska 99685, and LFS, Inc. ("Lessee"), whose address is c/o Legal Dept., 5303 Shilshole Ave., NW, Seattle WA 98107.

WHEREAS, Bering Shai Marine, LLC currently leases UTS No. 103 Tract C pursuant to that certain Tidelands Lease Agreement UTS No. 103 Tract C by and between the City of Unalaska and Bering Shai Marine, LLC, dated October 7, 2013 ("Bering Shai Lease"); and

WHEREAS, Bering Shai Marine, LLC is selling its assets to LFS, Inc. and desires to terminate the Bering Shai Lease; and

WHEREAS, LFS, Inc. has applied to lease Tract C and Tract B of UTS 103; and

NOW THEREFORE, the Lessor and the Lessee, in consideration of the mutual covenants and conditions stated in this Lease, agree as follows:

Leased Premises. The Lessor hereby leases to the Lessee, and the Lessee hereby leases from the Lessor, the following parcels of land (collectively "Parcel"), which are situated in the State of Alaska, identified as follows:

Tract B of the Unalaska Tideland Survey 103, comprised of 11.40 acres, more or less, Unalaska Tideland Survey 103, according to the official plat thereof recorded as Plat No. 2013-13, records of the Aleutian Islands Recording District, Third Judicial District, State of Alaska; and

Tract C of the Unalaska Tideland Survey 103, comprised of 2.71 acres, more or less, Unalaska Tideland Survey 103, according to the official plat thereof recorded as Plat No. 2013-13, records of the Aleutian Islands Recording District, Third Judicial District, State of Alaska;
EXCEPTING AND RESERVING THEREFROM, to the Lessor and its assigns during the term of this Lease, the following specific interests, which shall be in addition to and not in derogation of any general reservations to the Lessor which may be stated elsewhere in this Lease:

A. Easements, rights of way and reservations of record.
C. The rights of the public to access tidelands under the Alaska Constitution.
D. The rights of the public to access tidelands under the Public Trust Doctrine

1. **Term.**
   (a) The Term of this Lease shall commence on the Effective Date and end on October 7th, 2088, unless sooner terminated as herein provided.
   
   (b) Lessee may terminate this Lease prior to the end of the Term by providing written notice of termination 30 days prior to termination together with payment of an early termination fee equal to 20% of the annual Rent for the year in which such notice is given multiplied by the number of full years then remaining in the Term.

2. **Rent.**
   (a) The Lessee shall pay to the Lessor rent (“Rent”) for the Parcel in equal annual payments, in advance, on or before the 10th day of the first month of the period of said rental term.
   
   (b) The Rent for the first year of the term shall be 10% of the appraised value of the tideland, which shall include the value of improvements thereon but exclude therefrom the value of Lessee Improvements. Appraised value shall be determined by an appraiser, with such appraiser selected by Lessor subject to Lessee’s consent. Notwithstanding the requirement that annual Rent payments be made in advance, on or before the 10th day of the first month of the period of said rental term, Rent for the first year shall be due within 30 days of Lessor’s written demand, which shall be made upon Lessor’s receipt of the appraisal report. The cost of the initial appraisal used to calculate this lease rate will be paid for by the Lessor, and the Lessee shall reimburse the Lessor for one-half of such cost not more than thirty (30) days after receipt of an invoice from the Lessor. Rent for the final year of the term shall be prorated to reflect the partial year of occupancy.

3. **Adjustments to Rent.** Rent due under this Lease shall be adjusted upward or downward as follows:

Commencing at the end of the fifth year of the term, and continuing at the end of every five years thereafter, the Parcel shall be reappraised. In some instances, a letter of opinion from an appraiser may be all that is warranted and may be considered every five years with a reappraisal every ten years. Rent shall be 10% of the appraised value of the appraised value of the tideland, which shall include the value of improvements thereon but exclude therefrom the value of Lessee Improvements. Rent shall at no point be less than the Rent for the first year of the term. The cost of subsequent reappraisals will be split equally between the City and the Lessee.

