

LEASE

THIS LEASE is made this 2 day of May, 1988, between the CITY OF VALDEZ, a municipal corporation organized under the laws of the State of Alaska, hereinafter referred to as "LESSOR", and PETER PAN SEAFOODS, INC., hereinafter referred to as "LESSEE".

LESSOR and LESSEE agree as follows:

I - PROPERTY

1.01. Property. LESSOR leases to LESSEE and LESSEE leases from LESSOR the property outlined in red in Exhibit "A" attached hereto (hereinafter referred to as the "Property" more particularly described as:

Tract F of the Amended Plat of the South Portion of Mineral Creek Subdivision and Harbor Subdivision, recorded as Plat No. 86-4 on June 27, 1986, in the Valdez Recording District, Third Judicial District, State of Alaska.

for the term, the rent, and subject to the covenants and conditions hereinafter provided.

1.02. Quiet Enjoyment, Restrictions, Easements, Etc. LESSOR covenants and agrees that LESSEE, upon paying the rent and other charges herein provided for and observing and keeping the covenants, conditions and terms of this Lease on LESSEE's part to be kept or performed, shall lawfully and quietly hold, occupy and enjoy the Property during the term of this Lease without hindrance or molestation, subject, however, to the rights and reservations expressed in the U. S. Patent to the Property, the State of Alaska Patent to the Property, existing easements for roads, gas, electric, water, sewer and other utility lines, restrictions of record and to encroachments ascertained by physical inspection of the Property; and subject to a public easement from mean high tide line to a line fifty (50) feet upland therefrom.

1.03. Property Accepted "As Is". LESSEE acknowledges that it has inspected the Property and accepts the same "as is" and without reliance on any representations or warranties of LESSOR, its agents, servants, or employees, as to

the physical condition of the Property, including, but not limited to, subsurface and soil conditions.

1.04. No Subsurface or Tidelands Rights. This Lease confers no mineral rights or rights with regard to the subsurface of the land below the level necessary for the use of the Property as stated in this Lease. This Lease confers no rights with regard to tidelands. Mineral rights to the property can be opened only upon the mutual consent of LESSOR and LESSEE.

II - TERM

2.01. Lease Term. The term of this Lease shall commence on May 8, 1988, and end on the last day of June, 2039, or so long as LESSEE actively and continuously conducts a camping or housing facility for LESSEE's employees on the Property, whichever is shorter.

2.02. Hold-Over. If LESSEE shall hold-over after the expiration of the term of this Lease such tenancy shall be from month to month, subject to all the terms, covenants and conditions of this Lease.

2.03. Surrender of Possession. Upon expiration of the term of this Lease, whether by lapse of time or otherwise, LESSEE shall promptly and peaceably surrender the Property, and all buildings and improvements thereon, except as provided in paragraphs 17.01 - 17.03 of this Lease, and LESSEE agrees to execute, acknowledge and deliver to LESSOR a proper instrument in writing, releasing and quitclaiming to LESSOR all right, title and interest of LESSEE in and to the Property and all such buildings and improvements thereon.

2.04. Early Termination. Either party may terminate this Lease for any or no reason upon not less than 180 days written notice to the other party.

III - RENT, TAXES AND ASSESSMENTS

3.01. Rent. The LESSEE agrees to pay to LESSOR an annual rent of six percent (6%) of the appraised value of the Property, with payments to be made not later than the eighth (8th) day of May of any year for the annual period beginning

May 8 of that year. For the first five (5) years, the appraised value is agreed to be FIFTY THOUSAND DOLLARS (\$50,000.00) resulting in an annual rent of THREE THOUSAND DOLLARS (\$3,000.00) per year. The Property will be reappraised for the purpose of determining the rental value every five (5) years. Such appraisal will be based on the value of the Property and shall not include the value of buildings or improvements placed on the Property by LESSEE. This appraisal of the leased Property for the purposes of determining its rental value will be done by an M.A.I. appraiser chosen by the City of Valdez. If LESSEE does not agree that the appraised value is correct, LESSEE shall, within thirty (30) days of receipt of a copy of the appraisal obtained by the City, obtain and deliver to LESSOR its own appraisal by an M.A.I. appraiser qualified to do and doing business in Alaska. The mean of the two (2) appraisals shall be the accepted value for purposes of determining the rent. Rent shall be payable at the office of the City Manager, P. O. Box 307, Valdez, Alaska, 99686, or at such other place as LESSOR may designate in writing. Nothing in this paragraph shall prevent the annual reassessment of the leased premises for tax purposes to determine its true value as provided by law. LESSEE agrees to be responsible for the costs of all appraisals.

