

OPTION TO LEASE

LADD LANDING

Between

KENAI PENINSULA BOROUGH

and

TIDEWATER SERVICES CORPORATION

March 10, 1987

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OPTION TO LEASE
LADD LANDING

THIS OPTION TO LEASE ("Option") is made this 10th day of March, 1987 (herein the "Option Date"), by and between the Kenai Peninsula Borough, a second class borough, organized and existing in accordance with the laws of the State of Alaska, ("Optionor" herein) and Tidewater Services Corporation, a Delaware corporation ("Optionee" herein).

1. Option. In consideration of the terms, conditions and payments provided herein, Optionor hereby grants to Optionee the sole and exclusive right and option to Lease (the "Option") all or any portion of the surface estate of certain unimproved real property composed of six (6) parcels herein (the "Parcels") and that certain easement (herein the "Easement"), together with all of Optionor's right, title and interest in and to soil, sand and gravel, if any, and subject to the terms of this Option, located in the Kenai Peninsula Borough, Anchorage Recording District, State of Alaska, known as the Ladd Landing and more particularly described in Exhibit A attached hereto and by this reference incorporated herein (herein the "Premises").

2. Term of Option; Extension.

2.1 The Option granted herein is for a term of five (5) years, to commence on the Option Date and to expire on the 5th Anniversary of the Option Date, unless extended, exercised as to all Parcels, as described in Exhibit A, or terminated as provided herein.

2.2 Upon written notice given to Optionor by Optionee of Optionee's election to extend the Option Period, served as provided herein not later than ninety (90) days before the expiration date of the initial Option Period specified in this Section 2, the Option Period shall be extended for an additional two (2) years, to commence on the 5th Anniversary of the Option Date and to expire twenty-four (24) months thereafter (collectively, the initial Option Period and the extended Option Period are referred to herein as the "Option Period").

3. Exercise of Option.

3.1 The Option may be exercised with respect to one or more of the Parcels at the same or different times at Optionee's sole election, by written notice to Optionor given on or before ninety (90) days prior to the expiration of the Option Period.

The effective date or dates of Optionee's exercise of this Option shall be known as and referred to herein as the "Date of Exercise." If Optionee exercises the Option as to separate Parcels at different times, each such Date of Exercise shall refer to the Parcel as to which this Option was exercised. Unless the Option is exercised within the time herein specified and in the manner provided herein, all rights hereunder shall be terminated except that the Option Price paid pursuant to Section 4 hereof shall be retained by Optionor.

3.2 This Option may be exercised as to any one or more of the Parcels that comprise the Premises. The Easement described in Exhibit A benefits each and every Parcel; shall be granted with any one or more Parcels as to which this Option is exercised; and shall be granted at the Closing of the first exercise of this Option. After exercise of this Option and until expiration of the Term or any extended Term of this Option, Parcels as to which this Option is not exercised shall remain subject to this Option unless specifically and expressly released or terminated.

4. Option Price.

4.1 Optionee shall pay the amounts shown for each Parcel, including the Easement, subject to this option.

Parcel	Option Price Per Annum
I	\$42,600
II	7,000
III	7,000
IV	7,000
V	12,000
VI	4,400
TOTAL	<u>\$80,000</u>

"Option Price" shall mean the total amount of money paid or to be paid annually for any or all of the above Parcels that are or remain subject to this Option.

4.2 The Option Price shall be paid in five (5) equal annual installments, in advance, for the initial Option Period granted herein. The initial annual installment shall be eighty thousand dollars (\$80,000) and shall be due and payable upon execution of this Option. Each succeeding installment shall be due and payable on each anniversary hereof, with the last such installment due and payable on the 4th Anniversary of the Option Date.

4.3 If Optionee extends the initial Option Period, Optionee shall pay Optionor, as a bonus, the sum of Fifty Thousand Dollars (\$50,000.00) in consideration of the extended Option Period. In addition, Optionee shall pay Optionor the same Option Price per Parcel as paid during the initial Option Period, in two (2) equal annual installments. The bonus payment and the first annual installment shall be due and payable upon Optionee's exercise of its election to extend the Option, and the second and final installment shall be due twelve (12) months thereafter.

5. Optionee's Intended Use. Optionor acknowledges that Optionee's intended use of the Premises, if Optionee exercises this Option, is for commercial, industrial and residential purposes associated with the extraction, handling, storage, transportation and shipment of coal.

6. Right of Entry; Use Permit; Other Users.

6.1 From the date hereof until the expiration of the Option Period and except as otherwise provided herein, Optionee, or any employee, agent or contractor of Optionee, except as provided in this Section 6, shall have the right to enter upon the Premises for the purpose of determining, to its own satisfaction, that the Premises are suitable for Optionee's intended purposes. To accomplish that objective, Optionee may conduct such soil tests, surveys, environmental, engineering or other studies as Optionee may desire; excavate, improve and construct roads, bridges, rights-of-way or other improvements; unload, store, load and ship goods, equipment and materials, including bulk coal samples; excavate and remove soil, sand and gravel owned by Optionor; and do all such things as are reasonably necessary or desirable for Optionee to determine to its own satisfaction that the Premises are suitable for Optionee's intended purposes. Optionee shall submit its plans to Optionor for removal of soil, sand and gravel and for any major repair, reconstruction or improvement to be made to the barge landing area or access thereto. All such tests, studies, and activities shall be at Optionee's expense and Optionee shall hold and save Optionor harmless from any and all claims for damages suffered by any person on the Premises which may be proximately caused by the exercise of this right of entry by Optionee, except as the result of Optionor's negligence.

6.2 Optionor shall, and hereby does, grant to Optionee a non-exclusive right and permission to and for Optionee's use of the barge landing area adjacent to the Premises known as Ladd Landing. The use permit shall and does grant Optionee the right

of access to and use of all existing barge landing facilities and shall allow use of the entire area shown and depicted in Exhibit A as "Barge Landing". Optionee's right of use shall include, but shall not be limited to, the right to unload, store, load and ship goods, equipment, materials and natural resources, including bulk coal samples; land and secure barges and associated equipment; repair, reconstruct and improve the barge landing area and access thereto. Optionee shall be entitled to allow its rights hereunder to be exercised by its agents, contractors, vendors, vendees and designated agents or persons.

6.3 Optionee recognizes and agrees that the existing barge landing area and access thereto, and the existing roads on the Premises are, and shall continue to be, throughout the Option Period open and available to the public for public uses. Except as permitted herein, Optionee shall not unreasonably restrict, impair, limit or prohibit other users of the barge landing area, access thereto, or of existing roads during the Option Period. Optionee agrees to use its best efforts to minimize disruption to other users of the barge landing area and access thereto with respect to any improvements to the barge landing area, or improvements or relocation of access thereto undertaken by Optionee. So long as Optionee does not unreasonably restrict use of the barge landing area or access thereto, Optionee shall not be liable for the effects or consequences of any disruption to or loss of use by other users. Optionor agrees that any use permits or licenses issued to other users, including any extensions or renewals of existing use permits, after the Option Date shall be made expressly subject and subordinate to Optionee's rights granted herein.

6.4 Optionor shall, at Closing, contract with Optionee or Optionee's designee for management and operation of the barge landing area and access thereto, as shown on Exhibit A, by execution of the Port Management Agreement attached as Exhibit C to this Option.

6.5 For soil, sand and gravel excavated and removed pursuant to Section 6.1, Optionee shall pay Optionor the sum of seventy cents (\$.70), per cubic yard for quantities of soil, sand and gravel actually used in excess of 1,000 cubic yards. "Actually used" shall not include quantities excavated and removed for storage.

7. Assignment by Optionee. For purposes of obtaining or to assist in obtaining financing and investment participation, Optionee's rights hereunder may be conveyed, licensed, transferred or assigned to and exercised by any grantee, transferee, or assignee or nominee Optionee may designate, provided that within a reasonable time following such conveyance,

license, transfer, assignment or nomination Optionee shall give Optionor written notice thereof. Optionee's rights hereunder may also be conveyed, licensed, transferred or assigned to and exercised by any grantee, transferee or assignee that is an affiliate, subsidiary, related or parent corporation of Optionee; or to any corporation, joint venture, partnership, business trust or other business association in which Optionee holds an interest, provided that within a reasonable time following such event, Optionee shall give Optionor written notice thereof. Except as permitted in this Section 7, Optionee may not convey, transfer or assign this Option without the prior written consent of Optionor, which consent shall not be unreasonably withheld or delayed.

8. Ground Lease.

8.1 At Closing, Optionor shall execute and deliver to Optionee the Ground Lease attached hereto and by this reference incorporated herein as Exhibit B. At Closing the Ground Lease shall describe the Premises or any Parcel thereof as to which the Option has been exercised.

8.2 If Optionee exercises this Option as to different Parcels at different times, the Ground Lease first executed shall be amended to include the Parcel or Parcels as to which this Option is subsequently exercised. Rental for subsequently added Parcels shall commence upon the amendment of the Ground Lease. Rent for Parcels added after the initial exercise of this Option shall continue to the end of the first seven (7) year period of the Lease Term, as measured from the date of first execution of the Ground Lease. Thereafter, rental adjustments shall be made as to all Parcels made subject to the Ground Lease at the same time, according to the schedule provided in the Ground Lease first executed.

9. Title Insurance. Upon the Option Date, Optionor shall, at Optionor's expense, deliver or cause to be delivered to Optionee a preliminary commitment for an owner's extended coverage leasehold policy of title insurance (the "Preliminary Commitment") issued by a Title Insurance Company ("Title Company") satisfactory to Optionee showing the condition of Optionor's title to the Premises. Within thirty (30) days after the Date of Exercise, Optionor shall, at Optionor's expense, deliver an updated Preliminary Commitment to Optionee. Within forty-five (45) days of Optionee's receipt of the updated Preliminary Commitment, Optionee shall give Optionor written notice of exceptions to title that are unacceptable to Optionee.

Optionor shall then have sixty (60) days to cure or remove such exceptions. At Optionor's expense, Optionor shall deliver to Optionee at Closing an owner's extended coverage leasehold policy for the Premises in its unimproved condition issued by Title Company. Both the Preliminary Commitment and the Owner's Leasehold Policy of Title Insurance shall be in the face amount determined by Optionee insuring Optionee's leasehold interest in the Premises subject to no exceptions except the usual printed form of General Exceptions and Permitted Exceptions. If title is not insurable as provided above and cannot be made so insurable by the Closing date, all Option Money paid by Optionee to Optionor shall be refunded by Optionor to Optionee, less actual costs incurred by Optionor for title insurance and for legal fees for the legal opinion required by Section 13 and except as otherwise provided herein. Optionee may, however, at its election, waive defects and elect to execute and enter into the Ground Lease.

10. Title. At Closing, Optionor's title to the Premises shall be good and marketable and free and clear of all liens, encumbrances or defects, subject only to exceptions approved by Optionee in writing after examination of the Preliminary Commitment for title insurance ("Permitted Exceptions") issued by Title Company. Optionor shall have obtained all necessary consents, approvals and authorizations and shall have full power and authority to enter into and execute the Ground Lease and shall provide Optionee with written evidence thereof satisfactory to Optionee.

11. Optionor's Representations and Warranties. Optionor represents and warrants that:

- (a) At the Option Date and at Closing, Optionor will be lawfully seized of an indefeasible surface estate in fee simple to the Premises; Optionor's title to the Premises will be good, valid, and marketable, free and clear of all liens, encumbrances, or defects except those specifically approved by Optionee in writing; Optionee shall have and enjoy quiet and peaceable possession of the Premises, and Optionor will defend Optionee's interest in the Premises against all persons claiming any interest adverse thereto;
- (b) At the Option Date and Date of Exercise, and at Closing, Optionor has full right and power to enter into and execute this Option; Optionor has taken all appropriate and necessary action to obtain, and has obtained, all appropriate and necessary city,

municipal, borough, state and federal authority and approval to do so; and will, upon execution of this Option, provide written evidence thereof satisfactory to Optionee;

- (c) At the Option Date, the Premises are within the Kenai Peninsula Borough's Industrial classification (KPB 21.04.010) and may be used for Optionee's intended purposes;
- (d) At closing, the Premises will be classified and designated for Optionee's intended use;
- (e) Optionor does not and has not used the Premises to store or dispose of any chemical, dangerous, hazardous or toxic chemicals, materials or waste. Lessor agrees to hold Lessee harmless from any claims, causes of actions, enforcement actions, proceedings, penalties, fines (whether administrative, tort, contract, civil or criminal, in law or in equity), by any local, state or federal government agency or authority, or arising out of any civil claim, proceeding, suit or litigation, except as may arise out of Optionee's use of the Premises;
- (f) Optionor has no information, knowledge or belief that the Premises are now or ever have been used to store or dispose of any chemical, dangerous, hazardous or toxic chemicals, materials or waste. Upon obtaining any such information, knowledge or belief, Optionor shall immediately disclose such to Optionee;
- (g) There are no claims, actions, suits, proceedings or litigation affecting the Premises pending, asserted or threatened by any local, state or federal government or governmental agency; or by any Alaska Native, Native corporation, Native village, or Native tribal council; or by any other entity or person pursuant to common law, the Alaska Native Claims Settlement Act of 1971; the Alaska National Interest Lands Conservation Act of 1980; or the Alaska Native Claims Allotment Act of 1906; the Alaska Mental Health Land Grant Act (the Mental Health Enabling Act), except claims asserted by Cook Inlet Region Incorporated as to its subsurface estate rights;
- (h) This Option does not violate and complies with the above-enumerated statutes and all municipal, borough,

state and federal rules and regulations promulgated thereunder or in implementation thereof; and with all applicable municipal and borough ordinances and all state and federal statutes, rules and regulations and orders.

12. Optionor's Covenants. Optionor covenants that:

12.1 Prior to Closing, Optionor will classify or reclassify the Premises to an appropriate classification, zone, district, or other land use designation that does not restrict, limit or unreasonably condition use of the Premises for Optionee's intended purposes. Any classification, reclassification, zone, district or land use designation shall provide that use of the Premises will not be restricted, limited or conditioned without Optionee's express prior written consent, so long as Optionee's use of the Premises does not violate the terms of the classification or land use ordinance in effect at the Date of Exercise.

12.2 Optionor will immediately disclose to Optionee the existence of any facts or circumstances that hereafter arise or of which Optionor becomes aware, that do or might, in any way, affect Lessor's representations, warranties and covenants.

12.3 Other than to Optionee, Optionor will grant or issue no use or exploration permits, licenses, leases, options, easements, or other rights or interests, of any kind or nature, in or to the Premises during the Option Period or the Term or any Extended Term of the Ground Lease, except as they shall be made expressly subject and subordinate to this Option and Optionee's rights contained herein.

12.4 Optionor shall protect and hold Optionee harmless from any claims, proceedings, suits, litigation, fines, penalties, judgments or orders arising from any breach of Lessor's representations, warranties or covenants.

13. Legal Opinion. Optionor shall provide Optionee with a legal opinion rendered by an attorney, satisfactory to Optionee, representing the Kenai Peninsula Borough, but not an employee of the Kenai Peninsula Borough, admitted to practice in the State of Alaska, in form and content satisfactory to Optionee, that the Borough has full right, power and authority to execute and enter into this Option, the Ground Lease and the Port Management Agreement; that all required government permits, consents and approvals have been obtained to authorize entry into and execution of this Option and the Ground Lease and the Port

Management Agreement by the Optionor; and that this Option, the Ground Lease, and the Port Management Agreement are binding, valid and enforceable according to their terms.

14. Land Use. Optionor agrees that if, during the Option Period, or the Term or any Extended Term of the Ground Lease, the Premises are reclassified, redesignated, rezoned or use conditions imposed to prohibit or to unreasonably limit or restrict Optionee's intended use contrary to the terms of this Option or the Ground Lease, then the Premises shall be deemed condemned and Optionee shall be entitled to reasonable compensation.

15. Taxes and Assessments. Any taxes which are a lien on the Premises as of the date of Closing shall be paid by Optionor, except that real estate taxes for the year in which the Option is exercised shall be prorated as of the Closing date. All assessments for local improvements, if any, which improvements have been made or commenced prior to the Commencement Date of the Ground Lease, shall be paid by Optionor, whether or not they constitute liens against the Premises.

16. Closing. "Closing" shall mean the date the Ground Lease, attached hereto as Exhibit B, is executed. The Ground Lease shall become effective upon execution. Upon first exercise of this Option, the lease transaction contemplated by this Option shall be closed by executing the Ground Lease, the Easement, the Memorandum of Lease, the Port Management Agreement and all other related documents or instruments, in the office of Optionor within sixty (60) days of the Date of Exercise, but not later than ninety (90) days after the Date of Exercise. Optionee and Optionor shall, on demand, provide all documents, instruments and monies necessary to execute the Ground Lease and other Closing documents in accordance with this Option. The date of the Closing maybe extended as necessary for the production of all documents, instruments and monies required by this Option, but not more than one hundred eighty (180) days after the Date of Exercise.

17. Memorandum of Lease. At Closing, the parties shall execute a Memorandum of Ground Lease in recordable form which shall be recorded in the Anchorage Recording District, Alaska, and in any other recording district in which any portion of the Premises are located, giving record notice of Optionee's leasehold interest in the Premises.

18. Rent; Appraisal.

18.1 Annual rent during the initial seven (7) year period of the Lease Term, as defined in Exhibit B, the Ground Lease, shall be six percent (6%) of the Fair Market Value of the Premises (excluding the Easement) or the Parcel or Parcels as to which this Option is exercised in its present, unimproved condition, determined in accordance with the procedures and instructions set out in Exhibits E and F, attached hereto and by this reference incorporated herein. The amount so determined shall be inserted in the space provided in Section 4 of the Ground Lease. Upon execution of this Option, the parties shall cause the Premises to be appraised in accordance with Exhibits E and F.

18.2 In consideration of the Easement granted by Optionor to Optionee, Optionee shall pay the sum of Fifteen Thousand Dollars (\$15,000) at closing for the first year of the Easement. Thereafter, Optionee shall pay the sum of Five Thousand (\$5,000) per year, in advance, for each year the Easement remains in effect. Payments shall be made on or before each anniversary date of closing, with the first such annual payment due on the first anniversary of closing.

19. Default.

19.1 In the event Optionor defaults in its obligations hereunder, Optionee shall be entitled to specific performance of this Option, may recover damages from Optionor, or may rescind this Agreement. Optionor agrees that the Premises are unique, that Optionee's intended use may not be accomplished by the use of any other real property and hereby consents to specific performance. Optionee's rights and remedies shall be cumulative, and in addition to any other rights or remedies available at law or in equity.

19.2 In the event Optionee defaults in its obligations hereunder, by injuring, damaging or destroying property, or by failing to repair, restore or reclaim property as required herein, and after Optionor has given Optionee sixty (60) days' written notice thereof, describing the alleged default in sufficient detail to allow cure, and Optionee has failed to cure or to commence and diligently pursue cure, Optionor shall be entitled to recover damages from Optionee in the amount necessary to repair, restore or reclaim the damaged property.

20. Termination; Partial Releases.

20.1 This Option shall terminate upon Closing as to the Parcel or Parcels as to which this Option is exercised. Upon Closing, the Option Price shall be pro-rated to the date of Closing. Optionor and Optionee further agree that Optionee may terminate this Option, effective on the first day of July of any year during the term of this Option, without liability or penalty for such termination, as to any one or all of the Parcels that comprise the Premises, by giving written notice thereof to Optionor. Upon such termination, Optionee's obligation to pay the Option Price shall be terminated as to the released Parcel or Parcels as of the effective date of the termination and all other rights, duties and liabilities of the parties as to the Parcel or Parcels released shall immediately and automatically be extinguished.

20.2 The parties understand and agree that Optionee's right to exercise this Option as to any one or all of the Parcels that comprise the Premises is separate and independent from Optionee's right to terminate this Option as to any one or all of the Parcels; that is, Optionee may exercise this Option as to one or more Parcels, and may at the same time terminate this Option as to one or more of the remaining Parcels.

20.3 The parties acknowledge that other parties, including Optionor, may desire to lease, rent, occupy or use all or certain portions of Parcels II and VI. The parties further agree that such uses must be consistent and compatible with Optionee's intended uses of the remainder of the Premises. The parties agree, therefore, that upon written notice by Optionor to Optionee of Optionor's reasonable determination that all or a portion of Parcel II or VI should be made available to another party, including Optionor, for a use consistent and compatible with Optionee's intended use of the remainder of the Premises, Optionee may, at its election, agree to terminate this Option as to all or a portion of Parcel II or VI. In doing so, however, Optionee shall be held harmless from all costs and expenses of platting, subdividing or surveying; may impose conditions on future use of the portion released; may require that it be reimbursed for costs it incurs; and may impose such other conditions or requirements upon its agreement to release as may be reasonable.

20.4 If any Parcel or any portion of Parcel II or VI is released from this Option by Optionee at Optionor's request, this Option shall terminate as to the portion so released. The Option Price shall be pro-rated to the date of release. Nothing

herein, however, shall require Optionee to release all or any portion of the Premises from this Option, or to consent to any request by Optionor or any other party to release all or any portion of the Premises from this Option.

21. Notices. All communications and notices required herein shall be in writing and shall be addressed to the respective parties at the following addresses:

Optionor: Mayor, Kenai Peninsula Borough
Box 850
Soldotna, Alaska 99669

Optionee: Tidewater Services Corporation
550 West Seventh Avenue
Suite 1900
Anchorage, Alaska 99501

The Date of Exercise shall be the effective date of the exercise of this Option and shall be either the date written notice is deposited in the United States mail, first-class postage prepaid, addressed to Optionor at the above address or, alternatively, the date said notice is personally delivered to Optionor. Either party may change its address by written notice to the other.

22. Successors and Assigns. This Option shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

23. Exercise Not Required. Nothing herein shall require Optionee to exercise this Option. Optionee shall determine, in its sole and unfettered discretion, whether or not to extend, terminate or to exercise this Option.

24. Survival of Representations and Warranties. Representations, warranties and covenants, to the extent not fully performed or satisfied at Closing, shall survive Closing, shall continue in full force and effect, and shall not be merged into the Ground Lease.

25. Governing Law; Waiver of Sovereign Immunity. This Option shall be construed according to the laws of the State of Alaska. Optionor hereby waives its rights of sovereign immunity, if any, with respect to this Option, and consents to be sued with respect hereto.

26. Severance. If any term or provision of this Option violates any law or final order or judgment of a court with

jurisdiction, after appeal or expiration of an appeal period, that provision shall be severed and excluded from this Option, and the remaining terms and conditions of this Option shall continue in full force and effect.

27. Memorandum of Option. Upon execution of this Option, the parties shall execute a Memorandum of Option in the form attached hereto and by this reference incorporated herein as Exhibit D. The Memorandum of Option shall be recorded in the Anchorage Recording District, Alaska and in any other recording district in which any portion of the Premises lies.

28. Entire Agreement. This Option supersedes any prior agreement and contains the entire agreement of the parties as to this Option, the Ground Lease attached as Exhibit B and the Port Management Agreement attached as Exhibit C. No other agreement, statement or promise made by any party or to any employee or agent of any party respecting this Option, the Ground Lease or the Premises shall be binding unless made in writing and signed by both parties to this Option.