4. **Payment of Rent.** Rent payments shall be made payable to the City of Unalaska and
delivered to the City of Unalaska Finance Department, P.O. Box 610, Unalaska, Alaska 99685, or to any
other address which Lessor may designate in writing.

5. **Interest on Delinquent Payments.** All unpaid rents and fees shall accrue interest at the rate of
ten and one-half per cent (10.5%) per annum beginning thirty (30) days after payment is due.

6. **Use of Parcel.** The Lessee shall use and occupy the Parcel in compliance with all applicable
laws, regulations, ordinances and orders which a public authority has promulgated or may promulgate,
including those of a building or zoning authority and those relating to pollution and sanitation control and
those relating to City of Unalaska sales taxation. The Lessee shall not permit any unlawful occupation,
business, or trade to be conducted on the Parcel. The Lessee shall properly locate itself and its
improvements on the Parcel, and shall not commit waste of the Parcel, whether ameliorated or otherwise.
Notwithstanding such laws, regulations, ordinances and orders, the Lessee shall maintain the Parcel in a
reasonably neat and clean condition, and take all prudent precautions to prevent or suppress pollution of
the ground, surface water, air, or land, and to prevent erosion or destruction of the land.

7. **Improvements.**
   (a) The Lessee may make permanent improvements to the Parcel permitted by applicable law.
   
   (b) The Lessee must within 90 days of completion of any improvements including, but not
limited to, structural improvements, clearing, leveling, excavation, and backfill, file with the Lessor
adequate and reasonable documentation of such improvements, setting forth all applicable costs and
quantities (“Lessee Improvements”). Failure to provide such documentation may result in a loss of credit
to the Lessee for such improvements when the original condition of the Parcel is determined for
reappraisal purposes under Paragraph 3 hereof. Lessee Improvements shall also include those
improvements on Tract C of the Parcel constructed by Bering Shai Marine, LLC during the term of and
pursuant to the Bering Shai Lease.

   (c) Within 25 years of the Effective Date of this Lease, Lessee shall provide, pursuant to the
above paragraph, documentation evidencing Lessee’s expenditure of not less than five million dollars
($5,000,000) in costs for improvements constructed by Lessee on the Parcel or this Lease may be revoked
by Lessor.

8. **Encumbrance of Parcel.** The Lessee, during the term of this Lease, shall not encumber or
cloud the Lessor’s reversionary interest in the Parcel, without the prior written consent of the Lessor,
which shall not be unreasonably withheld; and any such act or omission, without the prior written consent
of the Lessor, shall be voidable by the Lessor.

9. **Notices of Non-responsibility and Completion.** Prior to commencing any improvements on
the Premises costing more than twenty thousand dollars ($20,000.00), individually or in the aggregate,
Lessee shall obtain from Lessor and duly post and record an appropriate notice of Lessor’s non-
responsibility for such Improvements, pursuant to the requirements of AS 34.35.065 or its successor.
Lessee shall, upon the completion of any improvements to the Property, promptly give and record an
appropriate notice of completion respecting all such Improvements, pursuant to the requirements of AS
34.35.071 or its successor.

10. Assignment of Lease and Sublease of Parcel. (a) The Lessee may not assign this Lease or sublet the Parcel, without the prior written consent of the Lessor, which shall not be unreasonably withheld. No assignment of this Lease shall be approved until the assignee agrees to be subject to and governed by the provisions of this Lease in the same manner as the original Lessee to the extent that they may be applicable to the sublease except for the payment of Rent and other monetary obligations. No such assignment or sublease will be effective until approved by the Lessor in writing or shall annul the Lessee’s obligation to pay the rent herein required for the full term of this Lease Except as permitted by the Lessor, no subdivision of the Lessee’s leasehold interest, including any exposed airspace thereon, shall occur.