3.02. LESSEE to Pay Taxes. LESSEE agrees to pay prior to delinquency and directly to the taxing authorities in which the Property is located all real property taxes levied or assessed upon or against the Property and all buildings and improvements thereon during the term of this Lease. LESSEE further agrees to pay prior to delinquency and directly to the taxing authorities in which the Property is located all personal property taxes on personal property situated on the Property and placed thereon by LESSEE, its agents, servants, or employees. LESSEE further agrees to pay prior to delinquency and directly to the taxing authorities in which the Property is located all sales and/or hotel/motel taxes payable by reason of LESSEE's operations on the Property. LESSEE further agrees to pay prior to delinquency any other taxes for which it may be liable. LESSEE shall, within thirty (30) days after any such tax, assessment or other charge, whether or not constituting a lien on the Property, shall become due and payable, produce and exhibit to LESSOR satisfactory evidence of payment thereof.

LESSEE acknowledges that it is subject to and will pay applicable municipal taxes, including property tax on LESSEE's leasehold interest in the Property.

3.03. LESSEE to Pay Assessments. LESSEE during the term of this Lease agrees to pay directly to the public authorities charged with collection thereof any and all

assessments levied on the Property for any part or all of the costs of any public work or improvement assessed according to benefit found by the levying authority to accrue therefrom to the Property, provided, however, that if an option is given to pay such assessment(s) in installments, LESSEE may elect to pay the same in installments, and in such case LESSEE shall be liable only for such installments as shall accrue during the term of this Lease. LESSOR warrants and represents that there are currently no outstanding assessments levied on the Property for any part or all of the cost of any public work or improvement constructed by LESSOR.

3.04. Proration of Taxes and Assessments. If LESSEE's obligation to pay taxes or assessments commences or ends during a tax year, such obligation shall be prorated between LESSOR and LESSEE.

3.05. Contest. LESSEE shall have the right to contest any taxes or assessments which LESSEE is obligated to pay under paragraphs 3.02 or 3.03 of this Lease. Such proceedings shall, if instituted, be conducted promptly at LESSEE's own expense and free from all expense to LESSOR. Before instituting any such proceedings, LESSEE shall pay under protest any such taxes or assessments, or shall furnish to LESSOR a surety company bond written by a company acceptable to LESSOR or other security acceptable to LESSOR, sufficient to cover the amount of such taxes or assessments, with interest for the period which such proceedings may reasonably be expected to take, and costs, securing the payment of such taxes or assessments, interest and costs in connection therewith when finally determined. Notwithstanding the furnishing of any such bond or security, LESSEE shall pay any such taxes or assessments at least thirty (30) days before the time when the Property or any part thereof, might be forfeited. The proceedings referred to in this paragraph 3.05 shall include appropriate appeals from any order or judgments therein, but all such proceedings shall be begun as soon as reasonably possible after the imposition or assessment of any such taxes or assessments and shall be prosecuted to final adjudication promptly. In the event of any reduction, cancellation or discharge, LESSEE shall pay the amount that shall be finally levied or assessed against the Property or adjudicated to be due and payable, and, if there shall be any refund payable by the governmental authority with respect thereto, LESSEE shall be entitled to receive and retain the same, subject, however, to apportionment as provided in paragraph 3.04 of this Lease. LESSOR, at LESSOR's option, may, but shall not be obligated to, at LESSOR's own expense contest any such taxes or assessments, which shall not be contested as set forth above, and, unless LESSEE shall promptly join with LESSOR in such contest and any and all costs of LESSOR therein,

LESSOR shall be entitled to receive and retain any refund payable by any governmental authority with respect thereof.

3.06. LESSEE to Pay Utility Charges. LESSEE shall pay or cause to be paid all charges for gas, electricity, water, sewer and any and all other utility services used upon the Property throughout the term of this Lease, including any connection fees.

3.07. Additional Rent and LESSOR's Right to Cure LESSEE's Default. All costs and expenses which LESSEE assumes or agrees to pay pursuant to this Lease shall, at LESSOR's election, be treated as additional rent, and, in the event of nonpayment, LESSOR shall have all rights and remedies provided in this Lease in the case of nonpayment of rent or of a breach of condition, at LESSOR's election. If LESSEE shall default in making any payment required to be made by LESSEE or shall default in performance of any term, covenant or condition of this Lease on the part of LESSEE to be kept, performed or observed which shall involve the expenditure of money by LESSEE, LESSOR at LESSOR's option may, but shall not be obligated to, make such payment, or, on behalf of LESSEE, expend such sum as may be necessary to keep, perform or observe such term, covenant or condition, and any and all sums so expended by LESSOR, with interest thereon at the rate of twelve percent (12%) per year from the date of such expenditure until repaid, shall be, and shall be deemed to be, additional rent and shall be repaid by LESSEE to LESSOR, on demand, provided, however, that no such payment or expenditure by LESSOR shall be deemed a waiver of LESSEE's default, nor shall it affect any remedy of LESSOR by reason of such default.

IV - USE

4.01. Use. LESSEE shall use the Property for the purpose of creating camping/housing facilities for LESSEE's employees. LESSEE shall not conduct any illegal activities on the Property.

4.02. Radio Interference. At the LESSOR's request, the LESSEE shall discontinue the use of any machine or device which interferes with any government operated transmitter, receiver, or navigation aid until the cause of the interference is eliminated.