Date of Signature:

March 10, 1987

Optionor:

KENAI PENINSULA BOROUGH

Stan Thompson

By: Stan Thompson

Its: Mayor

Optionee:

TIDEWATER SERVICES CORPORATION

March 10, 1987

William L. Evans

By: William L. Evans

Its: Vice President


*Approved as to form
and legal sufficiency*
T. R. Boardman
Borough Attorney

ACKNOWLEDGMENTS

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this 10th day of March, 1987, personally appeared before me Stan Thompson, to me known to be the Mayor of the Kenai Peninsula Borough, and acknowledged that he/she executed the within and foregoing instrument, and acknowledged that he signed the same on behalf of said Kenai Peninsula Borough freely and voluntarily, for the uses and purposes therein mentioned.

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


Harold A. Taylor
Notary Public in and for Alaska
My Commission expires: 9/11/88

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this 10th day of March, 1987, personally appeared before me William L. Evans, to me known to be Vice President of Tidewater Services Corporation, and acknowledged that he executed the within and foregoing instrument, and acknowledged that he/she signed the same on behalf of said Tidewater Services Corporation freely and voluntarily, for the uses and purposes therein mentioned.

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

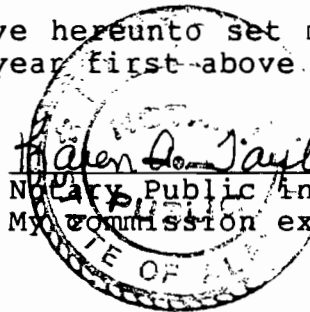

Harold A. Taylor
Notary Public in and for Alaska
My Commission expires: 9/11/88

EXHIBIT A
to
OPTION TO LEASE
LADD LANDING

Dated: March 10, 1987
Optionor: Kenai Peninsula Borough
Optionee: Tidewater Services Corporation

LEGAL DESCRIPTION

The real property which is the subject of this Option to Lease is located in the Kenai Peninsula Borough, Anchorage Recording District, State of Alaska and is legally described as:

That portion of Tract "A", as shown on the United States Department of Interior, Bureau of Land Management Survey of Township 12 North, Range 10 West, Seward Meridian, in the Anchorage Recording District, Third Judicial District, State of Alaska, lying within protracted Sections 19 and 30; the West 1/2 of protracted Section 18, and the West 1/2 of protracted Section 20.

EXCEPTING THEREFROM any portion lying seaward of the mean high tide line of Cook Inlet.

FURTHER EXCEPTING THEREFROM that portion of the Southwest 1/4 of said protracted Section 20 commonly known as "Ladd Barge Landing and Staging Area".

Together with:

Lot 1, United States Survey No. 4544 in Section 30, Township 12 North, Range 10 West, Seward Meridian, Anchorage Recording District, Third Judicial District, State of Alaska.

Together with:

A non-exclusive easement for ingress to and egress from the above described property, over and across that portion of the Southwest 1/4 of protracted Section 20, Township 12 North, Range 10 West, Seward Meridian, in the Anchorage Recording District, Third Judicial District, State of Alaska, commonly known as "Ladd Barge Landing and Staging Area". Said easement to be appurtenant to and for the benefit of the above described property, without limitation as to how the above described property may be divided.

For purposes of this Option to Lease, the property consists of land is divided into six (6) parcels and an Easement for use of the Ladd Barge Landing and Staging Area, described as:

1. Parcel I:

The Southwest one-quarter (SW1/4) of protracted Section 20, Township 12 North, Range 10 West, Seward Meridian, bounded on the north and east by the existing road running in a northwest/southwest direction, as depicted on the attached drawing and the Ladd Barge Landing and staging area as depicted on the attached drawing;

together with

The East one-half (E1/2) of protracted Section 19, Township 12 North, Range 10 West, Seward Meridian;

together with

The Southwest one-quarter (SW1/4) of protracted Section 18, Township 12 North, Range 10 West, Seward Meridian.

(Four hundred eighty-seven acres, more or less.)

2. Parcel II:

The Northwest one-quarter (NW1/4) of protracted Section 19, Township 12 North, Range 10 West, Seward Meridian; excluding therefrom the existing road running in a southwest/northeast direction as depicted on the attached drawing.

(One hundred fifty-four acres, more or less.)

3. Parcel III:

The Northwest one-quarter (NW1/4) of protracted Section 18, Township 12 North, Range 10 West, Seward Meridian.

(One hundred fifty-nine acres, more or less.)

4. Parcel IV:

The Southwest one-quarter (SW1/4) of protracted Section 19, Township 12 North, Range 10 West, Seward Meridian, excluding therefrom the existing road running in a southwest//northeast direction as depicted on the attached drawing.

(One hundred forty acres, more or less.)

5. Parcel V:

All lands owned by the Kenai Peninsula Borough located in protracted Section 30, Township 12 North, Range 10 West, Seward Meridian.

(Three hundred forty acres, more or less.)

6. Parcel VI:

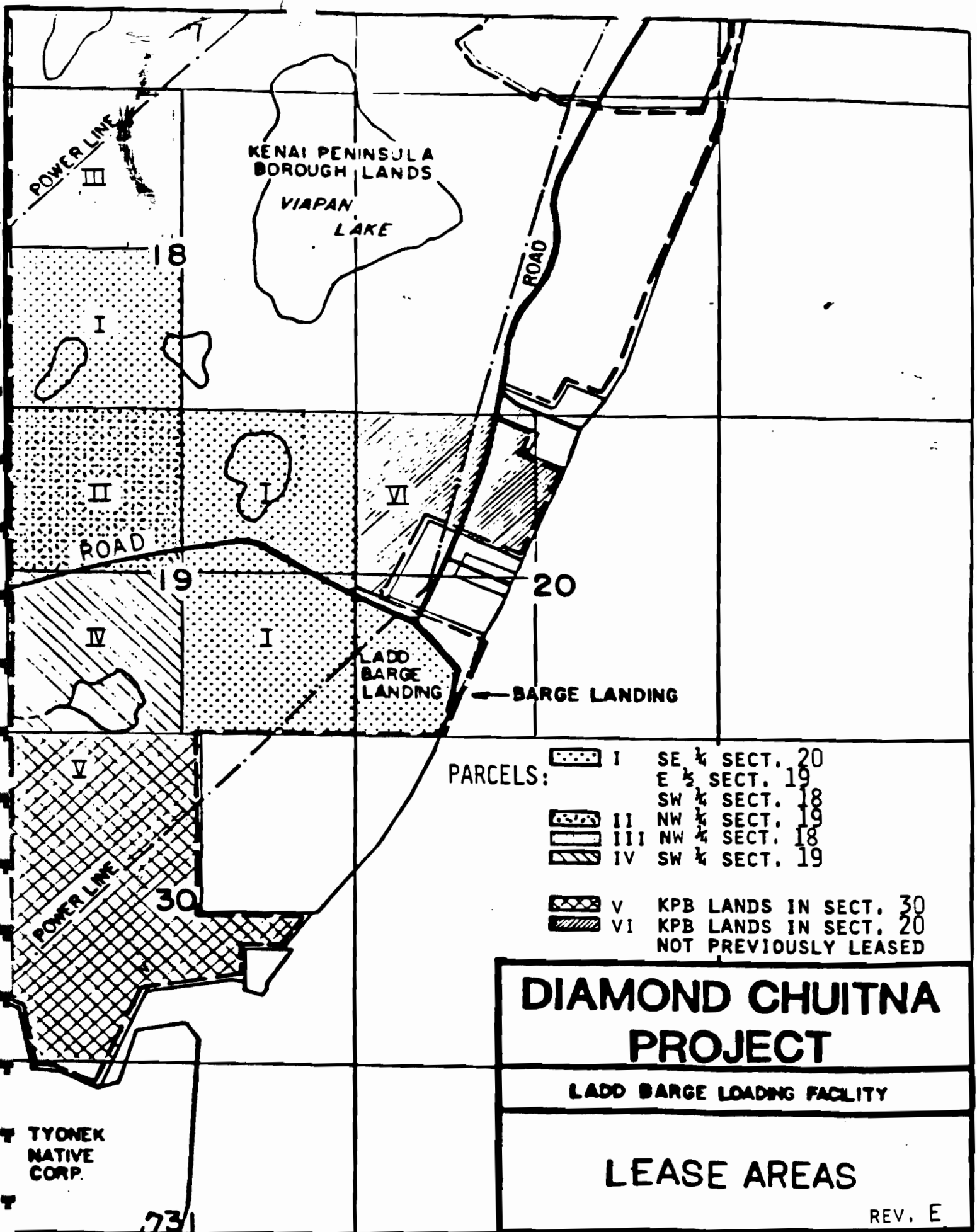
All lands owned by the Kenai Peninsula Borough located in protracted Section 20, Township 12 North, Range 10 West, Seward Meridian, excluding therefrom Parcel I; U. S. Survey 4679; U. S. Survey 3270; the Ladd Barge Landing and Staging area; and the existing road running in a north/south direction, as depicted on the attached drawing.

(One hundred forty-two acres, more or less.)

Easement:

Together with a preferential but non-exclusive easement for use, ingress and egress of, over, under and to the Ladd Landing, comprising approximately 23.5 acres, more or less, in the Southwest 1/4 of protracted Section 20, Township 12 North, Range 10 West, Seward Meridian. This easement shall run with the land and is intended to and shall benefit and serve any one or all Parcels and shall be granted to Grantee together with Grantee's lease of any one or more of the Parcels. The easement is Exhibit B to the Ground Lease. The Ground Lease is Exhibit B to this Option.

Parcels I, II, III, IV, V, VI and the Easement constitute the "Premises".



KENAI PENINSULA
BOROUGH LANDS

VIAPAN
LAKE

POWER LINE

18

ROAD

ROAD

19

20

LADD
BARGE
LANDING

BARGE LANDING

POWER LINE

30

PARCELS:

- I SE 1/4 SECT. 20
E 1/2 SECT. 19
SW 1/4 SECT. 18
- II NW 1/4 SECT. 19
- III NW 1/4 SECT. 18
- IV SW 1/4 SECT. 19

- V KPB LANDS IN SECT. 30
- VI KPB LANDS IN SECT. 20
NOT PREVIOUSLY LEASED

DIAMOND CHUITNA PROJECT

LADD BARGE LOADING FACILITY

LEASE AREAS

REV. E

TYONEK
NATIVE
CORP.

73

EXHIBIT B
to
OPTION TO LEASE
LADD LANDING

Dated: March 10, 1987
Optionor: Kenai Peninsula Borough
Optionee: Tidewater Services Corporation

GROUND LEASE
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EXHIBIT B
TO
OPTION TO LEASE
LADD LANDING

Dated: March 10, 1987
Optionor: Kenai Peninsula Borough
Optionee: Tidewater Services Corporation

GROUND LEASE

This Ground Lease is made and entered into this _____ day of _____, 19____, by and between the Kenai Peninsula Borough, a second-class borough, organized and existing in accordance with the laws of the State of Alaska ("Lessor") and Tidewater Services Corporation, a Delaware corporation ("Lessee").

Lessee desires to lease from Lessor, and Lessor agrees to lease to Lessee, certain real property located in the Kenai Borough, Anchorage Recording District, State of Alaska, for the term and on the conditions set forth herein.

NOW THEREFORE, in consideration of the rents and covenants and under the terms and conditions hereinafter set forth, Lessor and Lessee hereby agree as follows:

1. Premises. Lessor does hereby lease to Lessee, and Lessee does hereby lease from Lessor, the surface estate of that certain unimproved real property composed of _____ () Parcels and that certain Easement, together with all of Lessee's right, title and interest in and to soil, sand and gravel, if any, and subject to the terms of this Ground Lease, located in the Kenai Peninsula Borough, Anchorage Recording District, State of Alaska, and more particularly described in Exhibit A attached hereto and by this reference incorporated herein. The real property described in Exhibit A together with the Easement attached as Exhibit B are referred to herein as the "Premises".

2. Term. The term of this Ground Lease ("Lease Term") is and shall be for thirty (30) years, commencing on _____ ("Commencement Date") and terminating on the _____ day of _____, unless extended or earlier terminated as herein provided.

3. Extended Term. Lessor hereby grants Lessee the right to extend the Lease Term by two (2) additional periods of ten (10) years each. Lessee may exercise this right to extend for

the first ten (10) year period by giving Lessor written notice thereof anytime prior to expiration of the initial Lease Term, and may exercise its right to extend for the second ten (10) year period by giving Lessor written notice thereof at anytime prior to expiration of the first extended term. All of the terms and conditions of this Ground Lease, including rent and rent adjustments, shall be fully applicable and enforceable during the Term and any Extended Term of this Ground Lease.

4. Rent.

4.1 Commencing on the Commencement Date and until the end of the seventh year of the Lease Term, Lessee shall pay rent of \$ _____ per year.

4.2 Subject to the provisions of Section 4.13, annual rent during each subsequent five (5) year period of the Lease Term, including extensions and renewals, shall be an amount equal to six percent (6%) of the Fair Market Value of the Premises (excluding the Easement), as of the first day of each such period. Fair Market Value shall be determined in the manner described in this Section 4 and Exhibit D, Instructions to Appraisers, attached hereto and by this reference incorporated herein.

4.3 No later than one hundred twenty (120) days prior to the seventh (7th); twelfth (12th); seventeenth (17th); twenty-second (22nd); twenty-seventh (27th); and if extended, the thirty-second (32nd); thirty-seventh (37th); forty-second (42nd) and forty-seventh (47th) anniversary of the Lease Term, Lessor and Lessee shall each, at their own expense respectively, engage an appraiser. The two appraisers so engaged shall immediately, and prior to commencement of their appraisals, select a third appraiser who shall agree to serve as provided herein. If the first two appraisers are unable to agree on the selection of the third appraiser, the parties shall request that the third appraiser be selected by the then-current president of the Alaska Chapter of the American Institute of Real Estate Appraisers or its successor organization. If one of the first two appraisers hold that office, then the selection shall be made by the Chapter's first vice president. If that officeholder is one of the first two appraisers, then the selection shall be made by the Chapter's next highest ranking officer.

4.4 The three appraisers shall be members in good standing of the American Institute of Real Estate Appraisers, or its successor professional organization. Each appraiser shall have resided and practiced as an appraiser in Alaska for a minimum of three (3) years of the four (4) years immediately

preceding their appointment. Each appraiser shall have a minimum of ten (10) years experience in the valuation of real property, including substantial experience valuing property of a similar nature to and in the general location of the Premises, or of property in Alaska of comparable size, remoteness and character.

4.5 Each party shall bear the costs, fees and expenses of the appraiser it appoints. The parties shall share equally the cost of the third appraiser.

4.6 Within one hundred twenty (120) days after their appointment, each of the first two appraisers shall deliver to their appointing party his or her written appraisal report of the Fair Market Value (as defined in Exhibit D) of the Premises. Each appraisal report shall be in full narrative form in accordance and compliance with the standards of the American Institute of Real Estate Appraisers. Once both parties have received the appraisal reports, the reports shall be exchanged.

4.7 The Fair Market Value of the Premises shall be the arithmetic average of the first two appraisals unless the higher and lower of the appraisals are more than 110% and less than 90% respectively of the average (the range of values between 90% and 110% of the average is referred to herein as the "Band"). If either appraisal is above or below the Band, the third appraiser shall complete an appraisal under the same criteria and instructions given to the first two appraisers. The third appraiser shall complete his appraisal of the Fair Market Value of the Premises and provide both parties a copy of the completed report. The third appraiser shall not review or be provided copies of the first two appraisals.

4.8 If a third appraisal is required and completed, the Fair Market Value of the Premises shall be determined by the following calculation:

(a) Determine the two closest appraisals and multiply the average of the two closest appraisals by .75;

(b) Multiply the appraisal not included in subsection 4.8(a) by .25;

(c) Add the products of subsections 4.8(a) and 4.8(b) to determine the Fair Market Value to be used in accordance with this Ground Lease;

(d) If the value difference among all three appraisals is equal, then the Fair Market Value shall be the arithmetic average of all three appraisals.

For purposes of example, the following calculation would be made given hypothetical values of three appraisals:

Appraisal No. 1	\$100,000
Appraisal No. 2	75,000
Average	87,500
Band	\$96,250 - \$78,750
Appraisal No. 3	\$80,000
\$100,000	\$80,000
\$ 80,000	75,000
\$ 20,000	\$ 5,000 Closest

Average of Appraisal Nos. 2 and 3 = $\$77,500 \times .75 = \$58,125$

Appraisal No. 1 $\$100,000 \times .25 = \$25,000$

Fair Market Value $\$83,125$

4.9 Each party shall prepare and maintain a full, complete and accurate set of the documents listed in Section C.3 of Exhibit D and shall at the time of appointment, provide those documents to the appraiser each appoints, with a copy of Exhibit D, and such additional instructions as may be agreed upon between Lessor and Lessee and jointly issued by them.

4.10 If, for any reason, the Fair Market Value for the Premises for a five (5) year rent calculation period of the Lease Term in question is not determined prior to the commencement of such period, then during the interim period and until the rent is finally determined, Lessee shall pay on the anniversary of the Commencement Date as rent the amount which was required to be paid in the previous annual period of the Lease Term. Within ten (10) days after final determination of the rent, Lessee shall pay to Lessor or Lessor shall pay to Lessee the entire excess, if any, of the rent that would have accrued from the commencement of such period to the date of such determination over the rent actually paid during such period. From and after the date of such final determination, the rent for the period shall be the rent determined by the provisions of this Section 4. A written memorandum stating the new rent shall be executed as a formal amendment to this Ground Lease.

4.11 Rent shall be paid annually. Each annual rent installment is due in advance on or before each anniversary of the Commencement Date, except as otherwise provided herein.

4.12 All rent and any other sums to be paid by Lessee to Lessor pursuant to this Ground Lease shall be paid in lawful money of the United States of America and shall be paid prior to notice or demand, at Lessor's address designated in Section 16 or such other address as Lessor may designate in writing.

4.13 The annual rent for any five-year adjustment period shall not increase from the annual rent for the immediately preceding five-year period by an amount greater than one hundred percent (100%) of the percent change in the most recent Consumer Price Index ("CPI") preceding the date of valuation for Anchorage, Alaska (all items, all urban consumers 1967 = 100) published by the Bureau of Statistics, U.S. Department of Labor. If the issuance of the CPI by the federal government is discontinued, the parties shall use the official index published by a federal government agency which is most nearly equivalent to the CPI. By way of example, if the CPI for the six months immediately preceding the commencement (base year) of the Ground Lease is 288.9 and the CPI for the six months immediately preceding the commencement of a five (5) year rent period the Ground Lease is 363.9, then the maximum change in Fair Market Value is calculated as follows:

Anniversary CPI	363.9
Less: Base Year CPI	288.9
Difference	75.0
100% of difference	75.0

Change $(75.0/288.9) = 25.9\%$

Therefore, the maximum value for purposes of calculating rent shall be the immediately preceding value multiplied by one (1) plus the percent change as indicated. For example:

Prior Fair Market Value	\$100
Times One Plus Percent Change	1.259
Maximum Current Fair Market Value	\$125.9

This process shall apply to all rent increases during the Term and any extended Term. Therefore, in each rent adjustment period, the adjusted Fair Market Value shall become the new base value for the succeeding rental adjustment period and the CPI for the most recent anniversary adjustment year shall become the base year CPI for the succeeding adjustment.

Anything in the foregoing to the contrary notwithstanding, the annual rent during the eighth through the twelfth years shall

not increase more than forty percent (40%) of the initial annual rental; the annual rental during the thirteenth through the seventeenth years shall not increase more than forty percent (40%) of the immediately preceding annual rent and so on until the termination of the Lease. (By way of example, if the initial rental were One Hundred Dollars (\$100.00), the maximum rental during the eighth through the twelfth years would be One Hundred Forty Dollars (\$140.00); the maximum for the thirteenth through the seventeenth years would be One Hundred Ninety-Six Dollars (\$196.00); and the maximum for the eighteenth through the twenty-second years would be Two Hundred Seventy-Four Dollars (\$274.00), and so on. After the thirtieth year, the above methodology shall also apply as limitations on rental modifications for any extended Term of the Ground Lease.

5. Lessee's Intended Use. Lessor acknowledges that Lessee's intended use of the Premises is for commercial, industrial and residential purposes associated with the extraction, handling, storage, transportation and shipment of coal.

6. Ladd Landing Easement.

6.1 Lessor shall by execution of this Ground Lease and of Exhibit B, and hereby does, grant to Lessee a preferential but non-exclusive easement for use, ingress and egress of, over, under and to the Ladd Landing, comprising approximately 23.5 acres, more or less, as shown on the drawing that is a part of Exhibit A hereto. The easement shall, and hereby does, grant Lessee, the right to use the easement area for the purposes described in Exhibit B. The easement shall, and hereby does, grant to Lessee the authority to exercise all rights granted to Lessee by the easement in preference to rights of other users, including the public, provided that this preferential right shall not be construed to prohibit other users. In exercise of its preferential rights, Lessee shall not unnecessarily impair or restrict use by others, and shall take such steps as may be reasonable to schedule, control, direct and monitor use of the landing area and access thereto. The easement shall run with the land and shall commence on the date all or any portion of the Premises are leased to Lessee and shall continue for so long as any portion of the Premises are leased to Lessee, its successors or assigns.

6.2 Lessee acknowledges that there are certain existing users of the barge landing area, access thereto and existing roads on the Premises. Lessor and Lessee agree that

Lessee's use and occupation of the easement area is not exclusive, but shall be open and available to use of others and to the public as a right-of-way and transportation corridor, subject, however, to Lessee's right of preferential use.

6.3 Lessor expressly grants to Lessee, as to the easement area, and Lessee expressly reserves as to the Premises, however, the right to improve, expand and relocate the barge landing area, access thereto, public rights-of-way, roads and transportation corridors, and to manage, control, direct and coordinate use of the barge landing area and access thereto. Lessee agrees to use its best efforts to minimize unreasonable disruption or loss of use to the public or other users, but shall not, so long as Lessee does not unreasonably restrict use or access by others to the barge landing area, access thereto and public roads, be liable, directly or indirectly for damages, losses or claims arising out of or resulting from Lessee's exercise of its rights granted by this Section 6, except as provided in Exhibit B.

6.4 Lessee shall submit to Lessor a plan showing proposed major changes, modifications or relocations affecting other user's rights within the easement area not less than thirty (30) days prior to commencement of such activity.

6.5 In consideration of the Easement, Lessee shall pay Lessor the sum of Fifteen Thousand Dollars (\$15,000), in advance, for the first year of the Easement, commencing on the Commencement Date. Thereafter, commencing on the first anniversary of the Commencement Date, Lessor shall pay Lessee the sum of Five Thousand Dollars (\$5,000) per year, in advance, for each year the Easement remains in effect.

7. Management Agreement. Lessee and Lessor shall, upon execution of this Ground Lease, enter into a Port Management Agreement, attached as Exhibit C to that certain Option to Lease dated March 10, 1987, between the parties hereto.