(b) Subject to the requirements of subsection (a), above, consent to an assignment of this Lease to an Affiliate of Lessee may be given by Lessor’s city manager without further consent or approval from Lessor’s city council. For such assignment, Lessee shall give written notice. City shall have 60 days from the date of receipt of such notice to give its consent, reasonably refuse consent (with a reason for the refusal stated), or request more information. Should the City not provide one of the forgoing responses, in writing, within 60 days, it shall be deemed to have given its consent to the assignment to an Affiliate of Lessee. For the purpose of this paragraph, Affiliate of Lessee shall mean an entity controlled by Lessee, an entity controlling Lessee, or an entity controlled by an entity that controls Lessee.

11. Denial of Warranty Regarding Conditions. The Lessor neither makes any warranty, express or implied, nor assumes any liability whatsoever, regarding the natural, social, economic, or environmental conditions of the Parcel, including, without limitation, the soil, water and drainage conditions, natural or artificial hazards, and the profitability or fitness of the Parcel for any use. Lessor assumes no responsibility for any possession, or claim of possession, of any person holding under the Bering Shai Lease following termination of such lease.

Lessee represents and warrants that it has independently inspected the Parcel and made all tests, investigations and observations necessary to satisfy itself of the condition of the Parcel. Lessee shall and is relying solely on such independent inspection, tests, investigations and observations in making this Lease. Lessee accepts and shall be responsible for any risk of harm to any person and property, including but not limited to, employees of Lessee, from any latent defects in the Parcel.

12. Agreement to Terms of Lease. The Lessor and the Lessee agree and recognize that each of the covenants and conditions in this Lease and any attachments thereto are merged and incorporated into this Lease and shall be binding upon themselves and upon their respective successors, successors in interest and assigns and shall inure to their benefit. The Lessor and the Lessee further agree and recognize that this Lease shall be conditioned upon satisfactory performance by the Lessor and the Lessee of all covenants and conditions contained herein.

13. Payment of Taxes and Assessments. The Lessee shall pay as additional rent all real property taxes and assessments lawfully levied upon the Parcel during the term of the Lease.
14. **Utilities and Services.** Lessee shall, at its expense, procure and timely pay for all services and utilities and hook-ups therefore which are necessary or appropriate for its operation or use of the Parcel.

15. **Easements.** Lessor reserves the right to make grants to third parties or reserve to the Lessor easements through, on or above the Parcel for the purpose of providing water, sewer or electric services to the Parcel or to adjacent properties, or for the purpose of providing reasonable public access to public waters, provided that no such easement or may be granted or reserved which unreasonably interferes with the Lessee’s use of the Parcel.

16. **Condemnation of Leasehold Improvements.** If the whole or any part of the Parcel 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:

   (a) If all of the Parcel is taken by condemnation, this Lease and all rights and obligations of the Lessee will immediately terminate, and the rent will be adjusted so that it is due only until the date the Lessee is required to surrender possession of the Parcel. The Lessor is entitled to all the condemnation proceeds, except that the Lessee will be paid the portion of the proceeds attributable to relocation costs or to Lessee Improvements located on the Parcel.

   (b) If the taking is of a substantial part of the Parcel, the following rules apply:

      (1) If the taking reduces the ground area of the Parcel by at least 30 percent or materially affects the use being made by the Lessee of the Parcel, the Lessee has the right to elect to terminate or not to terminate this Lease by written notice to the Lessor not later than 180 days after the date of taking.

      (2) If the Lessee elects to terminate this Lease, the provisions in (a) of this subsection govern the condemned portion of the Parcel and the terms of the Lease govern disposal of the remainder if any.

      (3) If the Lessee elects not to terminate, the Lease continues and the Lessor is entitled to the full condemnation proceeds, except the Lessee will be paid the portion attributable to relocation costs or to Lessee Improvements located on Parcel. Except as it may be adjusted from time to time under the terms of this Lease, rent for the balance of the term will be equitably adjusted by the Lessor to reflect the taking.