V - IMPROVEMENTS

5.01. Notice of Nonresponsibility. LESSOR, pursuant to A. S. §34.35.065, as now enacted or hereafter amended, hereby gives notice of nonresponsibility for any construction, alteration or repair of any improvements constructed or made by LESSEE on the Property.

5.02. Development Requirements. LESSEE shall at LESSEE's sole expense develop an employee camping facility which shall substantially conform to the proposal and presentation given to, considered by, and accepted by the Valdez Planning and Zoning Commission on March 23, 1988.

5.03. LESSEE's Ownership of Buildings and Improvements. It is expressly understood and agreed that any and all buildings and improvements of any nature whatsoever constructed or maintained on the Property by LESSEE shall be and remain the property of LESSEE and may be removed or replaced by LESSEE at any time during the term of this Lease, subject, however, to paragraphs 5.06 and 17.01 of this Lease.

5.04. Landscaping. LESSEE shall landscape the areas surrounding any buildings or improvements constructed or maintained on the Property in a pleasing and aesthetic manner consistent with the scenic nature and natural vegetation of the Property and the surrounding environs.

5.05. Development Setback. LESSEE shall maintain a fifty (50) foot development setback from mean high tide.

5.06. As-Built Drawings Required. The LESSEE, within thirty (30) days after completion of construction or placement of any buildings or improvements upon the Property, shall deliver to the LESSOR three (3) copies of as-built drawings showing the location and dimensions of the buildings or improvements, giving bearings and distances to an established survey point. Furthermore, if the LESSEE constructs underground improvements, the LESSEE shall appropriately mark the surface of the land with adequate surface markers. The type, quantity, and distance between such markers will be subject to the approval of the LESSOR.

5.07. Construction Prerequisites. No construction shall be commenced unless the following events have occurred:

(a) LESSEE shall furnish to LESSOR certificates of insurance in the amounts and for the purposes specified in Article X.

(b) LESSEE shall from time to time deliver to LESSOR satisfactory proof that workers' compensation insurance has been procured to cover all persons employed in connection with the construction. Notice of any deficiency in this area to LESSEE will be cured immediately and no work will be performed on the project until the City has satisfactory proof that proper workers' compensation insurance is in place.

VI - TRADE FIXTURES

6.01. LESSEE's Ownership of Trade Fixtures, Machinery and Equipment. It is expressly understood and agreed that any and all trade fixtures (including electrical fixtures), machinery, equipment of any nature whatsoever and other personal property of LESSEE at any time placed or maintained upon the Property by LESSEE shall be and remain property of the LESSEE and may be removed or replaced at any time during the term of this Lease.

VII - ASSIGNMENT AND SUBLETTING

7.01. Assignment Without Consent Generally Prohibited. LESSEE shall not voluntarily assign or encumber its interest in this Lease or in the Property or sublease all or any part of the Property, or allow any other person or entity (except LESSEE's authorized representatives) to occupy or use all or any part of the Property without first obtaining LESSOR's consent. Any assignment, encumbrance or sublease without LESSOR's consent shall be voidable and, at LESSOR's election, shall constitute a default. No consent to any assignment, encumbrance, or sublease shall constitute a further waiver of the provisions of this paragraph. If LESSEE is a partnership, a withdrawal or change, voluntary, involuntary or by operation of law, of any partner or partners owning fifty percent (50%) or more of the partnership, or the dissolution of the partnership, shall be deemed a voluntary assignment. If LESSEE is a corporation, any dissolution, merger, consolidation or other reorganization of LESSEE, or the sale or other transfer of a controlling percentage of the capital stock of LESSEE, or the sale of fifty-one percent (51%) of the value of the assets of LESSEE, shall be deemed a voluntary assignment. The phrase "controlling percentage" means the ownership of, and the right to vote, stock possessing at least fifty-one percent (51%) of the total combined voting power of all classes of LESSEE's capital stock issued, outstanding and entitled to vote for the election of directors. As to a corporation the stock of which is traded through an exchange or over the counter, a sale or other transfer of a controlling percentage of the capital stock

of such a LESSEE corporation will not be deemed to be a voluntary assignment.

7.02. Assignment of Rents to LESSOR. LESSEE immediately and irrevocably assigns to LESSOR, as security for LESSEE's obligations under this Lease, all rent from any subletting of all or a part of the Property as permitted by this Lease, and LESSOR, as assignee and attorney-in-fact for LESSEE or a receiver for LESSEE appointed on LESSOR's application, may collect such rent and apply it toward LESSEE's obligations under this Lease, except that, until the occurrence of an act of default by LESSEE, LESSEE shall have the right to collect such rent.