8. Partial Releases; Sublet. Lessor and Lessee acknowledge that other parties, including Lessor, may desire to lease, rent, occupy or use portions, subparcels or tracts within Parcels II or VI, as may now exist or hereafter be created by subdivision. The parties further agree that such uses must be consistent and compatible with Lessee's intended use of the Premises. The parties agree, therefore, that upon notice by Lessor to Lessee of Lessor's reasonable determination that a portion of either Parcel II or VI should be made available to another party, including

Lessor, for a use consistent and compatible with Lessee's intended use of the Premises, Lessee may, at its option, release or partially terminate this Ground Lease as to such portion, or may sublease to Lessor or to such third party on such terms, conditions, rental and for the term as may be established by Lessee, such portion of Parcel VI as may reasonably be required. Lessee may require that Premises be surveyed and/or subdivided at the new user's sole cost and expense; that Lessee be indemnified and held harmless from any claims, losses, costs, damages or expenses arising out of the new user's use and occupation of the portion released or subleased; that it be paid rent, more or less than the rent paid by Lessee to Lessor; that uses be restricted to those compatible with Lessee's uses; that rent payable by Lessee to Lessor be abated if property requested is released from this Ground Lease; and may impose such other terms and conditions as Lessee shall, in its reasonable discretion deem appropriate. Except as expressly provided herein, Lessor shall not grant any rights of use, use permits, licenses, easements, options or any other interests or rights in the Premises during the Term or any Extended Term of this Ground Lease.

9. Construction of Improvements. Lessee may, at its sole election, and at its cost and expense, construct and maintain on, under and over the Premises such roads, bridges, ramps, docks, piers, wharves, trestles, conveyors, equipment, machinery, buildings, utilities, pilings, poles, guys, anchors, structures and improvements and may perform such excavation and alteration of the land as it may deem desirable to accomplish its intended purposes (collectively, "Improvements").

10. Sand and Gravel. Pursuant to the terms of this Ground Lease and subject to any rights that Cook Inlet Region Incorporated may have to soil, sand and gravel as part of the subsurface estate of the Premises, if any, Lessee shall have the right to excavate, remove and use soil, sand and gravel owned by Lessor which is reasonably required for Lessee's improvements and operations. Lessee shall pay Lessor the existing "state rate" per cubic yard for soil, sand and gravel actually used in excess of 1,000 cubic yards. "Actually used" shall not include quantities excavated and removed for storage. "State rate" shall mean the price per cubic yard being charged by the State of Alaska on the date of execution of this Ground Lease for soil, sand and gravel of comparable quality, condition and location on the west side of Cook Inlet. The parties shall determine the state rate upon execution of this Ground Lease. The state rate so determined shall be effective for three years and shall be redetermined for each 3 year period during the Lease Term.

11. Ownership and Removal of Improvements. All Improvements on the Premises shall be and remain the property of Lessee. Within 180 days after the expiration or earlier termination of this Ground Lease, the Improvements may be removed by Lessee at Lessee's sole cost and expense, and, if not so removed, shall become the property of Lessor. Lessee may not, however abandon hazardous Improvements. Lessee shall restore, reclaim or repair the Premises with respect to Improvements removed. Lessee shall not be required to remove Improvements which benefit the Premises or would damage or interfere with public roads or right-of-way.

12. Utilities. Lessor is not obligated to arrange or pay for utilities. Lessee may, at its election, arrange for utilities and Lessor shall cooperate in acquisition of such services, including execution of any applications or permits that may be required.

13. Taxes and Assessments.

13.1 Lessee covenants and agrees to pay all taxes and assessments, general and special, which may be taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Premises, the Improvements or any part thereof. Taxes and assessments for the year in which the term of this Ground Lease commences, if not theretofore paid by Lessor, shall be prorated as of the Commencement Date. Taxes and assessments for the year in which this Ground Lease expires or terminates shall be prorated between Lessor and Lessee as of such date of expiration or termination. In the event the amount of such taxes and assessments for such year of termination cannot be ascertained as of the date of termination, proration shall be made on the basis of the taxes and assessments for the preceding year. Lessee shall deliver to Lessor within sixty (60) days after the last day for payment of the taxes and assessments without penalty or interest, photostatic copies of the receipt showing payment thereof.

13.2 Lessee shall have the right, in its or Lessor's name, to contest the validity of any tax or assessment which Lessee is required to bear, pay and discharge hereunder, by appropriate legal proceedings. Lessee shall diligently prosecute any such contest, at all times effectually stay or prevent any official or judicial sale therefor, under execution or otherwise, and pay any final judgment enforcing the tax or assessment so contested and thereafter promptly procure record satisfaction thereof.

14. Care of Premises. Lessee shall take good care of the Premises and the Improvements, and shall at the expiration or earlier termination of this Ground Lease, surrender and deliver the Premises to Lessor as provided herein.

15. Assignment. Lessee may let or sublet the Premises and the Improvements or any part thereof, and may assign this Ground Lease or any part thereof.

16. Notices. Any notice required to be served in accordance with the terms of this Ground Lease shall be deemed to have been given when given in writing and personally delivered or by depositing the same in the United States mail, postage prepaid, registered or certified, and addressed to the party at its mailing address:

Lessor's Mailing Address: Mayor, Kenai Peninsula Borough
Box 850
Soldotna, Alaska 99669

Lessee's Mailing Address: Tidewater Services Corporation
550 West Seventh Avenue
Suite 1900
Anchorage, Alaska 99501

Each party may change its mailing address by giving written notice to the other party of such change.

17. Force Majeure. The parties acknowledge that Lessee's intended use of the Premises may be interrupted by strike, flood, earthquake, acts of God, war, civil strife or environmental conditions or other causes beyond Lessee's control. In any such event that restricts, limits, reduces, impairs or precludes Lessee's economic or physical use of the Premises or any significant portion thereof for Lessee's intended use, the rental provided hereunder shall abate in full from date of such event until such time as the Premises are again economically usable by Lessee for Lessee's intended purposes. In such event Lessee shall use its best efforts to reclaim or restore the Premises and shall commence its intended use as soon as reasonably practical. If the Premises cannot economically, physically or reasonably be restored or reclaimed, the Lessee, in its sole discretion, may terminate this Ground Lease. Upon such termination by Lessee, the rental shall be prorated to the date of such event and the rights, duties and liabilities of the parties hereunder shall immediately and automatically be extinguished except as to the obligations provided for in Sections 11, 13, 22 and 27(d).

18. Default and Reentry.

18.1 Default by Lessee. Upon the occurrence of any of the following events, Lessor shall have the remedies set forth in this Section 18:

(a) Lessee fails to pay any installment of rent or any other sum due hereunder within thirty (30) days after Lessor has given written notice of such failure, and Lessee has failed to cure or make such payment within the thirty (30) day period; or

(b) Lessee fails to perform any other material term, condition or covenant to be performed by it pursuant to this Ground Lease within one hundred eighty (180) days after written notice of such default, describing the nature of the alleged default in reasonable detail, shall have been given to Lessee by Lessor or, if cure would reasonably require more than one hundred eighty (180) days to complete, if Lessee fails to commence performance within the one hundred eighty (180) day period or fails to diligently pursue such cure to completion.

18.2 Remedies. Upon the occurrence of the events set forth in this Section 18, and after notice and Lessee's failure to cure as provided herein, Lessor shall have the option, without further notice or demand of any kind to Lessee or any other person to:

(a) Terminate this Ground Lease by written notice to Lessee. In the event of such termination, Lessee agrees to immediately surrender possession of the Premises. Should Lessor so terminate this Ground Lease, it may recover from Lessee all damages it may incur by reason of Lessee's breach including, without limitation, the cost of recovering the Premises, reasonable attorneys' fees, and the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Ground Lease for the remainder of the five (5) year rent calculation period of the Lease Term in which the termination occurs, over the then-reasonable fair market rental value (as defined in Exhibit D) of the Premises for the remainder of that five (5) year period, all of which amounts shall be immediately due and payable from Lessee to Lessor. In determining the rent which would be payable by Lessee hereunder subsequent to default, the rent for each year of the balance of the five (5) year rent calculation period shall be equal to the rent that would otherwise be payable under this Ground Lease; and

(b) Upon such termination, Lessor may relet the Premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this Ground Lease) and at such rental or rentals and upon such other terms and conditions as Lessor in its sole discretion may deem advisable. Upon each such reletting all rentals received by Lessor from such reletting shall be applied first, to the payment of any indebtedness other than rent due hereunder from Lessee to Lessor; second, to the payment of any costs and expenses of such reletting, including brokerage fees and attorneys' fees; third, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Lessor and applied in payment of future rent as the same may become due and payable hereunder. If such rentals received from such reletting during any month shall be less than that to be paid during such month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor. Such deficiency shall be calculated and paid annually.

19. Costs and Attorneys' Fees.

19.1 If Lessee is involuntarily made a party defendant in any litigation concerning this Ground Lease or the Premises or the Improvements by reason of any act or omission of Lessor, its agents, contractors or employees, then Lessor shall indemnify and hold Lessee harmless from all losses, costs, expenses and liability by reason thereof, including reasonable attorneys' fees and all costs and expenses incurred by Lessee in such litigation.

19.2 If either Lessor or Lessee shall commence any legal proceedings against the other with respect to any of the terms and conditions of this Ground Lease, the nonprevailing party therein shall pay the other all costs and expenses of such litigation, including reasonable attorneys' fees, as may be fixed by the court having jurisdiction over the matter. The parties agree that proper jurisdiction and venue for any action relating to any matters relating to this Ground Lease and brought in state court shall be the Third Judicial District, State of Alaska, in Kenai or Anchorage, Alaska.

20. Successors and Assigns. The covenants, conditions, representations, warranties and agreements of this Ground Lease shall be binding upon the successors and assigns of the parties hereto.

21. Condemnation.

21.1 If the Premises are condemned, in whole or in part, or are conveyed or transferred in lieu of or under threat

of condemnation to the condemning authority, the Lessor and Lessee shall each be entitled to apply to and receive from the condemning authority such damages, award and compensation as may be awarded to them according to their respective interests in this Ground Lease and the Improvements. Damages and compensation shall not be limited by the terms, limitations or restrictions contained in this Ground Lease. If the amount or character of the Premises or any portion thereof so taken shall render the balance of the Premises unfit or unsuitable for Lessee's intended use, as Lessee shall, in its sole discretion, determine, then Lessee may, at its sole option, also terminate this Ground Lease. Such termination by Lessee shall not affect Lessee's right to receive compensation and damages for its interest in the unexpired Lease Term, as if this Ground Lease were to continue in full force and effect, without termination, as provided above. Upon such termination, the rent shall be prorated by Lessee to the effective date of the termination and all rights, liabilities and duties of the parties shall be automatically and immediately extinguished except as to the obligations provided for in Sections 11, 13, 22, 26(d) and 27(d).

21.2 To the extent permitted by law, Lessor hereby waives its right to condemn the Premises.

21.3 The parties agree that Lessee's use of the premises as provided herein is critical to Lessee's development, operation and production of coal, and that loss of use of the Premises, or any significant portion thereof, will result in substantial direct, indirect and consequential damages to Lessee.

22. Indemnification. Lessee shall defend and indemnify Lessor and save it harmless from and against any and all liability, damages, costs or expenses, including attorneys' fees, arising out of Lessee's activities from any negligent act or willful misconduct of Lessee, provided that the foregoing provision shall not be construed to make Lessee responsible for loss, damage, liability or expense resulting from injuries or damage caused by the negligence or misconduct of Lessor, or its officers, contractors, licensees, agents, servants, employees, guests, invitees or visitors, in tort, or in contract, whether at law or in equity.

23. Land Use Restrictions. At Lessee's request and to the extent permitted by Lessor's lawful exercise of its proprietary and police powers, Lessor shall initiate and complete such land use, environmental or zoning actions or proceedings as may be deemed desirable by Lessee to ensure the continuing

classification, designation and zoning of the Premises, without unreasonable or uneconomic conditions, limitations or restrictions, for Lessee's intended use during the Lease Term or any extended Term of the Ground Lease. Lessor agrees that if, during the Term or any extended Term of this Ground Lease, the Premises are reclassified, redesignated, rezoned, or use conditions are imposed to prohibit, unreasonably limit or restrict Lessee's intended use of the Premises contrary to the terms of this Ground Lease, then the Premises shall be deemed condemned and Lessee shall be entitled to compensation and damages.

24. Holdover. If Lessee shall hold over after the expiration or termination of the Lease Term or any Extended Term, Lessee shall be deemed to be occupying the Premises on a month-to-month tenancy, which tenancy may be terminated as provided by the laws of the State of Alaska. During such tenancy, Lessee agrees to pay to Lessor the rate of rental as set forth herein, prorated month to month, unless a different rate shall be agreed upon, and to be bound by all of the terms, covenants and conditions herein specified, so far as applicable. Lessee's right to remove Lessee's Improvements upon termination or expiration of this Ground Lease shall not be deemed to constitute a holdover.

25. Right to Perform. If Lessee shall fail to pay any sum of money, other than rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for thirty (30) days after notice thereof by Lessor, Lessor may, but shall not be obligated so to do, and without waiving or releasing Lessee from any obligations of Lessee, make any such payment or perform any such other act on Lessee's part to be made or performed as provided in this Ground Lease. Lessor shall have, in addition to any other right or remedy of Lessor, the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Lessee in the payment of rent.

26. Lessor's Representations and Warranties. Lessor represents and warrants that:

(a) Lessor is lawfully seized of an indefeasible surface estate in fee simple to the Premises; Lessor's title to the Premises is good, valid and marketable, free and clear of all liens, encumbrances and defects except as disclosed in writing as of the date of this Ground Lease and specifically approved by Lessee in writing; Lessee shall have and enjoy quiet and

peaceable possession of the Premises during the Term and any extended Term hereof and Lessor will defend Lessee's leasehold interest in the Premises against all persons claiming any interest adverse thereto;

(b) Lessor has full right and power to enter into and execute this Ground Lease; Lessor has taken all appropriate and necessary actions to obtain, and has obtained, all appropriate and necessary permits, approvals and authorization to enter into and execute this Ground Lease; Lessor has not taken and will not take any action nor commence any proceeding to reduce, impair or limit the value of this Ground Lease or the Premises to Lessee, or to restrict, reduce, limit or condition Lessee's right to use the Premises for Lessee's intended purposes;

(c) The Premises are correctly zoned, designated and classified for Lessee's intended uses;

classification

(d) Lessor does not and has not used the Premises to store or dispose of any chemicals, or any dangerous, hazardous or toxic chemicals, materials or waste. Lessor agrees to hold Lessee harmless from any claims, causes of actions, enforcement actions, proceedings, penalties, fines (whether administrative, civil or criminal), by any state, local or federal government agency or authority, or arising out of any civil claim, proceeding, suit or litigation, except as may arise out of Lessee's use of the Premises;

(e) Lessor has no information, knowledge or belief that the Premises are or ever have been used to store or dispose of any chemicals, or any dangerous, hazardous or toxic chemicals, materials or waste. Upon obtaining any such information, knowledge or belief, Lessor shall immediately disclose such to Lessee;

(f) There are no claims, actions, suits, proceedings or litigation affecting the Premises pending, asserted or threatened by any local, state or federal government or governmental agency; or by any Alaska Native, Native Corporation, Native village or Native Tribal Council; or by any other entity or person pursuant to common law, the Alaska Native Claims Settlement Act of 1971; the Alaska National Interest Lands Conservation Act of 1980; or the Alaska Natives Claims Allotment Act of 1906; the Alaska Mental Health Land Grant Act (the Mental Health Enabling Act), except claims asserted by Cook Inlet Region Incorporated as to its subsurface estate rights and except as any other claims, actions, suits, proceedings or litigation are disclosed in writing by Lessor to Lessee as of the date of this Ground Lease and approved by Lessee; and

(g) This Ground Lease does not violate and complies with all applicable municipal, borough and state ordinances and statutes. To the best of Lessor's knowledge, after due inquiry, this Ground Lease does not violate and complies with the federal statutes enumerated in Section 26(f) and all rules and regulations promulgated thereunder; and with such other applicable federal statutes and federal and state rules and regulations.

27. Lessor's Covenants. Lessor covenants that, during the Term or any Extended Term of this Ground Lease:

(a) Lessor will not initiate, commence or take any action to reclassify, redesignate or rezone the Premises or to condition use of the Premises, that would adversely affect, limit or impair use of the Premises for Lessee's intended purposes and uses;

(b) Other than to Lessee, Lessor will not grant, convey or issue any permit, license, lease, option, easement or any other right to use or occupy or to create any interest in the Premises to any other person;

(c) Lessor will immediately disclose to Lessee the existence of any facts or circumstances that hereafter arise or of which Optionee becomes aware that do or might, in any way, affect Lessor's representations, warranties or covenants; and

(d) Lessor shall protect and hold Lessee harmless from any third party claims, proceedings, suits, litigation, fines, penalties, judgments or orders arising from any breach of Lessor's representations, warranties or covenants.

28. No Other Warranties. Lessee has examined and knows the condition of the Premises, and no representations or warranties as to the condition thereof have been made by Lessor, or its agents, that are not herein set forth.

29. General.

29.1 The titles to sections of this Ground Lease are not a part of this Ground Lease and shall have no affect upon the construction or interpretation of any part hereof.

29.2 This Ground Lease shall be construed and governed by the laws of the State of Alaska.

29.3 Lessor waives its right, if any, of sovereign immunity with respect to this Ground Lease and consents to be sued with respect thereto.

29.4 All of the representations, warranties, covenants, agreements, terms and conditions contained in this Ground Lease shall apply to and be binding upon Lessor and Lessee as herein provided and their respective successors and assigns.

29.5 This Ground Lease and that certain Option to Lease dated March 10, 1987, the warranties and covenants of which shall survive and not be deemed merged into this Ground Lease, contain all warranties, covenants and agreements between Lessor and Lessee relating in any manner to the rental, use and occupancy of the Premises and other matters set forth in this Ground Lease. All prior agreements or understandings pertaining to the same shall be void and of no force or effect.

29.6 This Ground Lease shall not be amended, altered, modified or added to except in writing signed by Lessor and Lessee.

29.7 Any provision of this Ground Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and the remaining provisions hereof shall nevertheless remain in full force and effect.

29.8 The parties agree to execute and record a memorandum of this Ground Lease in the form attached as Exhibit C in the records of the Anchorage Recording District, State of Alaska and in any other Recording District within which any portion of the Premises are located.

IN WITNESS WHEREOF the parties hereto have executed this Ground Lease.

Date of Signature:

Lessor:

KENAI PENINSULA BOROUGH

By _____

Its _____

Lessee:

TIDEWATER SERVICES CORPORATION

By _____

Its _____

ACKNOWLEDGMENTS

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this ____ day of _____, 198__, personally appeared before me _____, to me known to be _____ of the Kenai Peninsula Borough, and acknowledged that he/she executed the within and foregoing instrument, and acknowledged that he/she signed the same on behalf of said _____ freely and voluntarily, for the uses and purposes therein mentioned.

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

Notary Public in and for Alaska
My commission expires: _____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this ____ day of _____, 198__, personally appeared before me _____, to me known to be _____ of Tidewater Services Corporation, and acknowledged that he/she executed the within and foregoing instrument, and acknowledged that he/she signed the same on behalf of said corporation freely and voluntarily, for the uses and purposes therein mentioned.

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

Notary Public in and for Alaska
My commission expires: _____

EXHIBIT A
TO
GROUND LEASE
LADD LANDING

Dated: _____
Lessor: Kenai Peninsula Borough
Lessee: Tidewater Services Corporation

LEGAL DESCRIPTION OF PREMISES

The Premises shall consist of and be described as those Parcels as to which Lessee has exercised its Option to Lease, together with the Easement. This Exhibit A shall be completed at or prior to execution of the Ground Lease by describing herein the Premises subject to the Ground Lease. As completed, this Exhibit A shall include a narrative legal description of the Premises, including the Easement, and a drawing depicting the Premises, including the Easement, and the Parcel or Parcels comprising the Premises.

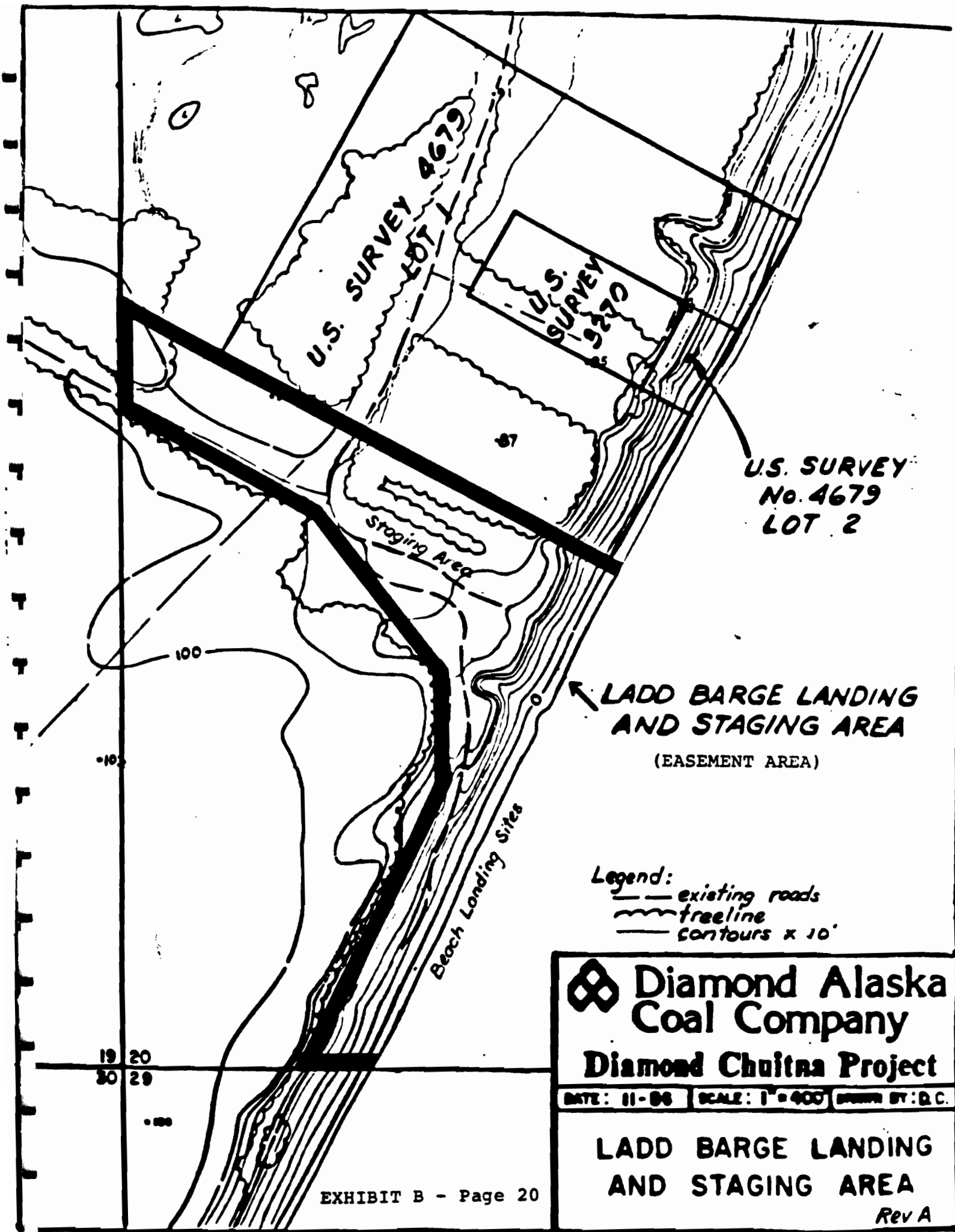


EXHIBIT B
to
GROUND LEASE
LADD LANDING

Dated: _____
Lessor: Kenai Peninsula Borough
Lessee: Tidewater Services Corporation

EASEMENT FOR LADD BARGE LANDING AREA

The Kenai Peninsula Borough, a second-class borough, organized and existing in accordance with the laws of the State of Alaska ("Grantor"), for a valuable consideration, receipt of which is hereby acknowledged, does hereby grant, convey and quitclaim unto Tidewater Services Corporation, a Delaware corporation ("Grantee"), and its successors and assigns, for the purposes stated herein, a nonexclusive preferential easement over, across and under the following-described real property ("Easement Property"):

SUBJECT TO THE FOLLOWING:

1. Purpose. Grantee shall have the right to use, construct, expand, operate, maintain and repair the barge landing area and access thereto, together with all associated equipment, fixtures, improvements and overhead and underground appurtenances, across, through and under the Easement Property, for loading, unloading, storage and shipment of fuel, liquids, petroleum products, goods, equipment, vehicles, materiel, materials and natural resources, including coal and coal products. Grantee shall further enjoy the rights of ingress and egress from the Easement Property to accomplish the permitted purposes.