   (c) If the taking by condemnation reduces the ground area of the Parcel by less than 30 percent and the Lessee’s use of the Parcel is not materially affected, the provisions of (b)(3) of this subsection will govern.

17. **Access.** The Lessor makes no representations or warranty that it will construct or maintain access to the Parcel.

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18. **Valid Existing Rights.** This Lease is entered into and made subject to all valid existing rights, including easements, rights-of-way, reservations, or other interests in land of record on the date of execution of this Lease.

19. **Inspection.** The Lessor shall have reasonable access to the Parcel for purposes of inspection regarding the faithful performance by the Lessee of the covenants and conditions of this Lease and for the performance of other lawful requirements.

20. **Mineral Reservations.** The Lessor hereby expressly saves, excepts, and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals (other than sand, gravel and rock), fissionable materials, geothermal resources, and fossils of every name, kind or description, and which may be in or upon said lands above described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals (other than sand, gravel and rock), fissionable materials, geothermal resources, and fossils. The Lessor also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right to enter by itself, its or their agents, attorneys, and servants upon said lands, or any part or parts thereof, at any and all times, for the purpose of opening, developing, drilling and working mines or wells on these or other lands and taking out and removing therefrom all such oils, gases, coal, ores, minerals (other than sand, gravel and rock), fissionable materials, geothermal resources, and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, power lines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said lands or any part thereof for the foregoing purposes and to occupy as much of said lands as may be necessary or convenient for such purposes, hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved.

Provided, however, that no rights reserved hereunder shall be exercised by the Lessor or its subsurface lessees, until provision has been made by the Lessor or its subsurface lessees to pay to the Lessee of the land upon which the rights are herein reserved, full payment for all damages and losses sustained by said Lessee by reason of entering upon said land; and provided further that, if the Lessee for any cause whatever refuses or neglects to accept such damage or loss payment, the Lessor or its subsurface lessees, or any applicant for a subsurface lease, contract or option from the Lessor or its subsurface lessee for the purpose of exploring for or extracting valuable minerals (other than sand, gravel and rock), coal, petroleum, natural gas, or geothermal resources shall have the right, after posting an adequate surety bond for the Lessee, as the obligee, issued by a corporation qualified to do business in Alaska and licensed to sell insurance in Alaska, or after posting for the Lessee, as the obligee, an adequate bond executed by one or more individual sureties approved by the Lessee and after due notice and an opportunity to be heard, to exercise rights granted to it for reasonable use of the surface required for the full enjoyment of the reserved subsurface rights which it holds. Each surety bond shall be sufficient in amount and security to secure the affected rights of the Lessee, and the Lessee and the Lessor or its
subsurface lessee shall have the standing which may be necessary to seek a determination of the damages and losses which the Lessee may suffer, and the security appropriate to hold the Lessee harmless in relation thereto.

21. Appropriation or Disturbance of Waters. During the term of this Lease, the Lessee shall have the right to apply for an appropriation of ground or surface water on the Parcel in accordance with the Alaska Water Use Act. All water applied for and appropriated during the term of this Lease shall remain appurtenant to the Parcel during said term, and such water and water rights shall not be severed or transferred from the Parcel or any part thereof during said term without the prior consent of the Lessor. The Lessee’s rights under any permit or certificate of appropriation shall revert to the Lessor upon termination of the Lease or forfeiture of the Lease for cause.

22. Acquisition of Rights or Interests. Any right or interest acquired during the term of this Lease and accruing to the benefit of the Parcel shall remain appurtenant to the Parcel during that term, and shall not be severed or transferred from the Parcel without the prior consent of the Lessor. In the event of termination or forfeiture of this Lease, any such right or interest shall revert to the Lessor along with the Parcel.