7.03. LESSOR's Option to Sublet or Terminate. Notwithstanding anything herein to the contrary, if at any time or from time to time during the term of this Lease, LESSEE desires to sublet or assign this Lease with respect to all or part of the Property, LESSEE shall notify LESSOR in writing (hereinafter referred to in this paragraph as the "Notice") of the terms of the proposed subletting or assignment and the area proposed to be sublet or covered by the assignment and shall give LESSOR the option to sublet from LESSEE such space (hereinafter referred to as "Sublet Space") at the same rent and additional rent as LESSEE is required to pay to LESSOR under this Lease for the same space, or at LESSOR's option, to terminate this Lease with respect to the Sublet Space. If the Sublet Space does not constitute the entire Property and LESSOR exercises its option to terminate this Lease with respect to the Sublet Space, then as to that portion of the Property which is not part of the Sublet space, this Lease shall remain in full force and effect except that the rent shall be reduced by a fraction, the numerator of which shall be the leasable square feet of the Sublet Space and the denominator of which shall be the remaining square feet of the Property. The option to sublet, or to terminate this Lease, shall be exercisable by LESSOR in writing within a period of thirty (30) days after receipt of the Notice.

In the event LESSOR exercises the option to sublet the Sublet Space, the term of the subletting from the LESSEE to LESSOR shall be the term set forth in the Notice and shall be on such terms and conditions as are contained in this Lease to the extent applicable except that the LESSOR shall have the right to further sublet the Sublet Space.

If LESSOR fails to exercise either of its options within the said thirty (30) day period, the LESSEE may submit to LESSOR within twenty (20) days after said period a copy of the proposed assignment or sublease and such information concerning

the proposed assignee or sublessee as may be reasonably requested by LESSOR for LESSOR's review. If LESSOR, in its sole discretion, approves in writing the terms of the proposed assignment or sublease and the proposed assignee or sublessee, but a fully executed counterpart of such assignment or sublease is not delivered to LESSOR within sixty (60) days after the date of LESSOR's approval, then LESSOR's approval of the proposed assignment or sublease shall be deemed null and void and LESSEE shall again comply with all the conditions of this paragraph as if the Notice and options hereinabove referred to had not been given and received.

7.04. Costs of LESSOR's Consent to Be Borne by LESSEE. LESSEE agrees to pay to LESSOR, on demand, reasonable costs incurred by LESSOR in connection with any request by LESSEE for LESSOR to consent to any assignment or subletting by LESSEE.

VIII - LIENS

8.01. Prohibition of Liens. LESSEE shall not suffer or permit any liens to be recorded against the Property. If any such liens shall be recorded against the Property, LESSEE shall cause the same to be removed, or, in the alternative, if LESSEE in good faith desires to contest the same, LESSEE shall be privileged to do so, but in such case LESSEE hereby agrees to indemnify and save LESSOR harmless from all liability for damages occasioned thereby and shall, in the event of a judgment or foreclosure of such liens, cause the same to be discharged and removed prior to the execution of such judgment.

IX - INDEMNITY

9.01. Indemnity. Except for claims arising solely out of acts or omissions of LESSOR, its agents, servants, employees or contractors, LESSEE agrees to protect, indemnify and hold LESSOR harmless from and against any and all liability arising from acts or omissions of any person and of any nature whatsoever occurring on or relating to the Property, causing injury to, or death of persons, or loss of, or damage to, property, and from any expense incident to the defense of and by LESSOR therefrom. If any action or proceeding is brought against LESSOR by reason of any such occurrences, LESSOR shall promptly notify LESSEE in writing of such action or proceeding.

X - INSURANCE

10.01. Liability Insurance. LESSEE, during the term of this Lease, shall carry at its expense general public liability insurance covering the Property in an amount of not less than FIVE MILLION DOLLARS (\$5,000,000.00) combined single limit to protect against liability for personal injury, death or property damage which might arise from the construction occupancy or use of the Property and the operations conducted on it. Said insurance shall insure performance by LESSEE of the indemnity provisions of paragraph 9.01. LESSOR reserves the right to adjust the amount of insurance required on five (5) year intervals corresponding to the reappraisal of the property as set forth in Section 3.01 of this Lease.

10.02. Named Insured, Notice to LESSOR, and Waiver of Subrogation. All insurance policies required to be maintained by LESSEE under paragraph 10.01 shall name LESSEE and LESSOR as the insured as their respective interest may appear. All policies issued under paragraph 10.01 shall contain an agreement by the insurers that such policies shall not be canceled without at least twenty (20) days' prior written notice to LESSOR, and certificates or copies of all such insurance policies shall be furnished to LESSOR promptly after the issuance thereof. All policies issued under paragraph 10.01 shall contain a waiver of any subrogation rights any insurer might have against LESSOR.

10.03. Fire and Extended Coverage Insurance. LESSEE may at its own expense and in its own name obtain insurance against loss or damage by fire and such other risks as it determines to cover buildings, equipment, inventory, fixtures, personal property and improvements made to the Property by LESSEE subsequent to LESSEE's taking possession of the Property under this Lease.

XI - CARE OF PROPERTY

11.01. Care of the Property. LESSEE at its own cost and expense shall keep the Property and all buildings and improvements which at any time may be situated thereon in good condition and repair during the term of this Lease, ordinary wear and tear excepted. The Property shall always be kept by LESSEE neat, clean and free of litter.