2. Term. This Easement shall run with the land and shall continue in full force and effect for a term of thirty (30) years, commencing upon execution and continuing for thirty (30) years thereafter unless extended or renewed.

3. Extended Term. This Easement may be extended for two additional ten (10) year periods, and shall be deemed extended upon Grantee's exercise of its right to extend that certain Ground Lease dated _____ between Grantor as Lessor and Grantee as Lessee.

4. Improvements. No building or buildings or other permanent structures unduly interfering with the use and enjoyment of the Easement Property shall be constructed or permitted to remain within the boundaries of the Easement Property without the written permission of Grantee. Grantee shall be entitled to locate, place, construct, repair, maintain and relocate piers, docks, wharves, trestles, pilings, conveyors, electrical lines, poles, anchors and guys; repair, reconstruct, relocate, expand, maintain and improve the barge landing area, access thereto and all associated facilities.

5. Right of Preferential Use. Grantee shall be entitled to preferential use of the Easement Property for Grantee's purposes. In exercising this preference right, Grantee may schedule, direct and coordinate other uses and users of the Easement Property, but may not exclude or prohibit other compatible uses.

6. Compatible Uses. This Easement is not exclusive, and the Easement Property may be used by others, including the public, for loading and unloading of barges; access to the barge landing area; and use of public roads and staging areas; so long as such uses are consistent and compatible with, and subject to, Grantee's preferential rights.

7. Indemnity. Grantee agrees to indemnify, defend and save Grantor harmless from any loss, cost or other expense incurred by Grantor or any claim, demand or action asserted against Grantor arising out of any negligent act or omission of Grantee, or out of any breach of the material conditions of this Easement by Grantee.

8. Successors. The rights herein granted and the duties hereby agreed to by Grantee shall inure to the benefit of and shall be binding upon Grantee's successors and assigns.

Date of Signature:

KENAI PENINSULA BOROUGH

By _____

Its _____

ACKNOWLEDGMENT

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this ___ day of _____, 198__, personally appeared before me _____, to me known to be _____ of the Kenai Peninsula Borough, and acknowledged that he executed the within and foregoing instrument, and acknowledged that he signed the same on behalf of said Kenai Peninsula Borough freely and voluntarily, for the uses and purposes therein mentioned.

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

Notary Public in and for Alaska
My commission expires: _____

EXHIBIT C
to
GROUND LEASE
LADD LANDING

Dated: _____
Lessor: Kenai Peninsula Borough
Lessee: Tidewater Services Corporation

MEMORANDUM OF GROUND LEASE

This Memorandum of Ground Lease is made and entered into as of the ____ day of _____, 19__ , by and between the Kenai Peninsula Borough, a second-class borough, organized and existing in accordance with the laws of the State of Alaska, herein called "Lessor" whose address is P.O. Box 850, Soldotna, Alaska 99669, and Tidewater Services Corporation, herein called "Lessee", whose address is 550 West Seventh Avenue, Suite 1900, Anchorage, Alaska 99501.

Pursuant to the terms of that certain Ground Lease (the "Ground Lease") from Lessor to Lessee dated _____, and for the consideration therein stated, Lessor thereby, and hereby, demises and leases unto Lessee, and Lessee thereby and hereby hires and takes from Lessor certain real property located in the Anchorage Recording District, State of Alaska, and more particularly described as:

_____ (include easement)
(herein the "Premises").

The term of the Ground Lease is for thirty (30) years, commencing _____, provided that Lessee has the option to extend the term of the Ground Lease for two (2) additional periods of ten (10) years each.

All of the terms, conditions, warranties, covenants and agreements pertaining to the premises are set forth in detail in the Ground Lease from Lessor to Lessee dated _____, and are incorporated herein by this reference. True and correct copies of the Ground Lease shall be retained by Lessor and Lessee

to exhibit to any person having a lawful right to knowledge of the content and details thereof, including, within limitation, any and all purchasers or lenders given or to be given a security interest in the Premises or any portion thereof.

IN WITNESS WHEREOF, Lessor and Lessee have executed this instrument.

Date of Signature:

Lessor:

KENAI PENINSULA BOROUGH

By _____

Its _____

Lessee:

TIDEWATER SERVICES CORPORATION

By _____

Its _____

ACKNOWLEDGMENT

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this ___ day of _____, 198__, personally appeared before me _____, to me known to be _____ of the Kenai Peninsula Borough, and acknowledged that he executed the within and foregoing instrument, and acknowledged that he signed the same on behalf of said Kenai Peninsula Borough freely and voluntarily, for the uses and purposes therein mentioned.

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

Notary Public in and for Alaska
My commission expires:_____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this ___ day of _____, 198__, personally appeared before me _____, to me known to be _____ of Tidewater Services Corporation, and acknowledged that he executed the within and foregoing instrument, and acknowledged that he signed the same on behalf of said corporation freely and voluntarily, for the uses and purposes therein mentioned.

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

Notary Public in and for Alaska
My commission expires:_____

EXHIBIT D
to
GROUND LEASE
LADD LANDING

Dated: _____
Lessor: Kenai Peninsula Borough
Lessee: Tidewater Services Corporation

INSTRUCTIONS TO APPRAISERS

A. Objective. For purposes of this Ground Lease the objective of the appraisals is to determine Fair Market Value of the Premises (excluding the Easement), as defined in these instructions, as undeveloped land, exclusive of improvements to the Premises made by Lessee, and exclusive of any increase in Fair Market Value or Fair Market Rental Value of the Premises which might be attributable to public or private improvements on adjoining, nearby or other property within the vicinity of the Premises, in order to avoid any economic penalty to Lessee resulting from Lessee's development of the Premises.

B. Instructions.

1. Upon appointment of the first two appraisers by the parties to the Ground Lease, the two appraisers so appointed shall immediately, and prior to commencing their own appraisals, select a third appraiser and shall obtain the third appraiser's agreement to serve as herein provided.

2. All three appraisers shall be members in good standing of the American Institute of Real Estate Appraisers or its successor professional organization. Each appraiser shall have resided and practiced as an appraiser in Alaska for a minimum of three (3) years of the four (4) years immediately preceding their appointment. Each appraiser shall have a minimum of ten (10) years experience in the valuation of real property, including substantial experience in valuing real property of a similar nature to and in the general location of the Premises, or of property in Alaska of comparable size, remoteness and character.

3. The two appraisers appointed by the parties to the Ground Lease shall submit a written appraisal report to their appointing party within one hundred twenty (120) days of their

appointment. Each appraisal report shall be in full narrative form in accordance and compliance with the standards of the American Institute of Real Estate Appraisers and these instructions. Each appraiser shall acknowledge receipt of these instructions in his or her report.

4. Appraisers shall determine Fair Market Value of the Premises, at its Highest and Best Use, as those terms are defined in these instructions.

5. In conducting the appraisals, all comparable sales to be considered must be at least ten (10) miles from any city, camp, construction site, village or other location with a population greater than 2,000 persons.

6. Information and data as to the unimproved condition of the property, as listed in paragraph C.3 of these instructions, shall be obtained from the appointing party. The appraisers shall verify that the information they have been provided by their appointing party is identical to the information provided the other.

7. The Premises, and properties to be considered as comparable sales, shall be considered without recognition of economic influences which may have affected value as a result of development of the Premises. Comparable land sales affected by such economic influences shall be excluded from consideration.

8. Each appraiser shall agree to be bound by the terms of these instructions with respect to the appraisal to be conducted, and shall acknowledge receipt of these instructions in his or her report.

9. The services of the third appraiser shall not be required except upon instruction of the parties to the Ground Lease, after submittal of the first two appraisals.

10. The third appraiser, if his or her services are required, shall not be provided with copies of, or have the opportunity to review either of the two original appraisals for the current rental adjustment period.

C. Definitions.

1. "Fair Market Value" is defined as follows:

Fair Market Value is the most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from Seller to Buyer under conditions whereby:

- (a) Buyer and Seller are typically motivated;
- (b) Both parties are well-informed or well-advised, and each is acting in what they consider to be their own best interests;
- (c) A reasonable time is allowed for exposure of the property in the open market;
- (d) Payment is made in cash or its equivalent;
- (e) Financing, if any is required, is on terms generally available in the community at the specified date and typical for the property type in its locale; and
- (f) The price represents a normal consideration for the property sold, unaffected by special financing amounts, interest, and/or terms, services, fees, interest, costs, or credits incurred in the transaction.

2. "Highest and Best Use" for purposes of these instructions and the Ground Lease shall be the Existing Condition of the Premises at the date of the first appraisal conducted pursuant to the terms of the Option to Lease dated, between the parties to the Ground Lease, without consideration of existing or future resource extraction, any surface or subsurface resource development, any commercial or industrial or residential use on the Premises or in the vicinity of the Premises which is functionally related to the Diamond Chuitna Coal Project.

3. "Existing Condition," of the Premises, for purposes of the Ground Lease and these instructions is as such term was defined in the initial instructions to Appraisers under the Option to Lease, i.e.: largely undeveloped property with limited improvements, and utilities and no greenbelts, or conservation uses. The property is remote, without direct road access to any city, town, village or settlement except to the Village of

Tyonek, Beluga power plant and 3 mile subdivision. Verification of the Existing Condition of the Premises shall be determined by the appraisers by referring to the soil studies, aerial photographs, and topographic maps as follows:

(a) Diamond Chuitna Project Soils Baseline Studies Report of April, 1984, as prepared by Environmental Research and Technology of Fort Collins, Colorado (Granite Point);

(b) Topographic maps identified as Nos. 1810, 1909, 1910 and 2009;

(c) Aerial photography includes black and white contact prints dated October 3, 1980, Tyonek Series 1-1, 1-2, 1-3, 2-2 and 2-3 (Scale: 1 inch equals 4,000 feet);

(d) Aerial photographs dated October 5, 1982, including frames 37, 38, 14, 15 and 16 within Tyonek Series 1-1, 1-2, 1-3 and 6-5 (Scale: 1 inch equals 5,840 feet);

(e) Diamond Chuitna Project, Ladd Barge Landing Area and Haul Road Alternatives Environmental Setting, ERT, October 1986.

D. Assumptions. In addition to the instructions provided herein, the appraisers shall conduct their appraisals based upon the following assumptions:

1. There is no commercial, residential, resource or industrial development on the Premises;

2. There is no camp, city, construction site, settlement site, village, town or other area with a population greater than 2000 persons within a ten (10) mile radius of the Premises.

EXHIBIT C
to
OPTION TO LEASE
LADD LANDING

Dated: March 10, 1987
Optionor: Kenai Peninsula Borough
Optionee: Tidewater Services Corporation

PORT MANAGEMENT AGREEMENT

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EXHIBIT C
to
OPTION TO LEASE
LADD LANDING

Dated: March 10, 1987
Optionor: Kenai Peninsula Borough
Optionee: Tidewater Services Corporation

PORT MANAGEMENT AGREEMENT

This Port Management Agreement ("Agreement") is made this ___ day of _____, 19___, between the Kenai Peninsula Borough, a second-class borough, organized and existing in accordance with the laws of the State of Alaska, herein referred to as the "Borough", and Tidewater Services Corporation, a corporation organized and in existence in accordance with the laws of the State of Delaware, having its principal office at _____, City of _____, State of _____, herein referred to as "Manager".

RECITALS

A. Borough owns certain real property on the West side of the Cook Inlet, commonly known as the Ladd barge landing, herein referred to as "Ladd" and more specifically described on Exhibits A and B as the Ladd Barge Landing and Staging area.

B. Borough and Manager recognize that there are existing multiple users of the Ladd barge landing area, access road and staging area for which certain use permits have been granted.

C. Borough anticipates that the West side of the Cook Inlet will be subject to industrial and other development of certain projects in the Beluga area located in the general vicinity of Ladd.

D. In order to further the development potential of the West side of the Cook Inlet and to allow for the continued multiple use of Ladd, Borough desires that Ladd, including the barge landing, access road, staging area and any infrastructure, herein referred to as the "Port" be improved, managed and operated by a designated manager.

E. Manager is willing to undertake the improvement, management and operation of the Port as provided herein.

F. The parties hereto desire to set forth in detail their respective rights and obligations with respect to the improvement, use, operation and maintenance of the Port.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the Borough and Manager agree as follows:

1. Management Services.

1.1 Manager shall provide management and operating services for the Port. Manager's authority shall include full right, power and authority to:

a. Coordinate, schedule, regulate and direct all Port ship, barge, boat and water borne carriers and traffic, including the order and timing of all landing, loading, offloading, sailing and moorage operations;

b. Coordinate, schedule, regulate, and direct use and timing of the barge landing area, and road and ramp access thereto, including all beach, land and upland traffic and operations, and all movement of goods, personnel, material and equipment to and from the landing area;

c. Coordinate, schedule, regulate and direct use of any staging areas, the use of which affects, impairs or limits use of the barge landing area.

1.2 Subject to criteria to be prepared by Manager and approved by the Borough consistent with maintaining the multiple and public use nature of the Port and the preferential rights granted by this Agreement, Manager shall have full right, power and authority to:

a. Issue, condition, deny or revoke landing permits for use of the barge landing area and access thereto in accordance with this Agreement and rules and regulations promulgated by Manager from time to time;

b. Establish, amend, promulgate and enforce rules and regulations for use of the barge landing area and all improvements located in or on the Port.

1.3 Subject to a fee schedule prepared by Manager and approved by Borough that reflects costs of services and facilities provided, manager shall have full, right, power and authority to:

a. Establish, impose and collect fees and charges for use of improvements on or in the Port, including, without limitation, the barge landing area, docks, wharves, staging areas, storage areas and pipelines;

b. The fee schedule shall include recovery of capital, maintenance and operating costs for the Port;

c. The fee schedule shall be uniformly applicable to all users, without preference;

d. Establish, amend, promulgate and enforce safety and health rules and regulations applicable to the Port and all Port users;

e. Enforce the preferential rights granted by this or other agreements against other users.

1.4 Borough shall not unreasonably withhold or delay approval as to any matters submitted to it for approval.

1.5 Subject to the preferential rights granted herein, all rules and regulations shall be fair, equitable and uniformly applicable to all users of Ladd and shall be made available to all users.

2. Port. The Port facility shall mean and include the area described on Exhibit A and depicted by the plat map attached hereto as Exhibit B as the Ladd Barge Landing and Staging area. Port improvements shall include the barge landing area; all roads and rights-of-way providing access thereto; staging areas; and all structures, buildings and equipment located on or within the Port that Manager elects to make available for other users.

3. Term. The term of this Agreement ("Term") is and shall be for fifteen (15) years, commencing on _____ ("Commencement Date") and terminating on the ___ day of _____, unless extended or earlier terminated as herein provided.

4. Extended Term. The term of this agreement shall be automatically renewed for three (3) periods of five (5) years each, unless terminated by either party upon written notice given

not less than one hundred eighty (180) days prior to the end of the initial term or any subsequent renewal period. All of the terms and conditions of this Agreement shall be fully applicable and enforceable during the Term and any extended Term of this Agreement.

5. Effective Date. This Agreement shall become effective upon the date specified by Manager. Manager shall provide written notice to Borough specifying the effective date at any time following the execution of this Agreement.

6. Preferential Rights; Use of Port.

6.1 Manager acknowledges that there are certain existing users of the barge landing area, access thereto and existing public roads within the Port boundaries. The Borough and Manager agree that Manager's use and occupation of the Port for Manager's own purposes is not exclusive, but shall be open and available to the use of others and to the public as a landing and staging area, right-of-way and transportation corridor, subject, however, to rights of preferential use granted herein.

6.2 Manager and its assigns are hereby granted a preferential right to use the Port for the purpose of handling, storing and transporting coal and other bulk commodities, equipment, material, fuel, supplies and other cargo or freight. The rights of all other users of the Port during the Term or extended Term of this Agreement shall be subject to Manager's right of preferential use.

6.3 Manager's right of preferential use shall not be exercised to unreasonably limit or deny access to the barge landing area by other users.

6.4 Manager is hereby granted the right to improve, expand and relocate the barge landing site, access thereto, public rights-of-way, roads and transportation corridors, and to manage, control and coordinate use of the Port and access thereto. Manager agrees to use its best efforts to minimize unreasonable disruption or loss of use to the public or other users, but shall not, so long as Manager does not unreasonably restrict use or access by others to the barge landing area, access thereto and public roads, be liable, directly or indirectly, for damages, losses or claims arising out of or resulting from Manager's exercise of its rights granted by this Section 6.

6.5 Manager shall submit to the Borough appropriate plans showing proposed major changes, modifications or relocations affecting other user's rights not less than thirty (30) days prior to the commencement of such activity.

7. Port Director. Manager shall designate an individual as Port Director. The Port Director may be delegated the rights and powers herein granted to Manager and shall have full right, power and authority to manage and supervise the on-going, day-to-day management and operation of the Port.

8. Issuance of Landing Permits. Subject to Sections 1 and 6, Manager shall have the right to direct, coordinate and schedule all Port ship, barge, boat and other water-borne carriers and traffic and all land traffic within the Port. Manager shall have the sole right to issue landing permits which shall be required for all use of the Port, including, without limitation, all use of the barge landing site, all roads and rights-of-way providing access thereto, the staging areas, and all structures, buildings and equipment located on or within the Port that Manager elects to make available for other users. Manager agrees that the issuance of such permits shall not be unreasonably withheld.

9. Service Charges. Subject to Section 1, Manager shall assess and collect a reasonable fee or charge to users of the Port for services rendered by Manager in the servicing, operation, managing and maintenance of the Port. Manager may also assess and collect reasonable fees and service charges for use of improvements, equipment and facilities constructed or furnished by Manager.

10. Fees.

10.1 Manager shall receive a management fee that consists of fees assessed and collected pursuant to the terms of this agreement.

10.2 Manager shall pay Borough an annual fee, payable quarterly in arrears, as follows:

<u>Year</u>	<u>Annual Fees</u>
1 - 3	\$30,000
3 - 15	\$50,000

10.3 Upon any renewal or extension of this Agreement, the management fee to be paid by Manager to the Borough shall be renegotiated.

11. Maintenance and Repair. Manager shall maintain, at its expense, improvements placed on the Port by Manager, including, without limitation, the barge landing site, upland access to the site and the staging area. If Manager fails to make any repairs for which it is liable, the Borough shall have the option to make the repairs after sixty (60) days' written notice to Manager and Manager's failure to make such repairs or to commence and diligently pursue such repairs. Manager shall reimburse the Borough within thirty (30) days for the cost of repairs made by the Borough after notice and Manager's failure to cure.

11.1 Borough shall maintain and keep in good repair all improvements to the Port that may be constructed by or on behalf of the Borough except such improvements as Manager may be obligated to maintain.

12. Construction of Improvements.

12.1 Manager may, but shall not be obligated to provide, at its sole election and expense, improvements and equipment necessary to efficiently operate the Port and shall provide those improvements it determines to be reasonably necessary for a public barge landing facility. Manager may, but without any obligation and at its sole election, cost and expense, construct and maintain such roads, buildings, structures, wharves, piers, docks, pilings, pipelines, poles, wires, guys and anchors and all such other improvements and may perform such excavation and alteration of the land as it may deem desirable to accomplish its intended purposes (collectively, "Improvements").

12.2 Not less than forty-five (45) days prior to the effective date of this Agreement, Manager shall submit to the Borough its plans for improvement of the barge landing area, together with estimated costs of construction and a proposed structure for assessment of fees to users of the barge landing area.

13. Removal of Improvements. All Improvements constructed by Manager shall be subject to Manager's full control and preferential right of use. Site improvements (roads, bulkheads, pads, other comparable improvements that cannot easily be removed) shall be and remain the property of the Borough. Within one hundred eighty (180) days after the expiration or earlier termination of this Agreement, other Improvements may be removed by Manager at Manager's sole cost and expense. Manager may not abandon hazardous Improvements. Manager shall restore, reclaim or repair the Port with respect to Improvements removed. Lessee

shall not be required to remove Improvements which may interfere with the use of public roads unless such interference prevents the use of the public roads.

14. Land Use Restrictions. At Manager's request and to the extent permitted by the Borough's lawful exercise of its proprietary and police powers, the Borough shall initiate and complete such land use or zoning actions or proceedings as may be deemed desirable by Manager to ensure the continuing classification, designation and zoning of the Port, without unreasonable or uneconomic conditions, limitations, or restrictions, for its intended use during the Term or any extended Term of this Agreement.

15. Intended Use. The Borough and Manager agree that the intended use of the Port is for commercial and industrial use as a barge landing and staging area.

16. Reports. Manager shall keep full and accurate records relating to its performance of this Agreement, including, without limitation, the service charges it makes for its construction, maintenance and operation of the facility and shall make an annual report to the Borough with respect to the Port. The Borough shall have the right at all reasonable times to inspect such records.

17. Insurance. Manager shall carry, at its expense, fire and extended coverage insurance on the Improvements in the amounts it deems advisable. Manager shall keep in force, during the Term of this Agreement, public liability insurance in an amount not less than One Million Dollars (\$1,000,000), combined single limit for bodily injury and property damage in a single occurrence. Borough shall be named as an additional insured in both policies. Manager shall be entitled to require adequate insurance coverage of all other users of the Port.

18. Indemnification.

18.1 Manager shall defend and indemnify Borough and save it harmless from and against any and all liability, damages, costs or expenses, including reasonable attorneys' fees, arising out of Manager's activities and performance of this Agreement from any negligent act or willful misconduct of Manager, provided that the foregoing provision shall not be construed to make Manager responsible or liable for loss, damage, liability or expense resulting from injuries or damage caused by the negligence or misconduct of the Borough, or its officers,

contractors, licensees, agents, servants, employees, guests, invitees or visitors, in tort or in contract, whether at law or in equity.