23. Land Alterations Due to Natural or Artificial Causes. The Parcel described herein shall constitute the entire Parcel of property to be leased by the Lessor to the Lessee pursuant to this Lease. If, through natural or artificial causes, accretion or reliction of land occurs on property contiguous to the Parcel that is owned by the Lessor, the Lessee shall have no right to occupy or use such contiguous property unless a separate lease is entered with the Lessor with respect to such property. The parties agree and stipulate that the rules of law usually applicable to accretion or reliction of land shall not apply to this Lease, nor to the Parcel leased hereunder, in order that the parties may give effect to the provision agreed upon herein.

24. Environmental Indemnification. If any hazardous substances are released or discharged on or from the Parcel to, on or about the Parcel or other properties, including, but not limited to, the surface or subsurface waters adjacent to the Parcel during the term of this Lease, Lessee shall indemnify, defend, and hold Lessor harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses, including, but not limited to, costs incurred in connection with any investigation of site conditions or any cleanup, remediation, removal, or restorative work required by any federal or state agency due to the presence of hazardous substances in the soil or groundwater on or under the Parcel or other affected properties, whether such losses arise during or after the term of this Lease, but only to the extent that such release or discharge is not caused by the fault of Lessor or its agents, representatives, contractors or employees.

25. Lease Subject to Public Trust. This Lease is subject to the principles of the Public Trust Doctrine.

26. Hazardous Substances. Lessor represents and warrants to Lessee that, to the best of its information, knowledge and belief, no hazardous substances have been released, discharged or spilled on the Parcel; however, Lessor does not represent, warrant or guarantee that this is necessarily the case.
Otherwise, Lessor has made no express or implied representations or warranties to Lessee with respect to the release, discharge or spillage of any hazardous substances in, on or about the Parcel. Lessee hereby releases and discharges Lessor, its affiliates and all of their respective past, present and future officials, employees, agents, attorneys, insurers and representatives, with prejudice, from any and all claims, obligations or liabilities which have arisen, resulted from or are based upon, or may in the future arise out of, result from or be based upon, in whole or in part, the past release, discharge or spill of any hazardous substances or other environmental pollution in, on or about the Parcel, regardless of whether such claim, obligation or liability, or the type or extent thereof, is now known or foreseeable; provided, however, that such release and discharge shall be inapplicable to claims, obligations and liabilities that are based upon a material breach of the representations and warranties made by Lessor in this Lease.

27. **Definition of Hazardous Substance.** Hazardous substance, as such term is used in this Lease, includes: (a) (1) crude oil, (2) petroleum, (3) diesel fuel, (4) marine fuel, (5) heating oil, (6) gasoline, (7) motor oil, (8) kerosene, (9) aviation fuel, (10) other petroleum products, additions and derivatives, (11) urea formaldehyde foam insulation, (12) asbestos, and (13) polychlorinated biphenyls; and (b) any other (1) pollutant, (2) contaminant or (3) toxic, flammable, explosive, radioactive, noxious, hazardous, extremely hazardous, dangerous or potentially dangerous waste, material or substance, the response to which or the remediation or removal of which is required, or the manufacture, preparation, production, use, maintenance, treatment, storage, transfer, disposal, handling, processing or ownership of which is restricted, prohibited, regulated or penalized by any federal or state law or regulation as now or hereafter in effect.

28. **Spill Prevention.** Any fuel or oil stored on the Parcel shall be stored so as to prevent the discharge thereof from entering any ground or surface waters. Lessee shall promptly clean or mop up any fuel or oil spilled on or about the Parcel. If Lessee’s use of the Parcel results in hazardous substances being on or about the Parcel, Lessee shall:

(a) Have materials and equipment available on the Parcel at all times sufficient to contain and clean up any hazardous substance that may reasonably be expected to be spilled on or about the Parcel. A list of said material and equipment shall be provided to Lessor for approval at the request of Lessor which approval shall not be unreasonably withheld. Lessee shall comply with all reasonable requests of Lessor regarding the amount and type of equipment and material to be kept available on the Parcel to contain and clean up any hazardous substance that may reasonably be expected to be spilled on or about the Parcel.