11.02. Restoration or Removal of Damaged Buildings and Improvements. In the event any buildings or improvements situated on the Property by LESSEE are damaged or destroyed by fire or other casualty, LESSEE shall at LESSEE's expense restore

the same to good and tenantable condition or shall remove the same as soon as is reasonably possible, but in no event shall the period of restoration exceed eighteen (18) months nor shall the period of removal exceed forty-five (45) days.

11.03. Access Rights of LESSOR. LESSOR, its agents, servants or employees, shall have the right to enter into and upon the Property and all buildings or improvements situated thereon upon reasonable notice to LESSEE and during normal business hours (defined as 9:00 a.m. to 5:00 p.m. Monday through Friday except for holidays as defined in paragraph 15.05 of this Lease) for the purpose of inspecting the Property and all buildings and improvements situated thereon.

11.04. Nuisances Prohibited. LESSEE shall not permit any nuisance or public nuisance to exist or to be created or maintained on the Property. LESSEE shall immediately remove from the Property any abandoned buildings, improvements, equipment, machinery or fixtures. LESSEE agrees that any nuisance or public nuisance as defined by the Valdez City Code, or any other code or regulations incorporated therein or otherwise adopted by ordinance or resolution of the City of Valdez, may be removed by LESSOR without LESSEE's permission, with use of force if necessary, and without incurring any civil or criminal liability therefor, all the costs of such removal to be paid by LESSEE to LESSOR as additional rent under the terms of this Lease. This paragraph shall not be construed as any limitation on any other legal rights or remedies available to LESSOR to abate any nuisance or to prosecute any violation of the Valdez City Code.

XII - LAWS

12.01. Compliance with Laws. LESSEE shall comply with all applicable laws, ordinances and regulations of duly constituted public authorities now or hereafter in any manner affecting LESSEE's activities on the Property or any buildings or other improvements which may be situated thereon, whether or not any such laws, ordinances or regulations which may be hereafter enacted involve a change of policy on the part of the governmental body enacting the same. LESSEE's obligation to comply with the requirements of any governmental authority will be suspended during any period that LESSEE is actively contesting the validity thereof.

XIII - CONDEMNATION

13.01. Condemnation. If the Property or any part thereof or any interest therein less than a fee simple is condemned for public use and such taking substantially hinders the use of the Property for the purposes of LESSEE, as may be reasonably determined by LESSEE, LESSEE will have the option to terminate this Lease, but the respective remedies of the parties against the condemning authority will be preserved as if this Lease was still in effect.

XIV - DEFAULT

14.01. Default. Each of the following events shall be deemed an event of default by the LESSEE under this Lease and a breach of the terms, covenants and conditions of this Lease:

(a) Failure to perform as required and when required any of the development requirements contained in paragraph 5.02 of this Lease.

(b) A default in the payment of the rent and additional sums due under this Lease, or any part thereof, for a period of thirty (30) days from the due date for the payment of such rent or additional sums.

(c) A default in the performance of any other term, covenant or condition on the part of the LESSEE to be kept, performed or observed for a period of thirty (30) days after LESSOR gives to LESSEE a written notice specifying the particular default or defaults; provided, however, that any default on the part of LESSEE in the performance of work or acts required by him to be done, or conditions to be modified, shall be deemed to be cured if steps shall have been taken promptly by LESSEE to rectify the same and shall be prosecuted to completion with diligence and continuity.

(d) The filing of a petition by or against LESSEE for adjudication as a bankrupt under the Federal Bankruptcy Code, as now enacted or hereafter amended, or for arrangement pursuant to Chapter XI of the Bankruptcy code.

(e) The making by LESSEE of an assignment for the benefit of creditors.

(f) The appointment of a receiver by a court of competent jurisdiction for LESSEE's business.

(g) The levy upon under execution or attachment by process of law of the leasehold interest of LESSEE in the Property.

(h) The use of the Property or buildings and improvements thereon for purposes other than those enumerated herein, to which LESSOR has not given its written consent.

(i) The abandonment of the Property by LESSEE.

14.02. LESSOR's Remedies. In the event of any default by LESSEE as recited in paragraph 14.01 of this Lease, LESSOR shall have all of the below enumerated rights and remedies, all in addition to any rights and remedies that LESSOR may be given by statute, common law or otherwise. All rights of LESSOR shall be cumulative, and none shall exclude any other right or remedy. LESSOR's rights and remedies include the following:

(a) LESSOR may declare the term of this Lease ended by written notice to LESSEE. Upon termination of this Lease, LESSEE shall surrender possession and vacate the Property immediately, and deliver possession thereof to LESSOR, and LESSEE hereby grants to LESSOR full and free license to enter into and upon the Property in such event with or without process of law and to repossess LESSOR of the Property and to expel or remove LESSEE and any others who may be occupying or within the Property and to remove any and all property therefrom, using such force as may be necessary, without being deemed in any manner guilty of trespass, eviction or forcible entry or detainer, and without relinquishing LESSOR's right to rent or any other right given to LESSOR hereunder or by operation of law.