18.2 Borough shall defend and indemnify Manager and save it harmless from and against any and all liability, damages, costs or expense, including reasonable attorneys' fees, arising out of Borough's activities and performance of this agreement, from any negligent act or willful misconduct of the Borough, provided that the foregoing provision shall not be construed to make the Borough responsible or liable for loss, damage, liability or expense resulting from injuries or damage caused by the negligence or misconduct of Manager or its officers, contractors, licensees, agents, servants, employees, guests, invitees or visitors, in tort or in contract, whether at law or in equity.

19. Permits. Manager shall obtain and keep in good standing necessary permits and approvals for operation of the Port. The Borough shall cooperate with Manager in obtaining such permits and approvals as may be necessary, and shall execute such applications, instruments or documents as Manager may reasonably request.

20. Termination. Manager shall have the right to terminate this Agreement, without cause, on one hundred eighty (180) days' written notice to the Borough.

21. Public Roads. Manager is hereby granted the right to locate, relocate, close, improve and upgrade all public roads within the Port and all private roads owned or controlled by Manager. Manager may cause public and private roads to intersect or cross, by surface, underground or overhead configuration. Upon such relocation, Borough shall cooperate with Manager in obtaining the vacation of prior public roads and rights-of-way and of dedication of such new public roads and rights-of-way as may be established from time to time.

22. Other Uses.

22.1 Manager is hereby granted the right, power and authority to refuse or terminate such uses of the Port, the Port Improvements or undeveloped land within the Port that are incompatible with the Port's intended purposes, or are hazardous, noxious or injurious to persons or property, or are or may become a public or private nuisance.

22.2 Subject to Section 18, Manager shall not be liable for, and may require other users to indemnify and hold manager harmless from, all claims, causes of action, costs, damages and liability arising out of such other users' activities within the Port.

23. Easements. Subject to the giving of reasonable written notice to the Borough, the Borough agrees to grant easements or rights-of-way to Manager or its designee over, under and across the Port for transportation of resources, personnel, equipment, and vehicles; utilities; conveyors, pilings, guyes, pipelines, anchors, and related structures; roads; and Improvements in locations identified by Manager consistent with the multiple and public use nature of the Port.

24. Default.

24.1 If Manager fails to perform any material term, condition, or covenant to be performed by it pursuant to this Agreement within one hundred eighty (180) days after written notice of such default, describing the nature of the alleged default in reasonable detail, shall have been given to Manager by Borough or, if cure would reasonably require more than one hundred eighty (180) days to complete, if Manager fails to commence performance within the one hundred eighty (180) day period or fails to diligently pursue such cure to completion, Borough shall have the remedies set forth in Section 24.2.

24.2 Upon the occurrence of any of the events set forth in Section 24.1, and after notice and Manager's failure to cure as provided herein, the Borough shall have the option, without further notice or demand of any kind to Manager or any other person, to terminate this Agreement by written notice to Manager. In the event of such termination, Manager agrees to immediately surrender possession of the Port. Should the Borough so terminate this Agreement, it may recover from Manager actual direct damages it may incur by reason of Manager's breach including, without limitation, reasonable attorneys' fees.

24.3 If Borough fails to perform any material term, condition or covenant to be performed by it pursuant to this Agreement within ninety (90) days after written notice of such default, describing the nature of the alleged default in reasonable detail, shall have been given by Manager to Borough, or if cure would reasonably require more than ninety (90) days to complete, if Borough fails to commence performance within the ninety (90) day period or fails to diligently pursue such cure to

completion, Manager shall be entitled to cure the default and recover its costs and expenses, including reasonable attorneys' fees, from Borough.

25. Successors; Assigns.

25.1 Every provision of this Agreement shall be binding upon all successors or assigns of either party to this Agreement, and all rights arising in either party under this Agreement shall inure to the successors and assigns of either party.

25.2 Manager may subcontract or delegate any of its rights, duties, responsibilities or obligation hereunder; Manager shall not, however, except as otherwise provided herein, be released from its responsibilities and obligations hereunder.

26. Force Majeure. The parties acknowledge that Manager's ability to perform as provided in this Agreement may be interrupted by strike, flood, earthquake, acts of God, war, civil strife or environmental conditions or other causes beyond Manager's control. To the extent any such event restricts, limits, reduces, impairs or precludes economic or physical use of the Port or any significant portion thereof, the obligations assumed by Manager, but not Manager's rights hereunder, shall proportionately abate from date of such event until such time as the Port is again fully usable. In such event Manager shall use its best efforts to reclaim or restore the Port and shall commence its intended use as soon as reasonably practical. If the Port cannot economically, physically or reasonably be restored or reclaimed, the Manager, in its sole discretion, may terminate this Agreement. Upon such termination by Manager the rights, duties, and liabilities of the parties shall immediately and automatically be extinguished, except that the provisions of Section 18 shall survive.

27. No Third Party Beneficiary. Except as to certain specific rights of persons not party to this agreement that are intended to be preserved as provided in Section 6, this Agreement is not intended and shall not be construed to confer upon or grant to, directly or by implication, any rights, benefits or privileges to any person not a signatory party to this Agreement.

28. Effect of Waiver. No waiver by either party at any time of any provision of this Agreement or any forfeiture of any right shall be deemed a waiver or a forfeiture at any time thereafter of the same or any other term or right.

29. Severability. If any term, condition or provision of this Agreement violates any law or is declared by a court of competent jurisdiction, after appeal or expiration of an appeal period, to be illegal or in conflict with any law, the validity of the remaining terms of this Agreement shall not be affected thereby.

30. Costs and Attorneys' Fees. If either the Borough or Manager shall commence any legal proceedings against the other with respect to any of the terms and conditions of this Agreement, the nonprevailing party therein shall pay the other all costs and expenses of such litigation, including reasonable attorneys' fees, as may be fixed by the court having jurisdiction over the matter. The parties agree that the Superior Court for the State of Alaska, Third Judicial District, in Anchorage or Kenai, Alaska is the proper jurisdiction and venue for litigation of any matters brought in state court arising out of this Agreement and waive any rights they have to object to such jurisdiction and venue, except as such jurisdiction may not attach.

31. Notices. All communications and notices required herein shall be in writing and shall be addressed to the respective parties at the following addresses:

Borough: . Mayor, Kenai Peninsula Borough
Box 850
Soldotna, Alaska 99669

Manager: Tidewater Services Corporation
550 West Seventh Avenue
Suite 1900
Anchorage, Alaska 99501

Each party may change its mailing address by giving written notice of such change to the other party.

32. Modification of Agreement. This Agreement, together with that certain Option to Lease dated March 10, 1987, and that certain Ground Lease dated _____, constitute the entire agreement between Manager and the Borough regarding the operation, maintenance and use of the Port. This Agreement may be amended only by a writing that specifically states that it is an amendment to this Agreement, and the writing must be signed by both parties to this Agreement.

33. Time of Essence. Time is expressly declared to be of the essence of this Agreement.

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

Notary Public in and for Alaska
My commission expires: _____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this ____ day of _____, 198__, personally appeared before me _____, to me known to be the _____ of Tidewater Services Corporation, and acknowledged that he executed the within and foregoing instrument, and acknowledged that ____ signed the same on behalf of said corporation freely and voluntarily, for the uses and purposes therein mentioned.

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

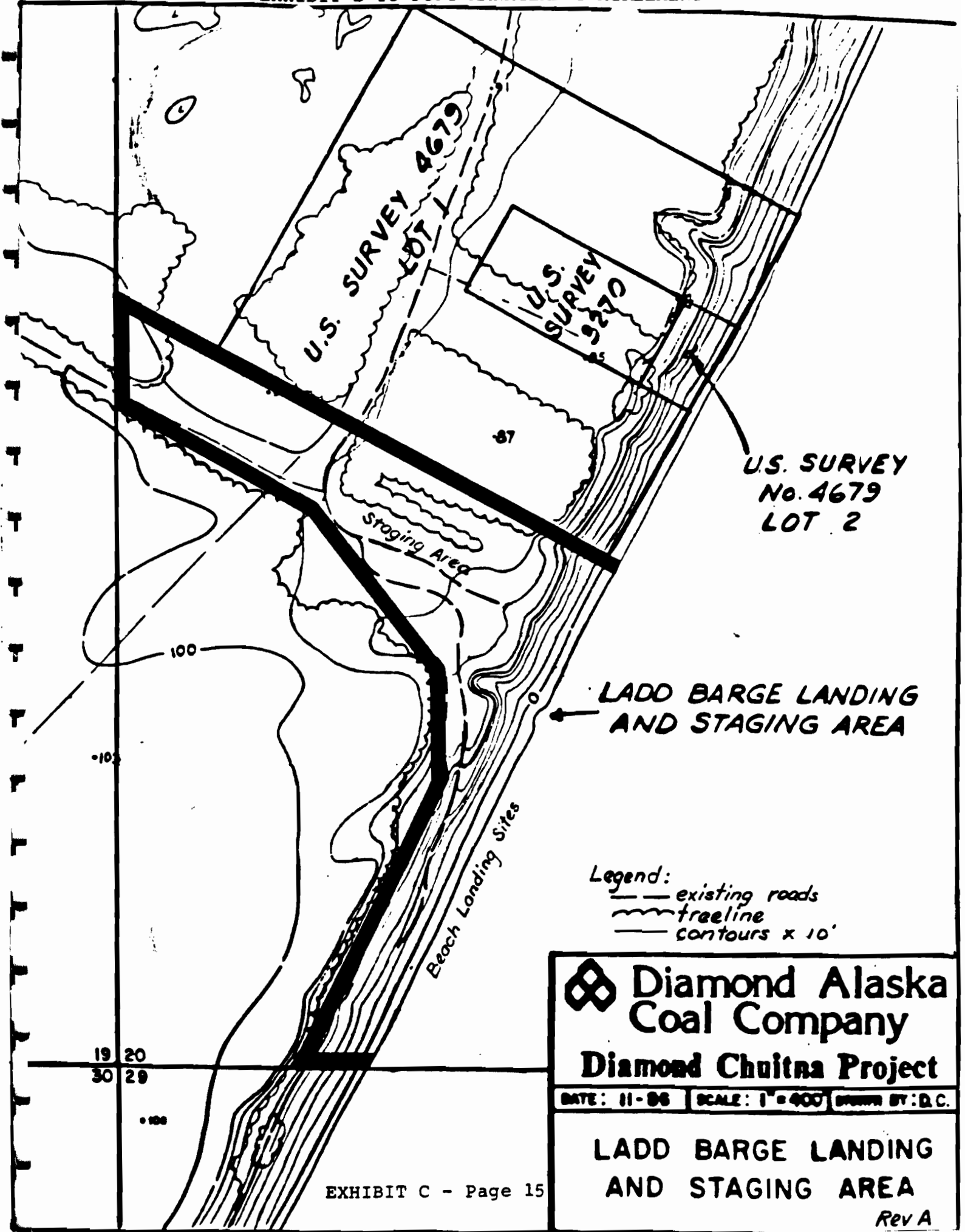
Notary Public in and for Alaska
My commission expires: _____

EXHIBIT A
to
PORT MANAGEMENT AGREEMENT
LADD LANDING

Dated: _____
Owner: Kenai Peninsula Borough
Manager: Tidewater Services Corporation

LEGAL DESCRIPTION OF LADD
BARGE LANDING AND STAGING AREA

[THIS LEGAL DESCRIPTION IS TO BE COMPLETED AND ENTERED ON
THIS EXHIBIT AT OR BEFORE THE EFFECTIVE DATE OF THE PORT
MANAGEMENT AGREEMENT]



 **Diamond Alaska Coal Company**
Diamond Chuitna Project

DATE: 11-86 SCALE: 1" = 400' DRAWN BY: D.C.

LADD BARGE LANDING AND STAGING AREA

Rev A

EXHIBIT C
to
PORT MANAGEMENT AGREEMENT
LADD LANDING

Dated: _____
Owner: Kenai Peninsula Borough
Manager: Tidewater Services Corporation

BARGE LANDING PERMIT

This Barge Landing Permit (hereinafter "Permit") is granted this _____ day of _____, 19__, by Tidewater Services Corporation herein referred to as Manager, to _____, whose address is _____, herein referred to as Permittee.

I. GRANT OF PERMIT; DESCRIPTION OF PREMISES

Manager hereby grants to Permittee a right to use, subject to the terms of this Permit, the following described premises:

(hereinafter, "Premises")

II. TERM

The term of this Permit shall commence _____, 19__, at _____, and shall terminate _____, 19__, at _____.

III. USE OF PREMISES

The use of the Premises by Permittee shall be restricted to the following purposes:

Any use inconsistent with the above purposes or failure of Permittee to use the Premises for the purposes expressed herein shall render this Permit immediately revocable at the option of Manager.

IV. SERVICE CHARGE

Permittee shall pay a service charge of _____ (\$ _____), the receipt of which is hereby acknowledged, for its use of the Premises.

V. MAINTENANCE AND REPAIR

Permittee shall keep the Premises in a neat, sanitary and orderly condition and shall repair at its sole cost and expense any and all damage to the Premises caused by its use thereof.

VI. INDEMNIFICATION

This Permit is granted on the express condition that Manager and the agents and employees of Manager shall be free from all claims, liabilities and expenses, in contract or in tort, whether at law or in equity, for damages or injury to any person, death of any person, or damage to property of any kind from any cause that occurs on the Premises arising out of or in connection with the exercise of the privileges covered by this Permit. Permittee shall save, hold harmless, defend and indemnify Manager and the agents and employees of Manager from and against any and all liability, damages, costs or expenses, including attorneys' fees, arising out of Permittee's activities or resulting from any injury, death, or damage described in this section six.

VII. HAZARDOUS SUBSTANCES

No goods shall be brought on the Premises by Permittee or its agents or employees that are in any way explosive or hazardous without the prior written consent of the Manager. Permittee shall prevent pollution of the Premises or the waters on or in the vicinity of the Premises.

VIII. PUBLIC ROADS

Permittee shall not interfere with the use of the public roads and rights of way within the Premises.

IX. OTHER USERS

The Manager expressly reserves the right to alter or amend this Permit in order to allow use of the Premises by other parties. Permittee agrees that this Permit and Permittee's rights hereunder are expressly subject and subordinate to preferential rights of use of Manager.

X. REVOCATION OR AMENDMENT

The Manager expressly reserves the right to alter, amend or cancel this Permit for any reason upon 30 days written notice to Permittee.

XI. RULES AND REGULATIONS

Permittee acknowledges receipt of a copy of the rules and regulations applicable to use of the Port, and hereby agrees to fully perform and abide by such rules and regulations.

XII. ASSIGNMENT

Permittee shall not at any time or in any manner, either directly or indirectly, assign this Permit without the prior written consent of Manager.

Date of Signature:

MANAGER

TIDEWATER SERVICES CORPORATION

By _____

Its _____

PERMITTEE

By _____

Its _____

EXHIBIT D
to
OPTION TO LEASE
LADD LANDING

Dated: March 10, 1987
Optionor: Kenai Peninsula Borough
Optionee Tidewater Services Corporation

MEMORANDUM OF OPTION TO LEASE

This Memorandum of Option to Lease is made and entered into as of the 10th day of March, 1987, by and between the Kenai Peninsula Borough, a second-class borough, organized and existing in accordance with the laws of the State of Alaska, herein called "Optionor" and Tidewater Services Corporation, a Delaware corporation, herein called "Optionee".

Pursuant to the terms of that certain Option to Lease (the "Option") from Optionor to Optionee dated March 10, 1987, and for the consideration therein stated, Optionor thereby, and hereby, grants unto Optionee, the sole and exclusive right to enter into a Ground Lease and to lease from Optionor, certain real property located in the Anchorage Recording District, State of Alaska, and more particularly described as:

That portion of Tract "A", as shown on the United States Department of Interior, Bureau of Land Management Survey of Township 12 North, Range 10 West, Seward Meridian, in the Anchorage Recording District, Third Judicial District, State of Alaska, lying within protracted Sections 19 and 30; the West 1/2 of protracted Section 18, and the West 1/2 of protracted Section 20.

EXCEPTING THEREFROM any portion lying seaward of the mean high tide line of Cook Inlet.

FURTHER EXCEPTING THEREFROM that portion of the Southwest 1/4 of said protracted Section 20 commonly known as "Ladd Barge Landing and Staging Area".

Together with:

Lot 1, United States Survey No. 4544 in Section 30, Township 12 North, Range 10 West, Seward Meridian, Anchorage Recording District, Third Judicial District, State of Alaska.

Together with:

A non-exclusive easement for ingress to and egress from the above described property, over and across that portion of the Southwest 1/4 of protracted Section 20, Township 12 North, Range 10 West, Seward Meridian, in the Anchorage Recording District, Third Judicial District, State of Alaska, commonly known as "Ladd Barge Landing and Staging Area". Said easement to be appurtenant to and for the benefit of the above described property, without limitation as to how the above described property may be divided.

For purposes of this Option to Lease, the property consists of and is divided into six (6) parcels and an Easement for use of the Ladd Barge Landing and Staging Area, described as:

1. Parcel I:

The Southwest one-quarter (SW1/4) of protracted Section 20, Township 12 North, Range 10 West, Seward Meridian, bounded on the north and east by the existing road running in a northwest/southwest direction, as depicted on the attached drawing and the Ladd Barge Landing and staging area as depicted on the attached drawing;

together with

The East one-half (E1/2) of protracted Section 19, Township 12 North, Range 10 West, Seward Meridian;

together with

The Southwest one-quarter (SW1/4) of protracted Section 18, Township 12 North, Range 10 West, Seward Meridian.

(Four hundred eighty-seven acres, more or less.)

2. Parcel II:

The Northwest one-quarter (NW1/4) of protracted Section 19, Township 12 North, Range 10 West, Seward Meridian; excluding therefrom the existing road running in a southwest/northeast direction as depicted on the attached drawing.

(One hundred fifty-four acres, more or less.)

3. Parcel III:

The Northwest one-quarter (NW1/4) of protracted Section 18, Township 12 North, Range 10 West, Seward Meridian.

(One hundred fifty-nine acres, more or less.)

4. Parcel IV:

The Southwest one-quarter (SW1/4) of protracted Section 19, Township 12 North, Range 10 West, Seward Meridian, excluding therefrom the existing road running in a southwest//northeast direction as depicted on the attached drawing.

(One hundred forty acres, more or less.)

5. Parcel V:

All lands owned by the Kenai Peninsula Borough located in protracted Section 30, Township 12 North, Range 10 West, Seward Meridian.

(Three hundred forty acres, more or less.)

6. Parcel VI:

All lands owned by the Kenai Peninsula Borough located in protracted Section 20, Township 12 North, Range 10 West, Seward Meridian, excluding therefrom Parcel I; U. S. Survey 4679; U. S. Survey 3270; the Ladd Barge Landing and Staging area; and the existing road running in a north/south direction, as depicted on the attached drawing.

(One hundred forty-two acres, more or less.)

Easement:

Together with a preferential but non-exclusive easement for use, ingress and egress of, over, under and to the Ladd Landing, comprising approximately 23.5 acres, more or less, in the Southwest 1/4 of protracted Section 20, Township 12 North, Range 10 West, Seward Meridian. This easement shall run with the land and is intended to and shall benefit and serve any one or all Parcels and shall be granted to Grantee together with Grantee's lease of any one or more of the Parcels. The easement is Exhibit B to the Ground Lease. The Ground Lease is Exhibit B to this Option.

Parcels I, II, III, IV, V, VI and the Easement constitute the "Premises".

The term of the Option is for five (5) years, commencing March 10, 1987, provided that Optionee has the sole and exclusive right to extend the term of the Option for an additional two (2) years.

The Option also grants to Optionee a right of entry to the Premises during the term of the Option, to allow Optionee to determine, to its own satisfaction, that the Premises are suitable for its intended purposes.

The Option further grants to Optionee the right to use and improve the barge landing area, known as Ladd Landing, located adjacent to the Premises.

All of the terms, conditions, warranties, covenants and agreements pertaining to the Premises are set forth in detail in the Option from Optionor to Optionee dated March 10, 1987, and are incorporated herein by this reference. True and correct copies of the option shall be retained by Optionor and Optionee to exhibit to any person having a lawful right to knowledge of the content and details thereof, including, within limitation, any and all purchasers or lenders given or to be given a security interest in the Premises or any portion thereof.

IN WITNESS WHEREOF, Optionor and Optionee have executed this instrument.

Date of Signature:

Optionor:

KENAI PENINSULA BOROUGH

By Stan Thompson
Its Mayor

Optionee:

TIDEWATER SERVICES CORPORATION

By William L. Evans
Its Vice President

ACKNOWLEDGMENTS

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this 10th day of March, 1987, personally appeared before me Stan Thompson, to me known to be the Mayor of the Kenai Peninsula Borough, and acknowledged that he executed the within and foregoing instrument, and acknowledged that he signed the same on behalf of said Kenai Peninsula Borough freely and voluntarily, for the uses and purposes therein mentioned.

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

Notary Public in and for Alaska
My commission expires:_____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this 10th day of March, 1987, personally appeared before me William L. Evans, to me known to be Vice President of Tidewater Services Corporation, and acknowledged that he executed the within and foregoing instrument, and acknowledged that he signed the same on behalf of said corporation freely and voluntarily, for the uses and purposes therein mentioned.

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

Notary Public in and for Alaska
My commission expires:_____

EXHIBIT E
to
OPTION TO LEASE
LADD LANDING

Dated: March 10, 1987
Optionor: Kenai Peninsula Borough
Optionee: Tidewater Services Corporation

APPRAISAL PROCEDURE

1. Annual Rent for the initial seven (7) year period of the Ground Lease shall be an amount equal to six percent (6%) of the Fair Market Value of the Premises (excluding the Easement), established as of the date that amount is determined in accordance with this Option. Fair Market Value shall be determined in the manner described in this Exhibit E and Exhibit F, Instructions to Appraisers, both attached to and made a part of this Option.

2. No later than sixty (60) days after execution of this Option, Lessor and Lessee shall each engage an appraiser. The two appraisers so engaged shall immediately, and prior to commencing their own appraisals, select a third appraiser who shall agree to serve as provided herein. If the first two appraisers are unable to agree on the selection of the third appraiser, the parties shall request that the third appraiser be selected by the then-current President of the Alaska Chapter of the American Institute of Real Estate Appraisers or its successor organization. If one of the first two appraisers hold that office, the selection shall be made by the Chapter's First Vice President. If that office holder is one of the first two appraisers, then the selection shall be made by the Chapter's next highest ranking officer.

3. The three appraisers shall be members in good standing of the American Institute of Real Estate Appraisers, or its successor professional organization. Each appraiser shall have resided and practiced as an appraiser in Alaska for a minimum of three (3) years of the four (4) years immediately preceding their appointment. Each appraiser shall have a minimum of ten (10) years experience in the evaluation of real property, including substantial experience valuing real property of a similar nature to and in the general location of the Premises, or of real property in Alaska of comparable size, remoteness and character.