(b) Prior to commencing operations from any improvement on the Parcel for which a DEC-approved Spill Contingency Plan is required, Lessee shall provide evidence of the existence of such an approved plan in a form acceptable to Lessor.

(c) Lessor’s inspection rights identified in paragraph 24 specifically include the right to inspect the materials indicated as present and stored for purposes of responding to spills of hazardous substances on the Parcel.

29. **Erosion Prevention.** Lessee shall prevent unwarranted erosion of the Parcel that is caused by
Lessee's use or occupancy of the Parcel. Any such erosion shall be repaired in a manner satisfactory to Lessor at Lessee's sole expense.

30. **Waiver or Forbearance.** The receipt of rent by the Lessor, with or without knowledge of any breach of the Lease by the Lessee, or of any default on the part of the Lessee in the observance or performance of any of the terms, conditions or covenants of this Lease, shall not be deemed to be a waiver of any provision of this Lease. No failure on the part of the Lessor to enforce a condition or covenant of this Lease, nor the waiver of any right hereunder by the Lessor, unless in writing, shall discharge or invalidate the application of such term or covenant; nor shall any forbearance or written waiver affect the right of the Lessor to enforce any term or covenant in the event of any subsequent breach or default. The receipt by the Lessor of rent or any other sum of money, or the termination in any manner of the Lease, or the giving by the Lessor of any notice hereunder to effect such termination, shall not reinstate, continue, or extend this Lease, nor destroy or in any manner or impair the validity of any such notice of termination which may have been given hereunder by the Lessor to the Lessee prior to the receipt of any such sum of money or other consideration, unless the contrary effect shall be expressed in writing and signed by the Lessor.

31. **Bankruptcy.** In the event Lessee becomes insolvent, makes an assignment for the benefit of creditors, becomes the subject of a bankruptcy proceeding, reorganization, arrangement, insolvency, receivership, liquidation, or dissolution proceedings, or in the event of any judicial sale of Lessee's interest under this Lease, Lessor shall have the right to declare this lease in default.

32. **Breach and Remedies.** (a) Time is of the essence of this Lease. If the Lessee shall materially breach any of the terms, covenants, conditions or stipulations contained in this Lease or attached hereto which are applicable to it, and said breach shall not be completely cured within 60 days after written notice of such breach has been served by the Lessor upon the Lessee and each holder of a security interest in the Lessee's interest under this Lease that has notified the Lessor of such security interest, the Lessee shall be subject to such legal rights and remedies as the Lessor shall have available to it under applicable law, including, but not limited to, the termination of this Lease; provided, however, that no improvements now upon the Parcel, or which may be placed thereon during the term of this Lease, may be removed therefrom during any time in which the Lessee may be in material breach of this Lease. In the event that this Lease is terminated by the Lessor for a material breach by the Lessee of this Lease, all rents paid by the Lessee shall be forfeited to and retained by the Lessor, not as a penalty, but as liquidated damages for such breach. The Lessor shall not be liable for any expenditures made by the Lessee or undertaken by the Lessee under this Lease prior to such termination.

(b) If the Lessee fails to completely cure a material breach of this Lease by it within the time allowed in (a) of this paragraph, any holder of a security interest in the Lessee's interest under this Lease who has notified the Lessor of such security interest may cure or remedy such breach if the breach can be cured by the payment of money or, if this cannot be done, by performing, or undertaking in writing to perform, the Lessee's obligations which are the subject of such breach that are capable of performance by the holder. The holder shall act within 60 days from the date of receipt of notice under (a) of this paragraph, or within any additional period which the Lessor may allow for good cause.
IN WITNESS WHEREOF the Lessor and the Lessee have caused these presents to be executed in duplicate, and have hereunto set their respective hands, agreeing to keep, observe and perform the terms, conditions and provisions herein contained or attached, which on the Lessor’s or the Lessee’s respective parts are to be kept, observed and performed.

LFS, INC.