(b) LESSOR may by written notice declare LESSEE's right to possession of the Property terminated without terminating this Lease. Upon such termination of LESSEE's right to possession, LESSOR shall have all the rights to repossess the Property and remove LESSEE and LESSEE's property that are enumerated in paragraph 14.02(a).

(c) LESSOR may relet the Property in whole or in part for any period equal to or greater or less than the remainder of the term of this Lease, for any sum which LESSOR may deem reasonable, except as provided in (e) of this paragraph.

(d) LESSOR may collect any and all rents due or to become due from subtenants or other occupants of the Property.

(e) LESSOR may recover, whether this Lease be terminated or not, from LESSEE, damages provided for below consisting of items (i), and (ii), or, in lieu of (ii), item (iii);

(i) actual attorney's fees and other expenses incurred by LESSOR by reason of the breach or default by LESSEE; and

(ii) an amount equal to the amount of all rent and additional sums reserved under this Lease, less the net rent, if any, collected by LESSOR on reletting the Property, which shall be due and payable by LESSEE to LESSOR on the several days on which the rent and additional sums reserved in this Lease would have become due and payable; that is to say, upon each of such days LESSEE shall pay to LESSOR the amount of deficiency then existing. Such net rent collected on reletting by LESSOR shall be computed by deducting from the gross rent collected all expenses incurred by LESSOR in connection with the reletting of the Property, or any part thereof, including broker's commission and the cost of renovating or remodeling the Property or the buildings or improvements thereon, provided, however, LESSOR must take diligent effort in reletting the Property to obtain a rental rate as close to or above that required of LESSEE under this Lease or else LESSOR will not have access to the remedy set out in this subparagraph 14.01(e)(ii); or

(iii) an amount to be due immediately on breach, equal to the difference between the rent and the fair and reasonable rental value of the Property for the same period. In the computation of such damages the difference between any installment of rent thereafter becoming due and the fair and reasonable value of the Property for the period for which such installment was payable shall be discounted to the date of such breach at the rate of eight percent (8%) per year.

(f) Reentry or reletting of the Property, or any part thereof, shall not be deemed a termination of this Lease, unless expressly declared to be so by LESSOR. If this Lease shall be deemed terminated, LESSEE's liabilities shall survive and LESSEE shall be liable for damages as provided in this paragraph 14.02.

XV - GENERAL PROVISIONS

15.01. Estoppel Certificates. Either party shall at any time and from time to time upon not less than thirty (30) days' prior written request by the other party, execute,

acknowledge and deliver to such party, or to its designee, a statement in writing certifying that this Lease is unamended and in full force and effect (or, if there has been any amendment thereof, that the same is in full force and effect as amended and stating the amendment or amendments), that there are no defaults existing, (or, if there is any claimed default, stating the nature and extent thereof); and stating the dates to which the rent and other charges have been paid in advance.

15.02. Conditions and Covenants. All the provisions of this Lease shall be deemed as running with the land, and shall be construed to be "conditions" as well as "covenants", as though the words specifically expressing or imparting covenants and conditions were used in each separate provision.

15.03. No Waiver of Breach. No failure by either LESSOR or LESSEE to insist upon the strict performance by the other of any term, covenant or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach or of such terms, covenants or conditions. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach.

15.04. Time of Essence. Time is of the essence of this Lease and of each provision.

15.05. Computation of Time. The time in which any act provided by this Lease is to be done is computed by excluding the first (1st) day and including the last, unless the last day is a Saturday, Sunday or a holiday, and then it is also excluded. The term "holiday" shall mean all holidays as defined by the statutes of Alaska.

15.06. Successors in Interest. Each and all of the terms, covenants and conditions in this Lease shall inure to the benefit of and shall be binding upon the successors in interest of LESSOR and LESSEE.

15.07. Entire Agreement. This Lease contains the entire agreement of the parties with respect to the matters covered by this Lease, and no other agreement, statement or promise made by any party which is not contained in this Lease shall be binding or valid.

15.08. Governing Law. This Lease shall be governed by, construed and enforced in accordance with the laws of the State of Alaska.

15.09. Partial Invalidity. If any provision of this Lease is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated, unless such provisions are considered by LESSEE to be integral to LESSEE's use of the Property for the purposes stated herein in which case LESSEE will have the authority to terminate this Lease upon thirty (30) days' written notice to LESSOR.

15.10. Relationship of Parties. Nothing contained in this Lease shall be deemed or construed by the parties or by any third person to create the relationship of principal and agent or of partnership or of joint venture or of any association between LESSOR and LESSEE; and neither the method of computation of rent, nor any other provision contained in this Lease nor any acts of the parties, shall be deemed to create any relationship between LESSOR and LESSEE other than the relationship of LESSOR and LESSEE.

15.11. Interpretation. The language in all parts of this Lease shall in all cases be simply construed according to its fair meaning and not for or against LESSOR or LESSEE as both LESSOR and LESSEE have had the assistance of attorneys in drafting and reviewing this Lease.