4. Each party shall bear the costs, fees and expenses of the appraiser it appoints. The parties shall share equally the costs, fees and expenses of the third appraiser.

5. Within one hundred twenty (120) days after their appointment, each of the first two appraisers shall deliver to their appointing party his or her written appraisal report of the Fair Market Value of the Premises. Each appraisal report shall be in full narrative form in accordance and compliance with the standards of the American Institute of Real Estate Appraisers. Once both parties have received the appraisal reports, the reports shall be exchanged.

6. The Fair Market Value of the Premises shall be the arithmetic average of the first two appraisals unless the higher and lower appraisals are more than 110% and less than 90% respectively of the average (the range of values between 90% and 110% of the average is referred to herein as the "Band"). If either appraisal is above or below the Band the third appraiser shall complete an appraisal under the same criteria and instructions given to the first two appraisers. The third appraiser shall complete his or her appraisal of the Fair Market Value of the Premises and provide both parties a copy of the completed report. The third appraiser shall not review or be provided copies of the first two appraisals.

7. If the third appraisal is required and completed, the Fair Market Value of the Premises shall be determined by the following calculation:

- (a) Determine the two closest appraisals and multiply the arithmetic average of the two closest appraisals by .75;
- (b) Multiply the appraisal not included in subsection 7(a) by .25;
- (c) Add the products of subsections 7(a) and 7(b) to determine Fair Market Value to be used in accordance with the Ground Lease;
- (d) If the value difference among all three appraisals is equal then the Fair Market Value shall be the arithmetic average of all three appraisals.

For purposes of example, the following calculation would be made, given hypothetical values of three appraisals:

Appraisal No. 1	\$100,000
Appraisal No. 2	75,000
Average	87,500
Band	\$96,250 - \$ 78,750
Appraisal No. 3	80,000
\$100,000	\$80,000
<u>80,000</u>	<u>75,000</u>
\$ 20,000	\$ 5,000** Closest

Average of Appraisal Nos. 2 and 3 = $\$77,500 \times .75 = \$58,125$

Appraisal No.1	$\$100,000 \times .25 =$	<u>25,000</u>
Fair Market Value		\$83,125

8. Each party shall prepare and maintain a full, complete and accurate set of the documents listed in Section C.3 of Exhibit F and shall, at the time of appointment, provide those documents to the appraiser each appoints, with a copy of Exhibit F, and such additional instructions as may be agreed upon and jointly issued.

accordance with the terms of the contract.

EXHIBIT F
to
OPTION TO LEASE
LADD LANDING

Dated: March 10, 1987
Optionor: Kenai Peninsula Borough
Optionee: Tidewater Services Corporation

INSTRUCTIONS TO APPRAISERS

A. Objective. For purposes of this Ground Lease the objective of the appraisals is to determine Fair Market Value of the Premises (excluding the Easement), as defined in these instructions, as undeveloped land, exclusive of improvements to the Premises made by Lessee, and exclusive of any increase in Fair Market Value or Fair Market Rental Value of the Premises which might be attributable to public or private improvements on adjoining, nearby or other property within the vicinity of the Premises, in order to avoid any economic penalty to Lessee resulting from Lessee's development of the Premises.

B. Instructions.

1. Upon appointment of the first two appraisers by the parties to the Ground Lease, the two appraisers so appointed shall immediately, and prior to commencing their own appraisals, select a third appraiser and shall obtain the third appraiser's agreement to serve as herein provided.

2. All three appraisers shall be members in good standing of the American Institute of Real Estate Appraisers or its successor professional organization. Each appraiser shall have resided and practiced as an appraiser in Alaska for a minimum of three (3) years of the four (4) years immediately preceding their appointment. Each appraiser shall have a minimum of ten (10) years experience in the evaluation of real property, including substantial experience in valuing property of a similar nature to and in the general location of the Premises, or of property in Alaska of comparable size, remoteness and character.

3. The two appraisers appointed by the parties to the Ground Lease shall submit a written appraisal report to their appointing party within one hundred twenty (120) days of their appointment. Each appraisal report shall be in full narrative

form in accordance and compliance with the standards of the American Institute of Real Estate Appraisers and these instructions. Each appraiser shall acknowledge receipt of these instructions in his or her report.

4. Appraisers shall determine Fair Market Value of the Premises, at its Highest and Best Use, as those terms are defined in these instructions.

5. In conducting the appraisals, all comparable sales to be considered must be at least ten (10) miles from any city, camp, construction site, village or other location with a population greater than 2,000 persons.

6. Information and data as to the unimproved Existing Condition of the property, as listed in paragraph C.3 of these instructions, shall be obtained from the appointing party. The appraisers shall verify that the information they have been provided by their appointing party is identical to the information provided the other.

7. The Premises, and properties to be considered as comparable sales, shall be considered without recognition of economic influences which may have affected value as a result of development of the Premises. Comparable land sales affected by such economic influences shall be excluded from consideration.

8. Each appraiser shall agree to be bound by the terms of these instructions with respect to the appraisal to be conducted and shall acknowledge receipt of these instructions in his or her report.

9. The services of the third appraiser shall not be required except upon instruction of the parties to the Ground Lease, after submittal of the first two appraisals.

10. The third appraiser, if his or her services are required, shall not be provided with copies of, or have the opportunity to review, either of the two original appraisals for the current rental adjustment period.

C. Definitions.

1. "Fair Market Value" is defined as follows:

Fair Market Value is the most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a

fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from Seller to Buyer under conditions whereby:

- (a) Buyer and Seller are typically motivated;
- (b) Both parties are well-informed or well-advised, and each is acting in what they consider to be their own best interests;
- (c) A reasonable time is allowed for exposure of the property in the open market;
- (d) Payment is made in cash or its equivalent;
- (e) Financing, if any is required, is on terms generally available in the community at the specified date and typical for the property type in its locale;
- (f) The price represents a normal consideration for the property sold, unaffected by special financing amounts, interest, and/or terms, services, fees, interest, costs, or credits incurred in the transaction;

2. "Highest and Best Use" for purposes of these instructions and the Ground Lease shall be the Existing Condition of the Premises at the date of the first appraisal conducted pursuant to the terms of the Option to Lease dated March 10, 1987, between the parties to the Ground Lease.

3. "Existing Condition" of the Premises, for purposes of these instructions, is as largely undeveloped property with limited improvements and utilities, and no greenbelts, or conservation uses. The property is remote, without direct road access to any city, town, village or settlement except to the Village of Tyonek, the Beluga power plant and Three Mile Subdivision. Verification of the Existing Condition of the Premises shall be determined by the appraisers by referring to the soil studies, aerial photographs, and topographic maps as follows:

- (a) Diamond Chuitna Project, Soils Baseline Studies Report of April, 1984, as prepared by Environmental Research and Technology of Fort Collins, Colorado (Granite Point);
- (b) Topographic maps identified as Nos. 1810, 1909, 1910 and 2009;
- (c) Aerial photography includes black and white contact prints dated October 3, 1980, Tyonek Series 1-1, 1-2, 1-3, 2-2 and 2-3 (Scale: 1 inch equals 4,000 feet);
- (d) Aerial photographs dated October 5, 1982, including frames 37, 38, 14, 15 and 16 within Tyonek Series 1-1, 1-2, 1-3 and 6-5 (Scale: 1 inch equals 5,840 feet);
- (e) Diamond Chuitna Project, Ladd Barge Landing Area Haul Road Alternatives Environmental Setting, ERT, October 1986.

D. Assumptions. In addition to the instructions provided herein, the appraisers shall conduct their appraisals based upon the following assumptions:

1. There is no commercial, residential, resource or industrial development on the Premises; and

2. There is no camp, city, construction site, settlement site, village, town or other area with a population greater than 2000 persons within a ten (10) mile radius of the Premises.

ORIGINAL

ADDENDUM TO OPTION TO LEASE LADD LANDING

This document is executed by and between the KENAI PENINSULA BOROUGH, an Alaska municipal corporation, and TIDEWATER SERVICES CORPORATION, a Delaware corporation, as an addendum to the parties' OPTION TO LEASE LADD LANDING, dated March 10, 1987. The provisions of this addendum are authorized by KPB Ordinance 92-03, enacted on February 18, 1992.

A. Extension of Option. The March 10, 1987, OPTION is hereby amended to eliminate the requirement of paragraph 4.3 for a bonus payment of \$50,000 for extension of the option period. The option period is hereby extended for a period of an additional five years, through April 9, 1997. Annual installment payments shall remain at Eighty Thousand Dollars (\$80,000), and shall be due and payable upon each annual anniversary date of the Option. The initial annual installment for the extension period shall be paid upon execution of this addendum.

B. Revised Exhibit A -- Legal Description. The legal description of the real property subject to the OPTION is hereby amended through the deletion of the former "Exhibit A to OPTION TO LEASE LADD LANDING", and the adoption in its place of the "Revised EXHIBIT A to OPTION TO LEASE LADD LANDING", attached hereto and made a part hereof.

C. Other Terms. All of the terms and conditions of the original OPTION TO LEASE LADD LANDING, dated March 10, 1987, which are not expressly amended by this Addendum shall remain in full force and effect for the duration of this extension.

D. Effective Date. This Addendum shall relate back to and have an effective date of April 10, 1992.

TIDEWATER SERVICES CORPORATION

KENAI PENINSULA BOROUGH

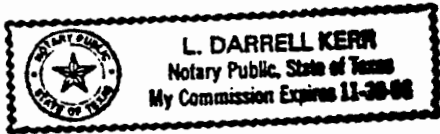
By: *Alh Ladd*
Its: PRESIDENT
Dated: APRIL 1, 1993

By: *Ray A. Kinney*
Its: Administrative Officer
Dated: 4/7/93

ACKNOWLEDGEMENT

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 1st day of April, 1992³ by H. L. Toled, on behalf of Tidewater Services Corporation.



L. Darrell Kerr
Notary Public for State of Alaska
My commission expires: _____

ACKNOWLEDGEMENT

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 7th day of April, 1993, by Ross Kinney, on behalf of Kenai Peninsula Borough.

Severley S. Dove
Notary Public for State of Alaska
My commission expires: Aug 22, 1995

ATTEST:

APPROVED AS TO FORM AND
LEGAL SUFFICIENCY BY:

Samy. Vaughan
Borough Clerk

Philip A. Reeves
Philip A. Reeves, Deputy
Borough Attorney

ATTACHMENT TO ORDINANCE 92-03

Revised
EXHIBIT A
to
OPTION TO LEASE
LADD LANDING

The real property being the object of this Option to Lease is located in the Kenai Peninsula Borough, Anchorage Recording District, Third Judicial District, State of Alaska.

For purposes of this Option to Lease, the real property consists of six contiguous parcels and an Easement for use of the Ladd Barge Landing and Staging Area, each parcel described as:

Parcel I

All of that portion of fractional Section 20, T12N, R10W, S.M., lying westerly and southerly of Tract A, Ladd Subdivision according to Plat No. 89-104, Anchorage Recording District, containing 53 acres, more or less;

together with

The east 1/2 of Section 19, T12N, R10W, S.M., containing 320 gross acres, more or less, 295 net acres, more or less;

together with

The SW $\frac{1}{4}$ of Section 18, T12N, R10W, S.M., containing 142 gross acres, more or less, 132 net acres, more or less;

together with

All of that portion of Section 29, T12N, R10W, S.M., lying north of U.S. Survey 2089, containing 4 acres, more or less;

together with

All of that portion of the east 1/2 of Section 30, T12N, R10W, S.M., lying north of U.S. Survey 2089 and U.S. Survey 4544, containing 10 acres, more or less;

Total area of Parcel I is 529 gross acres, more or less, 494 net acres, more or less, subject to final survey.

EXCEPTING THEREFROM

The rights of Cook Inlet Region, Inc. in and to the subsurface estate of said Parcel I as conveyed by Revised Interim Conveyance recorded in Book 1065 at page 249, Anchorage Recording District.

ALSO EXCEPTING THEREFROM

The right, title and interest of the State of Alaska in and to that portion of all public lakes rivers and tides lying below the line of ordinary high water, reflected as net area of said Parcel I. Affects said Sections 18, 19 and 29.

SUBJECT TO

A right-of-way permit for electric distribution line granted to Chugach Electric Association, Inc. identified as ADL 58034, over and across said Sections 19 and 20. An existing facility.

also subject to

A right-of-way permit for electric transmission line issued to Chugach Electric Association, Inc., identified as ADL 32180, over and across said Section 18, a non-existent facility.

also subject to

A letter of entry for buried and aerial telephone facility issued to Matanuska Telephone Association, identified as ADL 72135, over, under and across said Sections 19 and 20. An existing facility.

also subject to

An easement for public road right-of-way identified as ADL 17152, also known as the Pan Am Road, over and across said Sections 19 and 20, an existing roadway.

also subject to

A right-of-way permit identified as ADL 17818, an unconstructed roadway, over and across said Section 19.

also subject to

An easement for natural gas pipeline right-of-way granted to Marathon Oil Company, over, under and across said Section 18, an existing facility.

also subject to

Section line easements on each side of applicable section lines of said Sections 18, 19, 20, 29 and 30.

also subject to

Public access easements 50 feet in width measured upland from the line of ordinary high water along all applicable public waters. Affects unnamed lakes in said Sections 18 and 19 and Cook Inlet in said Section 29.

also subject to

Public access easements for at least pedestrian use to provide access to applicable public waters, the location of which is flexible but not yet determined. Affects aforementioned unnamed lakes and Cook Inlet.

also subject to

Water rights identified as IAS 11499 within the SE $\frac{1}{4}$ of said Section 19.

End Parcel I.

Parcel II

The NW $\frac{1}{4}$ of Section 19, T12N, R10W, S.M., containing 142 gross acres, more or less, 140 net acres, more or less, subject to final survey.

EXCEPTING THEREFROM

The rights of Cook Inlet Region, Inc. in and to the subsurface estate of said Parcel II as conveyed by Revised Interim Conveyance recorded in Book 1065 at page 249, Anchorage Recording District.

ALSO EXCEPTING THEREFROM

The right, title and interest of the State of Alaska in and to that portion of all public waters lying below the line of ordinary high water, reflected as net area of said Parcel II.

SUBJECT TO

An easement for public road right-of-way identified as ADL 17152, also known as the Pan Am Road, over and across said Section 19, an existing roadway.

also subject to

An easement for a natural gas pipeline right-of-way granted to Marathon Oil Company over, under and across said Section 19, an existing facility.

also subject to

Section line easements along the north and west lines of said Section 19.

also subject to

Public access easement 50 feet in width measured upland from the line of ordinary high water along all applicable public waters being an unnamed lake partially within said Section 19.

also subject to

Public access easements for at least pedestrian use to provide access to the aforementioned applicable public waters, the location of which is flexible, but not yet determined.

End Parcel II.

Parcel III

The NW¼ of Section 18, T12N, R10W, S.M., containing 141 gross acres, more or less, 138 net acres, more or less, subject to final survey.

EXCEPTING THEREFROM

The rights of Cook Inlet Region, Inc. in and to the subsurface estate of said Parcel III as conveyed by

Revised Interim Conveyance recorded in Book 1065 at page 249, Anchorage Recording District.

ALSO EXCEPTING THEREFROM

The right, title and interest of the State of Alaska in and to that portion of all public waters lying below the line of ordinary high water, reflected as net area of said Parcel III.

SUBJECT TO

An easement for a natural gas pipeline right-of-way granted to Marathon Oil Company over, under and across said Section 18, an existing facility.

also subject to

A right-of-way permit for electric transmission line issued to Chugach Electric Association, Inc., identified as ADL 32180, over and across said Section 18, a non-existent facility.

also subject to

Section line easements along the north and west lines of said Section 18.

also subject to

Public access easement 50 feet in width measured upland from the line of ordinary high water of that portion of Tukallah Lake lying with said Section 18.

also subject to

Public access easements for at least pedestrian use to provide access to the aforementioned lake, the location of which is flexible, but not yet determined.

End Parcel III.

Parcel IV

The SW¼ of Section 19, T12N, R10W, S.M., containing 143 gross acres, more or less, 128 net acres, more or less, subject to final survey.

EXCEPTING THEREFROM

The rights of Cook Inlet Region, Inc. in and to the subsurface estate of said Parcel IV as conveyed by Revised Interim Conveyance recorded in Book 1065 at page 249, Anchorage Recording District.

ALSO EXCEPTING THEREFROM

The right, title and interest of the State of Alaska in and to that portion of all public waters lying below the line of ordinary high water, reflected as net area of said Parcel IV.

SUBJECT TO

An easement for public road right-of-way identified as ADL 17152, also known as the Pan Am Road, over and across said Section 19, an existing roadway.

also subject to

An easement for a natural gas pipeline right-of-way granted to Marathon Oil Company over, under and across said Section 19, an existing facility.

also subject to

Section line easements along the west and south lines of said Section 19.

also subject to

Public access easement 50 feet in width measured upland from the line of ordinary high water of an unnamed lake in said Section 19.

also subject to

Public access easements for at least pedestrian use to provide access to the aforementioned lake, the location of which is flexible, but not yet determined.

End Parcel IV

Parcel V

All of that portion of the west 1/2 of Section 30, T12N, R10W, S.M., lying west and north of U.S. Survey 4544 and northerly of U.S. Survey 1865 containing 205 acres more or less.

together with

Lot 1, U.S. Survey 4544, containing 97 acres more or less

Total area of Parcel V is 302 acres more or less, subject to final survey.

EXCEPTING THEREFROM

The rights of Cook Inlet Region, Inc. in and to the subsurface estate of said portion of the west 1/2 of Section 19, and Lot 1, U.S. Survey 4544 as conveyed by Revised Interim Conveyance recorded in Book 1065 at page 249, Anchorage Recording District.

ALSO EXCEPTING THEREFROM

The right, title and interest of the State of Alaska in and to that portion of all public waters lying below the line of ordinary high water, affects that portion of said Portion V abutting Cook Inlet.

SUBJECT TO

A right-of-way permit for electric distribution line granted to Chugach Electric Association, Inc., identified as ADL 58034, over and across said Parcel V, an existing facility.

also subject to

A letter of entry for buried and aerial telephone facility issued to Matanuska Telephone Association, identified as ADL 72135, over, under and across said Parcel V. An existing facility.

also subject to

An easement for natural gas pipeline right-of-way granted to Marathon Oil Company, over, under and across said portion of Section 30.

also subject to

Section line easements along the north and west lines of said Section 30.

also subject to

Public access easement 50 feet in width measured upland from the line of ordinary high water along the shores of Cook Inlet only.

End Parcel V

Parcel VI

All of that portion of fractional Section 20, T12N, R10W, S.M. lying northerly of Tract A, Ladd Subdivision No. 1, according to Plat No. 89-104, Anchorage Recording District; EXCEPTING THEREFROM U.S. Survey 4679; U.S. Survey 3270; U.S. Survey 4543; U.S. Survey 3411; "Grant Tract" Plat No. 83-418, Anchorage Recording District, if any; containing 135 acres, more or less, subject to final survey.

EXCEPTING THEREFROM

The rights of Cook Inlet Region, Inc. in and to the subsurface estate of said Parcel VI as conveyed by Revised Interim Conveyance recorded in Book 1065 at page 249, Anchorage Recording District.

ALSO EXCEPTING THEREFROM

The right, title and interest of the State of Alaska in and to that portion of Cook Inlet lying below the line of ordinary high water;

SUBJECT TO

A public road right-of-way identified as ADL 33939, also known as the Beluga Highway, an existing roadway.

also subject to

A right-of-way permit for electric distribution line granted to Chugach Electric Association, Inc., identified as ADL 58034, over and across said Section 20. An existing facility.

also subject to

A letter of entry for buried and aerial telephone facility issued to Matanuska Telephone Association, identified as ADL 72135, over, under and across said Section 20. An existing facility.

also subject to

Section line easements along the north and west lines of said Section 20.

also subject to

Public access easement 50 feet in width measured upland from the line of ordinary high water along the shores of Cook Inlet only.

End Parcel VI

Easement

Note: This easement is Exhibit B to the Ground Lease. The Ground Lease is Exhibit B to the Option.

A preferential but non-exclusive easement for use of ingress and egress over, under and across all of Tract A, Ladd Subdivision No. 1, according to Plat No. 89-104, Anchorage Recording District, containing 22.87 acres, more or less.

This easement shall run with the land and shall benefit and serve any one or all of the above described Parcels and shall be granted to Grantee together with the Grantee's lease of any one or more parcels.

Premises

Parcels I, II, III, IV, V, VI and the Easement constitute the "Premises".

The aggregate total area of Parcels I through VI is 1,392 gross acres, more or less, 1,337 net acres, more or less.

All subject to reservations and exceptions as contained in the U.S. Patent and the State of Alaska Patent and acts relating thereto.

All as depicted on the attached Revised Optioned Areas map dated January, 1992.

SECOND ADDENDUM TO "OPTION TO LEASE LADD
LANDING"

RECEIVED

OCT 21 1997

PERKINS COIE

ANCHORAGE

This document is executed by and between the KENAI PENINSULA BOROUGH, an Alaska municipal corporation, and RICHARD D. BASS, WILLIAM HERBERT HUNT, and WILLIAM HERBERT HUNT TRUST ESTATE, as the Second Addendum to the OPTION TO LEASE LADD LANDING dated March 10, 1987.

1. On March 10, 1987, the Kenai Peninsula Borough, as Optionor, and Tidewater Services Corporation, as Optionee, entered into an agreement entitled "Option to Lease Ladd Landing". A Memorandum of Option to Lease, a copy of which is attached as Exhibit A hereto, was recorded in the records of the Anchorage Recording District at Book 1577, Page 0333-337.

2. Effective on April 10, 1992, the Kenai Peninsula Borough, as Optionor, and Tidewater Services Corporation, as Optionee, entered into an agreement entitled "Addendum to Option to Lease Ladd Landing" amending the "Option to Lease Ladd Landing". A Memorandum of Addendum to Option to Lease, a copy of which is attached as Exhibit B hereto, was recorded in the records of the Anchorage Recording District at Book 2470, Pages 254-264. The "Option to Lease Ladd Landing", as amended by the "Addendum to Option to Lease Ladd Landing", is hereinafter referred to as "the Option."

3. As certified in the Certificate of Ownership and Merger attached as Exhibit C hereto, on December 21, 1994, Tidewater Services Corporation was merged with and into Midgard Energy Company, a Delaware corporation, with Midgard Energy Company as the surviving corporation. Effective upon said merger, all of the estate, property, rights, privileges, powers and franchises of Tidewater Services Corporation were vested in, and held and enjoyed by, Midgard Energy Company.

4. Effective as of December 27, 1994 Midgard Energy Company assigned the Option to Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate, as tenants in common (hereinafter "Optionee").

5. Optionor and Optionee desire to amend the Option for the purpose of extending the time for exercise of the Option, changing the names of the Optionee to reflect the merger and assignment described above, and certain other amendments as stated herein.