Name: Joseph L. Buriandi
Title: CEO

THIS IS TO CERTIFY that on this 15 day of February, 2022 before me appeared Joseph L. Buriandi to me known and known to me to be the CEO of LFS, Inc., the corporation named in and who executed the Lease Agreement and acknowledged voluntarily signing the same with authority to do so on behalf of LFS, Inc.

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

Erin Reinders
City Manager

CITY OF UNALASKA

NOTARY PUBLIC in and for Alaska
My Commission Expires:

UTS 103 Tract B & C Tideland Lease Agreement – LFS, Inc.
RECORD IN ALEUTIAN ISLANDS RECORDING DISTRICT

CITY OF UNALASKA
TERMINATION OF TIDELAND LEASE AGREEMENT
UTS No. 103 Tract C
FOR CITY OWNED TIDELANDS

This Termination of Tidelands Lease Agreement ("Termination Agreement") is between the City of Unalaska, a first-class Alaska municipal corporation ("Lessor"), whose address is P.O. Box 610, Unalaska, Alaska 99685, and Bering Shai Marine, LLC ("Lessee"), whose address is PO Box 196, Unalaska, Alaska 99685.

WHEREAS, the parties entered into that certain Tideland Lease Agreement UTS No. 103 Tract C on October 7, 2013 ("Bering Shai Lease"), which is recorded as Document No. 2013-000519-0, records of the Aleutian Islands Recording District, Third Judicial District, Alaska;

WHEREAS, Bering Shai Marine, LLC is selling its assets to LFS, Inc. and desires termination of the Bering Shai Lease;

NOW THEREFORE, the Lessor and the Lessee, in consideration of the mutual covenants and conditions stated in this Lease, agree as follows:

1. Termination of Tenancy & Bering Shai Lease. Upon the Effective Date of this Termination Agreement, the Bering Shai Lease, and all of Lessee’s interest thereunder, shall terminate.

2. No Encumbrances. Lessee represents and warrants that it has not caused or allowed any encumbrance of the lease premises, other than any contingent leasehold interest of L.F.S. Inc., nor shall there be any as of the Effective Date.

3. Improvements. Lessee waives any right granted to it by Section 33 of the Bering Shai Lease to remove any permanent improvements from the lease premises or adjacent to the lease premises.

4. Survival of Terms. Sections 24, 34, and 41 of the Bering Shai Lease shall survive termination of the Bering Shai Lease. Section 36 shall survive and remain in effect for as long as Lessee continues to occupy any of the leased premises under LFS, Inc.

5. Effective Date. This Termination Agreement shall be effective ("Effective Date") concurrent with the last occurring of:
Termination of Tideland Lease Agreement UTS 103 Tract C – Bering Shai Marine, LLC
(a) Authorization by the City Council of the City of Unalaska;

(b) Execution of this Termination Agreement by the parties; and

(c) The effective date of that certain Tideland Lease Agreement UTS No. 103 Tract B & C between the City of Unalaska and LFS, Inc.

IN WITNESS WHEREOF the Lessor and the Lessee have caused these presents to be executed in duplicate, and have hereunto set their respective hands, agreeing to keep, observe and perform the terms, conditions and provisions herein contained or attached, which on the Lessor’s or the Lessee’s respective parts are to be kept, observed and performed.

______________________________
Bering Shai Marine, LLC

THIS IS TO CERTIFY that on this _______ day of February, 2022 before me appeared Bill Shaishnikoff known to me to be the person named in and who executed this Termination of Termination of Tideland Lease Agreement and acknowledged voluntarily signing the same.

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

______________________________
NOTARY PUBLIC in and for Alaska
My Commission Expires:__________________

City Manager,
City of Unalaska

THIS IS TO CERTIFY that on this ____ day of February 2022, before me appeared Erin Reinders, known to me to be the City Manager of the City of Unalaska and the person named in and who executed the Termination of Tideland Lease Agreement and acknowledged voluntarily signing the same on behalf of the City of Unalaska.

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

______________________________
NOTARY PUBLIC in and for Alaska
My Commission Expires:__________________