15.12. Number and Gender. In this Lease, the neuter gender includes the masculine and the feminine, and the singular number includes the plural; the word "person" includes corporation, partnership, firm or association wherever the context so requires.

15.13. Mandatory and Permissive. "Shall", "will" and "agrees" are mandatory; "may" is permissive.

15.14. Captions. Captions of the paragraphs of this Lease are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Lease.

15.15. Amendment. This Lease is not subject to amendment except in writing executed by all parties hereto.

15.16. Delivery of Notices - Method and Time. All notices, demands or requests from one party to another shall be delivered in person or be sent by mail, certified or registered, postage prepaid, to the addresses stated in this paragraph and shall be deemed to have been given at the time of delivery or, if mailed, three (3) days after the date of mailing.

15.17. Notices. All notices, demands and requests from LESSEE to LESSOR shall be given to LESSOR at the following address:

City Manager
City of Valdez
P. O. Box 307
Valdez, Alaska 99686

All notices, demands or requests from LESSOR to LESSEE shall be given to LESSEE at the following address:

Peter Pan Seafoods, Inc.
1000 Denny Building
Sixth and Blanchard
Seattle, Washington 98121
(206) 728-6000

15.18. Change of Address or Agent. Each party shall have the right, from time to time, to designate a different address or different agent for service of process by notice given in conformity with paragraph 15.17.

15.19. Furnishing of Information. LESSEE shall provide LESSOR with copies of its articles of incorporation and bylaws, partnership agreements, joint venture agreements or other documents which shall define the manner of organization and the ownership of LESSEE, together with all future amendments thereto. LESSEE and LESSEE's assignee shall also provide the same information regarding any assignee of LESSEE.

15.20. Agent for Service of Process. LESSEE hereby appoints the following as its agent authorized to accept service of process for any legal action brought by LESSOR arising out of this Lease or LESSEE's use of the Property:

William G. Saletic

15.21. Recordation. This Lease may be recorded by LESSEE with the Valdez Recorder's Office.

XVI - LESSOR'S LIEN

16.01. LESSOR's Lien and Security Interest. LESSOR shall have a lien on, and LESSEE hereby grants LESSOR a security interest on, all buildings, improvements, equipment and fixtures, which are or may be put on the premises by LESSEE, to secure the payment of the rent and additional sums reserved under this Lease. If LESSEE shall default in the payment of

such rent, LESSOR may, at its option, without notice or demand, take possession of and sell such property in accordance with the Uniform Commercial Code of Alaska. LESSOR shall apply the proceeds of sale as follows:

(a) To the expense of sale, including all costs, fees and expenses of LESSOR and LESSOR's reasonable attorney's fees in connection with such sale;

(b) To the payment of such rent; and

(c) The surplus, if any, to LESSEE.

XVII - OWNERSHIP OF IMPROVEMENTS AND FIXTURES ON TERMINATION

17.01. LESSEE May Remove Buildings, Improvements, Fixtures, Machinery and Equipment. Buildings, improvements, fixtures, machinery and equipment owned by LESSEE may be removed by LESSEE from the Property within sixty (60) days after the expiration or termination of this Lease; provided that, in the opinion of the LESSOR, such removal will not cause injury or damage to the Property; and further provided that any buildings, improvements, fixtures, machinery or equipment left on the Property by LESSEE shall be in good, safe and tenantable or operable condition; and further provided that LESSEE shall not commit, create, leave or allow to exist on the Property any nuisance or public nuisance. The LESSOR may extend the time for such removal in case hardship is shown to LESSOR's satisfaction, provided application for extension has been made in writing and received by LESSOR within said sixty (60) day period. The LESSEE may sell its buildings, improvements, fixtures, machinery and equipment to a succeeding LESSEE, if any, provided prior written consent shall have been obtained from LESSOR.

17.02. Property Not Removed of More Than \$100,000.00 Value. Any buildings or improvements having an individual appraised value of more than \$100,000.00, or any fixtures, machinery and equipment having an aggregate appraised value of more than \$100,000.00, as determined by LESSOR, which are not removed from the Property within the time allowed in paragraph 17.01 of this Lease shall be sold at public auction under the direction of the LESSOR. The proceeds of such sale shall be applied as follows:

(a) To the expense of the sale, including all costs, fees and expenses of LESSOR and LESSOR's reasonable attorney's fees in connection with such sale;

(b) To the payment of any rent or other amounts due LESSOR under this Lease or otherwise; and

(c) The surplus, if any, to LESSEE.

In case there are no other bidders at such auction, the LESSOR is authorized to bid on such buildings, improvements and/or chattels the amount of ONE DOLLAR (\$1.00). Upon any sale at such auction, LESSOR is authorized to execute on LESSEE's behalf any bill of sale, deed or other document of ownership as may be necessary or appropriate and shall thereby convey to the purchaser the same right, title and interest that could have been conveyed by LESSEE upon LESSEE's execution thereof.