6. On April 9, 1997 the Kenai Peninsula Borough Assembly enacted Ordinance 97-20, authorizing amendment of the Option.

7. The parties agree as follows:

a. Optionor hereby ratifies and consents to the transfer of the Optionee's interest from Tidewater Services Corporation to Midgard Energy Company by merger as of December 21, 1994, and Optionor hereby ratifies and consents to the assignment of the Optionee's interest by Midgard Energy Company, Assignor, to Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate, as tenants in common, Assignees, effective as of December 27, 1994. Notwithstanding the provisions of section 7 of the Option, Optionor waives any requirement of prior written consent as to the transfer of the Optionee's interest from Tidewater Services Corporation to Midgard Energy Company by merger, and as to the assignment of the Optionee's interest by Midgard Energy Company, Assignor, to Richard D. Bass, William Herbert Hunt, and the William Herbert Hunt Trust Estate, as tenants in common, Assignees. Nothing herein shall be construed as a waiver of the provisions of section 7 of the Option as to future transfers or assignments of the Option.

b. In light of the transfer and assignment of the Option as stated in the foregoing paragraph, the Option is amended to designate Richard D. Bass, William Herbert Hunt, and the William Herbert Hunt Trust Estate as Optionee, in place of Tidewater Services Corporation, Optionee.

c. The parties acknowledge that pursuant to section 20.1 of the Option, the Option is terminated as to Parcels III and V, and the Option Price is reduced accordingly.

d. Section 6.4 of the Option and Exhibit C to the Option (the "Port Management Agreement") are deleted from the Option. Sections 13, 16 and 28 of the Option are amended to delete the references to the Port Management Agreement.

e. Section 21 of the Option is amended to substitute the following address for Optionee: Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate, c/o DRven Corporation, 711 H Street, Suite 600, Anchorage, Alaska 99501.

f. Exhibit B to the Option, entitled "Ground Lease" is amended to delete section 7 of the Ground Lease, and to delete any other requirement that Optionee sign the Port Management Agreement; to substitute "Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate tenants in common", in place of "Tidewater Services Corporation, a Delaware corporation" on page one of the Ground Lease; to substitute "Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate" in place of "Tidewater Services Corporation" wherever the name "Tidewater Services Corporation" may appear in the Ground Lease or the Exhibits thereto; and to amend section 16 of the Ground Lease to substitute the following address for Lessee: Richard D. Bass, William Herbert Hunt, and William Herbert

DUPLICATE ORIGINAL

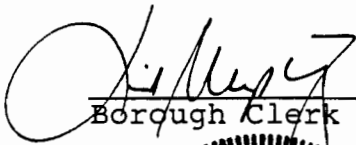
Hunt Trust Estate, c/o DRven Corporation, 711 H Street, Suite 600, Anchorage, Alaska 99501.

g. The Option Period is extended for an additional five years, such that the Option Period shall expire on April 9, 2002.

h. All of the terms and conditions of the Option which are not expressly amended by this Second Addendum shall remain in full force and effect for the duration of the Option as extended.

i. This Second Addendum shall have an effective date of April 9, 1997.

ATTEST:


Borough Clerk



OPTIONOR:

Kenai Peninsula Borough

By: Mike Savane
Its: MAYOR

OPTIONEE:

Richard D. Bass
Richard D. Bass

W. H. Hunt
William Herbert Hunt

WILLIAM HERBERT HUNT TRUST
ESTATE

By: J. N. Bowers Jr., Trustee
Its: _____

APPROVED AS TO FORM
AND LEGAL SUFFICIENCY:

Colette G. Thompson
Colette G. Thompson,
Borough Attorney

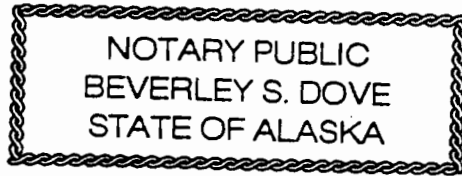
DUPLICATE ORIGINAL

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

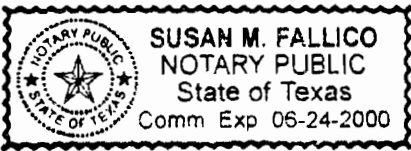
The foregoing instrument was acknowledged before me on Aug 27, 1997, 1997, by Mike Navare, Mayor of Kenai Peninsula Borough, on behalf of the Borough.

Beverley S. Dove
Notary Public in and for Alaska
My commission expires: Aug 22, 1999

STATE OF TEXAS)
)ss.
COUNTY OF Dallas)



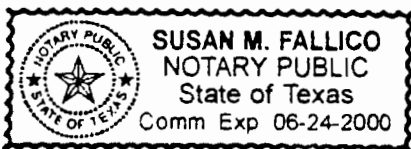
The foregoing instrument was acknowledged before me on 9-29, 1997, by Richard D. Bass.



Susan M. Fallico
Notary Public in and for Texas
My commission expires: 06-24-2000

STATE OF TEXAS)
)ss.
COUNTY OF Dallas)

The foregoing instrument was acknowledged before me on 9-29, 1997, by William Herbert Hunt.

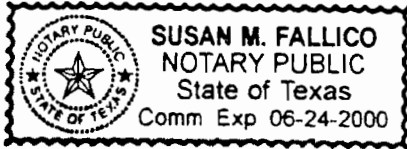


Susan M. Fallico
Notary Public in and for Texas
My commission expires: 6-24-2000

DUPLICATE ORIGINAL

STATE OF TEXAS)
)ss.
COUNTY OF Dallas)

The foregoing instrument was acknowledged before me on 9-29,
1997, by J.W. Beavers Jr, Trustee of the William Herbert Hunt
Trust Estate, on behalf of the Trust.



Susan M Fallico
Notary Public in and for Texas
My commission expires: 06-24-2000

DUPPLICATE ORIGINAL

**SECOND REVISED EXHIBIT A
TO
"OPTION TO LEASE LADD LANDING"**

The real property being the object of this Option to Lease is located in the Kenai Peninsula Borough, Anchorage Recording District, Third Judicial District, State of Alaska.

For purposes of this Option to Lease, the real property consists of four contiguous parcels and an Easement for the use of the Ladd Barge Landing and Staging Area, each parcel described as:

Parcel I

All of that portion of fractional Section 20, T12N, R10W, S.M., lying westerly and southerly of Tract A, Ladd Subdivision according to Plat No. 89-104, Anchorage Recording District, containing 53 acres, more or less;

together with

The east ½ of Section 19, T12N, R10W, S.M., containing 320 gross acres, more or less, 295 net acres, more or less;

together with

All of that portion of Section 29, T12N, R10W, S.M., lying north of U.S. Survey 2089, containing 4 acres, more or less;

together with

All of that portion of the east ½ of Section 30, T12N, R10W, S.M., lying north of U.S. Survey 2089 and U.S. Survey 4544, containing 10 acres, more or less;

Total area of Parcel I is 387 gross acres, more or less, 362 net acres, more or less, subject to final survey.

EXCEPTING THEREFROM

The rights of Cook Inlet Region, Inc. in and to the subsurface estate of said Parcel I as conveyed by Revised Interim Conveyance recorded in Book 1065 at page 249, Anchorage Recording District.

ALSO EXCEPTING THEREFROM

The right, title and interest of the State of Alaska in and to that portion of all public lakes rivers and tides lying below the line of ordinary high water, reflected as net area of said Parcel I. Affects said Sections 19 and 29.

SUBJECT TO

A right-of-way permit for electric distribution line granted to Chugach Electric Association, Inc. identified as ADL 58034, over and across said Sections 19 and 20. An existing facility.

also subject to

A letter of entry for buried and aerial telephone facility issued to Matanuska Telephone Association, identified as ADL 72135, over, under and across said Sections 19 and 20. An existing facility.

also subject to

An easement for public road right-of-way identified as ADL 17152, also known as the Pan Am Road, over and across said Sections 19 and 20, an existing roadway.

also subject to

A right-of-way permit identified as ADL 17818, an unconstructed roadway, over and across said Section 19.

also subject to

Section line easements on each side of applicable section lines of said Sections 19, 20, 29 and 30.

also subject to

Public access easements 50 feet in width measured upland from the line of ordinary high water along all applicable public waters. Affects unnamed lakes in said Section 19 and Cook Inlet in said Section 29.

also subject to

Public access easements for at least pedestrian use to provide access to applicable public waters, the location of which is flexible but not yet determined. Affects aforementioned unnamed lakes and Cook Inlet.

also subject to

Water rights identified as LAS 11499 within the SE¼ of said Section 19.

End Parcel I.

Parcel II

The NW¼ of Section 19, T12N, R10W, S.M., containing 142 gross acres, more or less, 140 net acres, more or less, subject to final survey.

EXCEPTING THEREFROM

The rights of Cook Inlet Region, Inc. in and to the subsurface estate of said Parcel II as conveyed by Revised Interim Conveyance recorded in Book 1065 at page 249, Anchorage Recording District.

ALSO EXCEPTING THEREFROM

The right, title and interest of the State of Alaska in and to that portion of all public waters lying below the line of ordinary high water, reflected as net area of said Parcel II.

SUBJECT TO

An easement for public road right-of-way identified as ADL 17152, also known as the Pan Am Road, over and across said Section 19, an existing roadway.

also subject to

An easement for a natural gas pipeline right-of-way granted to Marathon Oil Company over, under and across said Section 19, an existing facility.

also subject to

Section line easements along the north and west lines of said Section 19.

also subject to

Public access easement 50 feet in width measured upland from the line of ordinary high water along all applicable public waters being an unnamed lake partially within said Section 19.

also subject to

Public access easements for at least pedestrian use to provide access to the aforementioned applicable public waters, the location of which is flexible, but not yet determined.

End Parcel II.

Parcel IV

The SW¼ of Section 19, T12N, R10W, S.M., containing 143 gross acres, more or less, 128 net acres, more or less, subject to final survey.

EXCEPTING THEREFROM

The rights of Cook Inlet Region, Inc. in and to the subsurface estate of said Parcel IV as conveyed by Revised Interim Conveyance recorded in Book 1065 at page 249, Anchorage Recording District.

ALSO EXCEPTING THEREFROM

The right, title and interest of the State of Alaska in and to that portion of all public waters lying below the line of ordinary high water, reflected as net area of said Parcel IV.

SUBJECT TO

An easement for public road right-of-way identified as ADL 17152, also known as the Pan Am Road, over and across said Section 19, an existing roadway.

also subject to

An easement for a natural gas pipeline right-of-way granted to Marathon Oil Company over, under and across said Section 19, an existing facility.

also subject to

Section line easements along the west and south lines of said Section 19.

also subject to

Public access easement 50 feet in width measured upland from the line of ordinary high water of an unnamed lake in said Section 19.

also subject to

Public access easements for at least pedestrian use to provide access to the aforementioned lake, the location of which is flexible, but not yet determined.

End Parcel IV.

Parcel VI

All of that portion of fractional Section 20, T12N, R10W, S.M. lying northerly of Tract A, Ladd Subdivision No. 1, according to Plat No. 89-104, Anchorage Recording District; EXCEPTING THEREFROM U.S. Survey 4679; U.S. Survey 3270; U.S. Survey 4543; U.S. Survey 3411; "Grant Tract" Plat No. 83-418, Anchorage Recording District, if any; containing 135 acres, more or less, subject to final survey.

EXCEPTING THEREFROM

The rights of Cook Inlet Region, Inc. in and to the subsurface estate of said Parcel VI as conveyed by Revised Interim Conveyance recorded in Book 1065 at page 249, Anchorage Recording District.

ALSO EXCEPTING THEREFROM

The right, title and interest of the State of Alaska in and to that portion of Cook Inlet lying below the line of ordinary high water;

SUBJECT TO

A public road right-of-way identified as ADL 33939, also known as the Beluga Highway, an existing roadway.

also subject to

A right-of-way permit for electric distribution line granted to Chugach Electric Association, Inc., identified as ADL 58034, over and across said Section 20. An existing facility.

also subject to

A letter of entry for buried and aerial telephone facility issued to Matanuska Telephone Association, identified as ADL 72135, over, under and across said Section 20. An existing facility.

also subject to

Section line easements along the north and west lines of said Section 20.

also subject to

Public access easement 50 feet in width measured upland from the line of ordinary high water along the shores of Cook Inlet only.

End Parcel VI.

Easement

Note: This easement is Exhibit B to the Ground Lease. The Ground Lease is Exhibit B to the Option.

A preferential but non-exclusive easement for use of ingress and egress over, under and across all of Tract A, Ladd Subdivision No. 1, according to Plat No. 89-104, Anchorage Recording District, containing 22.87 acres, more or less.

This easement shall run with the land and shall benefit and serve any one or all of the above described Parcels and shall be granted to Grantee together with the Grantee's lease of any one or more parcels.

Premises

Parcels I, II, IV, VI and the Easement constitute the "Premises".

The aggregate total area of Parcels I, II, IV and VI is 807 gross acres, more or less, 765 net acres, more or less.

All subject to reservations and exceptions as contained in the U.S. Patent and the State of Alaska Patent and acts relating thereto.

ANCHORAGE RECORDING DISTRICT

**THIRD ADDENDUM TO
"OPTION TO LEASE LADD LANDING"**

This document is executed by and between the KENAI PENINSULA BOROUGH, an Alaska municipal corporation, whose address is 144 North Binkley, Soldotna, Alaska 99669, and RICHARD D. BASS, WILLIAM HERBERT HUNT, and WILLIAM HERBERT HUNT TRUST ESTATE, whose address of record is c/o DRven Corporation, 711 H Street, Suite 600, Anchorage, Alaska 99501, as the Third Addendum to the OPTION TO LEASE LADD LANDING dated March 10, 1987.

1. On March 10, 1987, the Kenai Peninsula Borough, as Optionor, and Tidewater Services Corporation, as Optionee, entered into an agreement entitled "Option to Lease Ladd Landing." A Memorandum of Option to Lease was recorded in the records of the Anchorage Recording District at Book 1577, Pages 0333-337.

2. Effective on April 10, 1992, the Kenai Peninsula Borough, as Optionor, and Tidewater Services Corporation, as Optionee, entered into an agreement entitled "Addendum to Option to Lease Ladd Landing" amending the "Option to Lease Ladd Landing." A Memorandum of Addendum to Option to Lease was recorded in the records of the Anchorage Recording District at Book 2470, Pages 254-264.

3. On December 21, 1994, Tidewater Services Corporation was merged with and into Midgard Energy Company, a Delaware corporation, with Midgard Energy Company as the surviving corporation. Effective upon said merger, all of the estate, property, rights, privileges, powers and franchises of Tidewater Services Corporation were vested in, and held and enjoyed by, Midgard Energy Company.

4. By an Assignment of Option effective as of December 27, 1994, recorded in the records of the Anchorage Recording District at Book 03076, Page 0221, Midgard Energy Company assigned the Option to Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate, as tenants in common (hereinafter "Optionee").

5. Effective as of April 9, 1997, Optionor and Optionee entered into an agreement entitled "Second Addendum to 'Option to Lease Ladd Landing,'" recorded in the records of the Anchorage Recording District at Book 03156, Page 889. The "Option to Lease Ladd Landing," as amended by the "Addendum to Option to Lease Ladd Landing" and the "Second Addendum to 'Option to Lease Ladd Landing'" is hereinafter referred to as "the Option."

6. Optionor and Optionee desire to amend the Option as set forth herein.

7. On April 2, 2002, the Kenai Peninsula Borough Assembly enacted Ordinance 2002-09, authorizing amendment of the Option as set forth herein.

8. The parties agree as follows:

a. The Option Period is extended for an additional five years, such that the Option Period shall expire on April 9, 2007.

b. The legal description of the real property that is subject to the Option, referred to in the Option as "the Premises," is hereby amended through the deletion of the former "Revised EXHIBIT A to OPTION TO LEASE LADD LANDING" and the adoption in its place of the "Second Revised EXHIBIT A to OPTION TO LEASE LADD LANDING," attached hereto and made a part hereof.

c. The Option Price for the period from April 9, 2002 through April 9, 2007 shall be \$40,000 per year, as follows:

<u>Parcel</u>	<u>Option Price Per Annum</u>
I	\$21,600
II	\$ 7,000
IV	\$ 7,000
VI	<u>\$ 4,400</u>
TOTAL	\$40,000

Annual installment payments shall be due and payable upon each annual anniversary date of the Option. The initial annual installment payment for the extension period shall be paid upon execution of this Addendum.

d. Exhibit B to the Option (the Ground Lease) is amended to add the following paragraph 30:

30. The parties agree that Lessor may construct one or more roads across Parcel II for the purpose of achieving access to adjacent lands owned by Lessor. Such road(s) shall be located and constructed in a place and manner consistent and compatible with Lessee's possession and intended use of the Premises as provided herein. In the event that Lessor elects to construct a road across Parcel II, Lessor shall provide Lessee with a written notice that contains a description of the portion of Parcel II that is reasonably necessary for such construction ("Road Notice"). Lessee shall reasonably cooperate with Lessor in completing all platting and related actions that may be necessary for platting and dedication of the road. All costs associated with platting the road access shall be borne by the Lessor. Upon delivery of the Road Notice to Lessee and recording of the plat, the Ground Lease will terminate as to the portion of Parcel II that is described in the Road Notice, but the Ground Lease will remain in full effect as to the remainder of Parcel II, and as to the remainder of the Premises. The annual rent payable by Lessee shall not be recalculated upon delivery of the Road Notice to Lessee and recording of the plat, but at the next determination of Fair Market Value following the delivery of the Road Notice and recording of the plat, the reduced size of the Premises and the construction of the road may be considered in the determination of Fair Market Value. Effective on the tax assessment date immediately following recording of a subdivision plat creating a road right-of-way across Parcel II, the assessed value of Parcel II for tax or assessment purposes shall not include the dedicated road right-of-way within Parcel II that

is designated in the Road Notice and removed from the Ground Lease.

e. All of the terms and conditions of the Option which are not expressly amended by this Third Addendum shall remain in full force and effect for the duration of the Option as extended.

f. This Third Addendum shall have an effective date of April 9, 2002.

OPTIONOR:
Kenai Peninsula Borough

By: Dale L Bagby
Its: Mayor

OPTIONEE:

Richard D Bass
Richard D. Bass

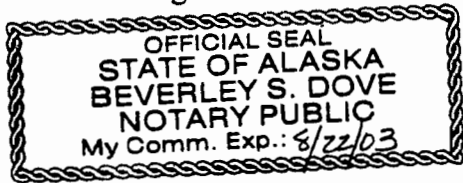
W. H. Hunt
William Herbert Hunt

WILLIAM HERBERT HUNT TRUST
ESTATE

By: J. W. Beavers Jr.
Its: Trustee

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

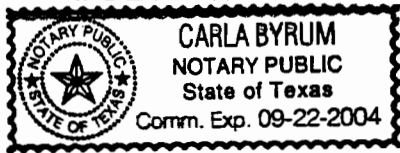
The foregoing instrument was acknowledged before me on June 12, 2002,
by Dele Bagley, Mayor of Kenai Peninsula Borough, on behalf
of the Borough.



Beverly S. Dove
Notary Public in and for Alaska
My commission expires: August 22, 2003

STATE OF TEXAS)
) ss.
COUNTY OF Dallas)

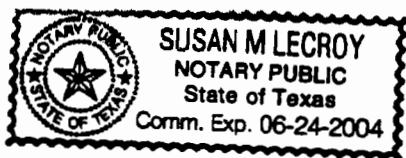
The foregoing instrument was acknowledged before me on May 16, 2002,
by Richard D. Bass.



Carla Byrum
Notary Public in and for Texas
County of Dallas
My commission expires: 9-22-04

STATE OF TEXAS)
) ss.
COUNTY OF Dallas)

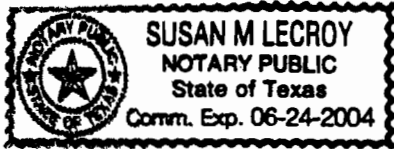
The foregoing instrument was acknowledged before me on may 16, 2002,
by William Herbert Hunt.



Susan M. Lecroy
Notary Public in and for Texas
County of Dallas
My commission expires: 6-24-04

STATE OF TEXAS)
) ss.
COUNTY OF Dallas)

The foregoing instrument was acknowledged before me on May 16, 2002,
by J. W. Beavers, Jr., Trustee of the William Herbert Hunt Trust
Estate, on behalf of the Trust.



Susan M. Lecroy
Notary Public in and for Texas
County of Dallas
My commission expires: 6-24-04

After Recording Return To:

James N. Leik
Perkins Coie LLP
1029 West Third Avenue, Suite 300
Anchorage, Alaska 99501



ANCHORAGE RECORDING DISTRICT

ccc

**FOURTH ADDENDUM TO
"OPTION TO LEASE LADD LANDING"**

This document is executed by and between the KENAI PENINSULA BOROUGH, an Alaska municipal corporation, whose address is 144 North Binkley, Soldotna, Alaska 99669, and RICHARD D. BASS, WILLIAM HERBERT HUNT, and WILLIAM HERBERT HUNT TRUST ESTATE, whose address of record is c/o DRven Corporation, 711 H Street, Suite 600, Anchorage, Alaska 99501, as the Fourth Addendum to the OPTION TO LEASE LADD LANDING dated March 10, 1987.

1. On March 10, 1987, the Kenai Peninsula Borough, as Optionor, and Tidewater Services Corporation, as Optionee, entered into an agreement entitled "Option to Lease Ladd Landing." A Memorandum of Option to Lease was recorded in the records of the Anchorage Recording District at Book 1577, Pages 0333-337.

2. Effective on April 10, 1992, the Kenai Peninsula Borough, as Optionor, and Tidewater Services Corporation, as Optionee, entered into an agreement entitled "Addendum to Option to Lease Ladd Landing" amending the "Option to Lease Ladd Landing." A Memorandum of Addendum to Option to Lease was recorded in the records of the Anchorage Recording District at Book 2470, Pages 254-264.

3. On December 21, 1994, Tidewater Services Corporation was merged with and into Midgard Energy Company, a Delaware corporation, with Midgard Energy Company as the surviving corporation. Effective upon said merger, all of the estate, property, rights, privileges, powers and franchises of Tidewater Services Corporation were vested in, and held and enjoyed by, Midgard Energy Company.

4. By an Assignment of Option effective as of December 27, 1994, recorded in the records of the Anchorage Recording District at Book 03076, Page 022, Midgard Energy Company assigned the Option to Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate, as tenants in common (hereinafter "Optionee").

5. Effective as of April 9, 1997, Optionor and Optionee entered into an agreement entitled "Second Addendum to 'Option to Lease Ladd Landing,'" recorded in the records of the Anchorage Recording District at Book 03156, Page 889.

6. Effective as of April 9, 2002, Optionor and Optionee entered into an agreement entitled "Third Addendum to 'Option to Lease Ladd Landing,'" recorded in the records of the Anchorage Recording District under Recording Number 2002-041575-0. The "Option to Lease Ladd Landing," as amended by the "Addendum to Option to Lease Ladd Landing," the "Second Addendum to 'Option to Lease Ladd Landing'" and the "Third Addendum to 'Option to Lease Ladd Landing'" is hereinafter referred to as "the Option."

7. Optionor and Optionee desire to amend the Option as set forth herein.

8. On March 13, 2007, the Kenai Peninsula Borough Assembly enacted Ordinance 2007-09, authorizing amendment of the Option as set forth herein.

9. The parties agree as follows:

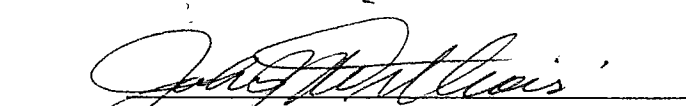
a. The Option Period is extended for an additional one year, such that the Option Period shall expire on April 9, 2008.

b. All of the terms and conditions of the Option which are not expressly amended by this Fourth Addendum shall remain in full force and effect for the duration of the Option as extended.




c. This Fourth Addendum shall have an effective date of April 9, 2007.

OPTIONOR:
Kenai Peninsula Borough



John J. Williams
Mayor

OPTIONEE:

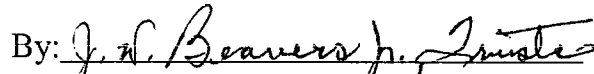


Richard D. Bass



William Herbert Hunt

WILLIAM HERBERT HUNT TRUST
ESTATE

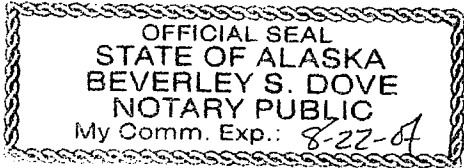
By: 

J. W. Beavers, Jr., Trustee



STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

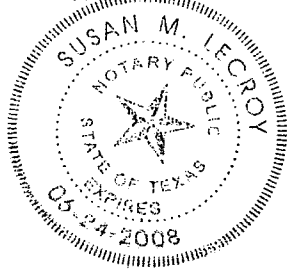
The foregoing instrument was acknowledged before me on April 4, 2007,
by John J. Williams, Mayor of Kenai Peninsula Borough, an Alaska Municipal
Corporation, for and on behalf of the Corporation.



Beverly S. Dove
Notary Public in and for Alaska
My commission expires: 8-22-04

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

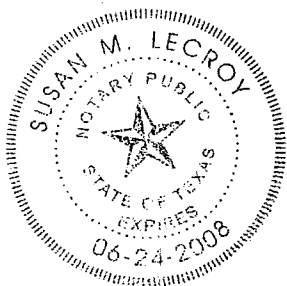
The foregoing instrument was acknowledged before me on April 2, 2007,
by Richard D. Bass.



Susan M. Lecroy
Notary Public in and for Texas
County of —
My commission expires: 6-24-08

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me on April 2, 2007,
by William Herbert Hunt.

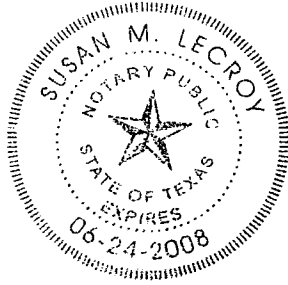


Susan M. Lecroy
Notary Public in and for Texas
County of —
My commission expires: 6-24-08



STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me on April 2, 2007, by J. W. Beavers, Jr., Trustee of the William Herbert Hunt Trust Estate, for and on behalf of the Trust.



Susan M. Lecroy
Notary Public in and for Texas
County of —
My commission expires: 6-24-08

After Recording Return To:
PacRim Coal, LP
Attn: Bob Stiles
711 H Street, Suite 600
Anchorage, Alaska 99501



United States of America)
State of Alaska) ss

THIS IS TO CERTIFY that the foregoing is a full, true and correct copy of the document as it appears in the records and files of my office.

IN THE WITNESS WHEREOF, I have hereunto set my hand and have affixed my official seal at Anchorage, Alaska, this 9th day of April, 2007.
By [Signature]





CC

ANCHORAGE RECORDING DISTRICT

**ASSIGNMENT AND ASSUMPTION OF
OPTION TO LEASE LADD LANDING**

THIS ASSIGNMENT AND ASSUMPTION OF OPTION TO LEASE LADD LANDING (this "Assignment") has been executed on the dates set forth in the acknowledgments hereto but is agreed to be effective as of January 28, 2008 (the "Effective Date"), by and between Richard D. Bass, William Herbert Hunt, and the William Herbert Hunt Trust Estate (together, "Assignors"), as tenants in common, and PacRim Coal, LP, a Delaware limited partnership ("Assignee").

RECITALS

WHEREAS, on March 10, 1987, the Kenai Peninsula Borough, as Optionor ("KPB"), and Tidewater Services Corporation ("Tidewater"), as Optionee, entered into an agreement entitled "Option to Lease Ladd Landing" and thereafter recorded a Memorandum of Option to Lease in the records of the Anchorage Recording District at Book 1577, Pages 0333-337; and

WHEREAS, effective on April 10, 1992, the KPB, as Optionor, and Tidewater, as Optionee, entered into an agreement entitled "Addendum to Option to Lease Ladd Landing" and thereafter recorded a Memorandum of Addendum to Option to Lease in the records of the Anchorage Recording District at Book 2470, Pages 254-264; and

WHEREAS, Tidewater was merged with and into Midgard Energy Company, a Delaware corporation ("Midgard"), with Midgard as the surviving corporation, as certified in a Certificate

of Ownership and Merger dated December 21, 1994, and, effective upon said merger, all of the estate, property, rights, privileges, powers and franchises of Tidewater, including without limitation, the Option to Lease Ladd Landing, as amended, were vested in, and held and enjoyed by, Midgard; and

WHEREAS, Midgard, as successor in interest to Tidewater, assigned all of its interest in and to the Option to Lease Ladd Landing, as amended, to Assignors, as tenants in common, with an undivided 50% interest to Richard D. Bass, an undivided 29.885% interest to William Herbert Hunt, and an undivided 20.115% interest to William Herbert Hunt Trust Estate, respectively, by an Assignment of Option effective as of December 27, 1994 that was recorded in the records of the Anchorage Recording District at Book 03076, Page 0221; and

WHEREAS, Assignors and the KPB entered into an agreement entitled "Second Addendum to 'Option to Lease Ladd Landing'" that was effective as of April 9, 1997 and recorded in the records of the Anchorage Recording District at Book 03156, Page 889; and

WHEREAS, Assignors and KPB entered into an agreement entitled "Third Addendum to 'Option to Lease Ladd Landing'" that was effective as of April 9, 2002 and recorded in the records of the Anchorage Recording District under Recording Number 2002-041575-0; and

WHEREAS, Assignors and the KPB entered into an agreement entitled "Fourth Addendum to 'Option to Lease Ladd Landing'" that was effective as of April 9, 2007 and recorded in the records of the Anchorage Recording District under Recording Number 2007-021241-0. (the "Option to Lease Ladd Landing," as amended by the "Addendum to Option to Lease Ladd Landing," the "Second Addendum to 'Option to Lease Ladd Landing,'" the "Third



Addendum to 'Option to Lease Ladd Landing'" and the "Fourth Addendum to 'Option to Lease Ladd Landing,'" being referred to herein as "the Option."); and

WHEREAS, Assignee is related to and affiliated with Assignors and the parties are effectuating this assignment and assumption pursuant to the second sentence of Section 7 of the Option;

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises made herein, and other good and valuable consideration, Assignors and Assignee hereby agree as follows:

1. Assignors represent and warrant to Assignee that Assignors hold all of Optionee's right, title and interest in and to the Option and that such right, title and interest have not previously been assigned or encumbered by Assignors.
2. As of the Effective Date, Assignors hereby irrevocably assign, grant, transfer, and convey all of their respective right, title, and interest in and to the Option to Assignee, subject to all rents, covenants and conditions contained in said Option. Assignors shall protect, defend, indemnify and hold Assignee harmless from and against any and all claims under such Option and arising, by, through or under Assignors, which arise or accrue prior to the Effective Date.
3. As of the Effective Date, Assignee hereby assumes all of Assignors' duties and obligations under the Option, which arise or accrue from and after the Effective Date. Assignee shall protect, defend, indemnify and hold Assignors harmless from and against any and all claims of any kind or nature arising from or related to such Option, which arise or accrue after the Effective Date.



3 of 7

2008-007294-0

4. This Assignment may be executed in several counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same agreement, notwithstanding that all parties are not signatories to the original or the same counterpart.

5. This Assignment shall be binding upon and inure to the benefit of the parties and their respective heirs, devisees, personal representatives, successors and assigns.

6. This Assignment shall be construed and enforced in accordance with the laws of the State of Alaska.

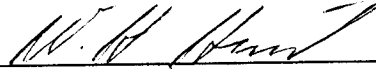
[SIGNATURES ON FOLLOWING PAGE]



ASSIGNORS:



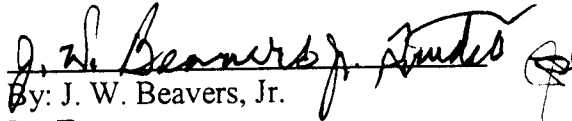
Richard D. Bass



William Herbert Hunt



WILLIAM HERBERT HUNT TRUST ESTATE



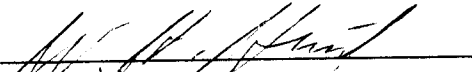
By: J. W. Beavers, Jr.

Its: Trustee

ASSIGNEE

PACRIM COAL, LP,
a Delaware Limited Partnership

By: PacRim Coal – GP, LLC,
a Delaware Limited Liability Company, its
General Partner



By: W.H. Hunt

Its: Manager

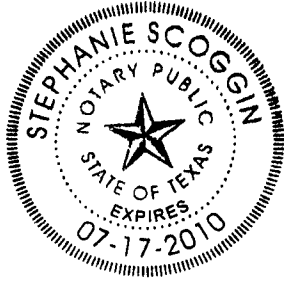


5 of 7

2008-007294-0

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

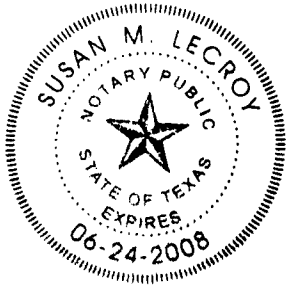
The foregoing instrument was acknowledged before me on February 1, 2008, by Richard D. Bass.



Stephanie Scoggin
Notary Public in and for Texas
County of Dallas
My commission expires: 7-17-2010

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

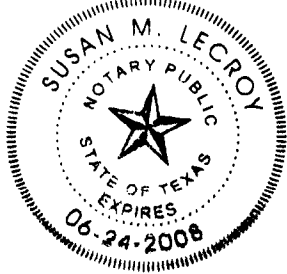
The foregoing instrument was acknowledged before me on January 30, 2008, by William Herbert Hunt.



Susan M. Lecroy
Notary Public in and for Texas
County of Dallas
My commission expires: 6-24-08

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me on January 30, 2008, by J. W. Beavers, Jr., Trustee of the William Herbert Hunt Trust Estate, on behalf of the Trust.

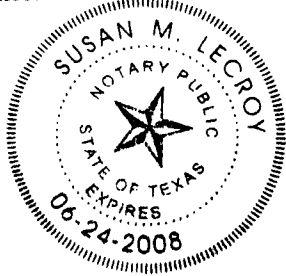


Susan M. Lecroy
Notary Public in and for Texas
County of Dallas
My commission expires: 6-24-08



STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me on January 30, 2008, by W. H. Hunt, Manager of PacRim Coal-GP, LLC, a Delaware Limited Liability Company, the General Partner of PacRim Coal, LP, a Delaware Limited Partnership.



Susan M. Lecroy
Notary Public in and for Texas
County of Dallas
My commission expires: 6-24-08

After Recording Return To:
Michael A. Barrett
Perkins Coie LLP
1201 Third Avenue, Suite 4800
Seattle, Washington 98101



**ANCHORAGE RECORDING DISTRICT****FIFTH ADDENDUM TO
"OPTION TO LEASE LADD LANDING"**

This document is executed by and between the KENAI PENINSULA BOROUGH, an Alaska municipal corporation, whose address is 144 North Binkley, Soldotna, Alaska 99669, and PACRIM COAL, LP, a Delaware Limited Partnership, whose address of record is c/o DRven Corporation, 711 H Street, Suite 600, Anchorage, Alaska 99501, as the Fifth Addendum to the OPTION TO LEASE LADD LANDING dated March 10, 1987.

1. On March 10, 1987, the Kenai Peninsula Borough, as Optionor, and Tidewater Services Corporation, as Optionee, entered into an agreement entitled "Option to Lease Ladd Landing." A Memorandum of Option to Lease was recorded in the records of the Anchorage Recording District at Book 1577, Pages 0333-337.

2. Effective on April 10, 1992, the Kenai Peninsula Borough, as Optionor, and Tidewater Services Corporation, as Optionee, entered into an agreement entitled "Addendum to Option to Lease Ladd Landing" amending the "Option to Lease Ladd Landing." A Memorandum of Addendum to Option to Lease was recorded in the records of the Anchorage Recording District at Book 2470, Pages 254-264.

3. On December 21, 1994, Tidewater Services Corporation was merged with and into Midgard Energy Company, a Delaware corporation, with Midgard Energy Company as the surviving corporation. Effective upon said merger, all of the estate, property, rights, privileges, powers and franchises of Tidewater Services Corporation were vested in, and held and enjoyed by, Midgard Energy Company.

4. By an Assignment of Option effective as of December 27, 1994, recorded in the records of the Anchorage Recording District as Book 03076, Page 022, Midgard Energy Company assigned the Option to Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate, as tenants in common (hereinafter "Prior Optionee").

5. Effective as of April 9, 1997, Optionor and Prior Optionee entered into an agreement entitled "Second Addendum to 'Option to Lease Ladd Landing,'" recorded in the records of the Anchorage Recording District at Book 03156, Page 889.

6. Effective as of April 9, 2002, Optionor and Prior Optionee entered into an agreement entitled "Third Addendum to 'Option to Lease Ladd Landing'" recorded in the records of the Anchorage Recording District under Recording Number 2002-041575-0.

7. Effective as of April 9, 2007, Optionor and Prior Optionee entered into an agreement entitled "Fourth Addendum to 'Option to Lease Ladd Landing'" recorded in the records of the Anchorage Recording District under Recording Number 2007-021241-0. The "Option to Lease Ladd Landing," as amended by the "Addendum to Option to Lease Ladd Landing," the "Second Addendum to 'Option to Lease Ladd Landing,'" the "Third Addendum to 'Option to Lease Ladd Landing'" and the "Fourth Addendum to 'Option to Lease Ladd Landing,'" is hereinafter referred to as "the Option."

8. By that certain Assignment and Assumption of Option to Lease Ladd Landing effective as of January 28, 2008, recorded in the records of the Anchorage Recording District 301 under Recording Number 2008-007294-0, Prior Optionee assigned the Option to PacRim Coal, LP, a Delaware Limited Partnership (hereinafter "Optionee").

9. Optionor and Optionee desire to amend the Option as set forth herein.

10. On January 8, 2008, the Kenai Peninsula Borough Assembly enacted Ordinance 2007-40, authorizing amendment of the Option as set forth herein.

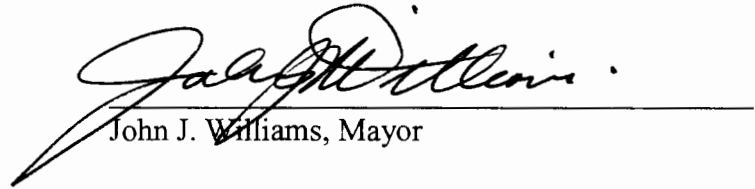
11. The parties agree as follows:

a. The Option Period is extended for an additional one year, such that the Option Period shall expire on April 9, 2009.

b. All of the terms and conditions of the Option which are not expressly amended by this Fifth Addendum shall remain in full force and effect for the duration of the Option as extended.

c. This Fifth Addendum shall have an effective date of April 9, 2008.

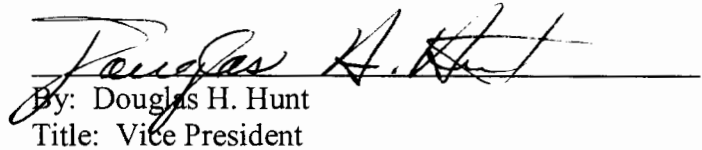
OPTIONOR:
Kenai Peninsula Borough



John J. Williams, Mayor

OPTIONEE:
PacRim Coal, LP, a Delaware Limited
Partnership

By: PacRim Coal-GP, LLC, a Delaware Limited
Liability Company, its General Partner

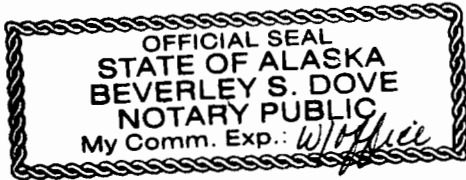


By: Douglas H. Hunt
Title: Vice President



STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

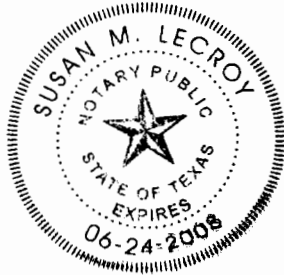
The foregoing instrument was acknowledged before me on April 3, 2008,
by John J. Williams, Mayor of Kenai Peninsula Borough, an Alaska Municipal Corporation,
for an on behalf of the Corporation.



Beverley S. Dove
Notary Public in and for Alaska
My commission expires: w/office

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me on March 20, 2008,
by Douglas H. Hunt, Vice President of PacRim Coal-GP, LLC, a Delaware Limited Liability
Company, the General Partner of PacRim Coal, LP, a Delaware Limited Partnership.



Susan M. Lecroy
Notary Public in and for Texas
County of Dallas
My commission expires: 6-24-08

RETURN TO:
Kenai Peninsula Borough
Attn: Marcus Mueller, Land Mgmt
144 N Binkley St
Soldotna, AK 99669



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K
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2008-068749-0

Recording Dist: 301 - Anchorage
12/22/2008 2:19 PM Pages: 1 of 6



ANCHORAGE RECORDING DISTRICT

**WAIVER OF 90-DAY NOTICE REQUIREMENT CONTAINED IN
THE
"OPTION TO LEASE LADD LANDING"**

This document is executed by and between the KENAI PENINSULA BOROUGH, an Alaska municipal corporation, whose address is 144 North Binkley, Soldotna, Alaska 99669, and PACRIM COAL, LP, a Delaware Limited Partnership, whose address of record is 711 H Street, Suite 350, Anchorage, Alaska 99501.

RECITALS:

1. On March 10, 1987, the Kenai Peninsula Borough, as Optionor, and Tidewater Services Corporation, as Optionee, entered into an agreement entitled "Option to Lease Ladd Landing." A Memorandum of Option to Lease was recorded in the records of the Anchorage Recording District at Book 1577, Pages 0333-337.

2. Effective on April 10, 1992, the Kenai Peninsula Borough, as Optionor, and Tidewater Services Corporation, as Optionee, entered into an agreement entitled "Addendum to Option to Lease Ladd Landing" amending the "Option to Lease Ladd Landing." A Memorandum of Addendum to Option to Lease was recorded in the records of the Anchorage Recording District at Book 2470, Pages 254-264.

3. On December 21, 1994, Tidewater Services Corporation was merged with and into Midgard Energy Company, a Delaware corporation, with Midgard Energy Company as the surviving corporation. Effective upon said merger, all of the estate,

property, rights, privileges, powers and franchises of Tidewater Services Corporation were vested in, and held and enjoyed by, Midgard Energy Company.

4. By an Assignment of Option effective as of December 27, 1994, recorded in the records of the Anchorage Recording District at Book 03076, Page 022, Midgard Energy Company assigned the Option to Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate, as tenants in common.

5. Effective as of April 9, 1997, Optionor and Optionee entered into an agreement entitled "Second Addendum to 'Option to Lease Ladd Landing,'" recorded in the records of the Anchorage Recording District at Book 03156, Page 889.

6. Effective as of April 9, 2002, Optionor and Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate, as Optionee, entered into an agreement entitled "Third Addendum to 'Option to Lease Ladd Landing,'" recorded in the records of the Anchorage Recording District under Recording Number 2002-041575-0.

7. Effective as of April 9, 2007, Optionor and Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate, as Optionee, entered into an agreement entitled "Fourth Addendum to 'Option to Lease Ladd Landing,'" recorded in the records of the Anchorage Recording District under Recording Number 2007-021241-0.

8. By an Assignment of Option effective as of January 28, 2008, recorded in the records of the Anchorage Recording District under Recording Number 2008-007294-0, Richard D. Bass, William Herbert Hunt, and William Herbert Hunt Trust Estate, as tenants in common assigned the Option to PacRim Coal, LP (hereinafter "Optionee").

9. Effective as of April 9, 2008, Optionor and Optionee entered into an agreement entitled "Fifth Addendum to 'Option to Lease Ladd Landing,'" recorded in the



records of the Anchorage Recording District under Recording Number 2008-020280-0 by which the term of the Option was extended to April 9, 2009.

10. The "Option to Lease Ladd Landing," as amended by the "Addendum to Option to Lease Ladd Landing," the "Second Addendum to 'Option to Lease Ladd Landing'", the "Third Addendum to 'Option to Lease Ladd Landing'", the "Fourth Addendum to 'Option to Lease Ladd Landing'", and the "Fifth Addendum to 'Option to Lease Ladd Landing'" are hereinafter collectively referred to hereafter as "the Option."

11. On November 18, 2008, the Kenai Peninsula Borough Assembly enacted Ordinance 2008-31, authorizing a one-time waiver of the ninety (90) day notice requirement contained in Section 3.1 of the Option to Lease Ladd Landing, as provided therein.

Optionor and Optionee agree to the following:

a. That certain ninety (90) day notice requirement contained in Section 3.1 of the Option is hereby waived on a one time basis to allow that written notice of exercise of the Option may be given by Optionee with full effect at any time on or before the expiration of the current term of the Option, expiring on April 9, 2009.

b. All of the other terms and conditions of the Option shall remain unchanged and in full force and effect for the duration of the Option as amended and extended.

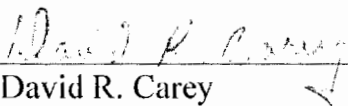
c. This agreement shall be effective upon execution by both parties.

12. Each signatory hereto warrants that it has the authority to bind the party to this agreement.



WITNESS OUR HANDS THIS 4 DAY OF DECEMBER, 2008.


OPTIONOR:
Kenai Peninsula Borough



David R. Carey
Mayor

OPTIONEE:
PacRim Coal, LP

By: PacRim Coal GP, LLC, its General Partner



W. J. Lucas
Vice President



STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me on December 4, 2008, by David R. Carey, Mayor of Kenai Peninsula Borough, an Alaska Municipal Corporation, for and on behalf of the Corporation.

[Signature]
Notary Public in and for Alaska
My commission expires: in office

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me on December 4, 2008, by W. J. LUCAS in his official capacity as Vice President of PacRim Coal-GP, LLC, the General Partner of PacRim Coal, LP, acting for and on behalf of said Partnership,.

[Signature]
Notary Public in and for Alaska
My commission expires: 1/24/10



RETURN TO:
KENAI PENINSULA BOROUGH
ATTN: LAND MANAGEMENT DIV
144 N BINKLEY STREET
SOLDOTNA, AK 99669