17.03. Property Not Removed of Less than \$100,000.00 Value. Any buildings or improvements having an individual appraised value of less than \$100,000.00, or any fixtures, machinery and equipment having an aggregate appraised value of less than \$100,000.00, as determined by LESSOR, which are not removed from the Property within the time allowed in paragraph 17.01 of this Lease shall immediately become the property of and title shall immediately vest in LESSOR.

XVIII - NONDISCRIMINATION

18.01. LESSEE Will Not Discriminate. LESSEE agrees it will not, on the grounds of race, color, religion, national origin, ancestry, age, or sex, discriminate or permit discrimination against any prospective occupant, patron, customer, employee, applicant for employment or other person or group of persons in any manner prohibited by federal, state or local law or regulations promulgated thereunder.

XIX - LOCAL PREFERENCE

19.01. LESSEE to Use the Port of Valdez. LESSEE agrees that it will use all reasonable efforts to have all materials and equipment which LESSEE or its contractors ship by water from points of origin outside of the State of Alaska, and which are incorporated into or used in the construction or operation of the camping/housing facility on the Property, shipped by water directly to Valdez and unloaded in the Port of Valdez.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the dates hereinbelow set forth.

LESSOR:

CITY OF VALDEZ

Date: 6-6-88

By: Doug Griffin
Doug Griffin, City Manager

Date: 6-6-88

By: John Devens
John Devens, Mayor

Date: 6-6-88

By: Jeanne Donald
Jeanne Donald, City Clerk

LESSEE:

PETER PAN SEAFOODS, INC.

By: [Signature]

By: [Signature]

APPROVED AS TO FORM:

HUGHES, THORSNESS, GANTZ,
POWELL & BRUNDIN
Attorneys for City of Valdez

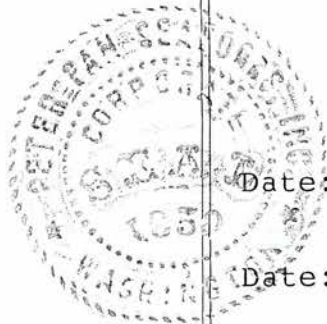
By: William M. Walker
William M. Walker

STATE OF ALASKA

)
) ss.
)

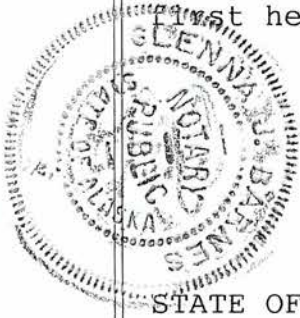
THIRD JUDICIAL DISTRICT

THIS IS TO CERTIFY that on this 6th day of June, 1988, before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared DOUG GRIFFIN, known to me



and to me known to be the City Manager of the CITY OF VALDEZ, and known to me to be the individual named in and who executed the foregoing document and he acknowledged to me that he was authorized to execute the foregoing document by authority granted him by the CITY OF VALDEZ for the uses and purposes therein set forth.

WITNESS my hand and notarial seal the day and year first hereinabove written.



Glenn J. Barnes
Notary Public in and for Alaska
My Commission Expires: 8/5/90

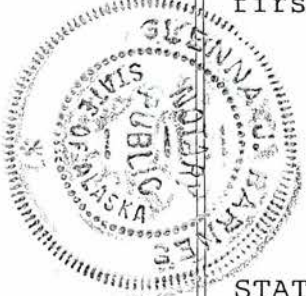
STATE OF ALASKA

)
) ss.
)

THIRD JUDICIAL DISTRICT

THIS IS TO CERTIFY that on this 6th day of June, 1988, before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared JOHN DEVENS, known to me and to me known to be the Mayor of the CITY OF VALDEZ, and known to me to be the individual named in and who executed the foregoing document and he acknowledged to me that he was authorized to execute the foregoing document by authority granted him by the CITY OF VALDEZ for the uses and purposes therein set forth.

WITNESS my hand and notarial seal the day and year first hereinabove written.



Glenn J. Barnes
Notary Public in and for Alaska
My Commission Expires: 8/5/90

STATE OF ALASKA

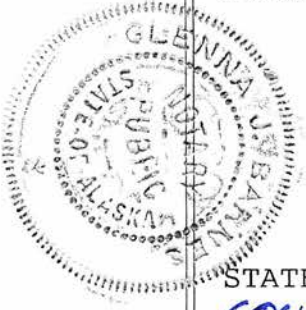
)
) ss.
)

THIRD JUDICIAL DISTRICT

THIS IS TO CERTIFY that on this 6th day of June, 1988, before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared JEANNE DONALD, known to me and to me known to be the City Clerk of the CITY OF VALDEZ, and known to me to be the individual named in and who executed the

foregoing document and she acknowledged to me that she was authorized to execute the foregoing document by authority granted her by the CITY OF VALDEZ for the uses and purposes therein set forth.

WITNESS my hand and notarial seal the day and year first hereinabove written.

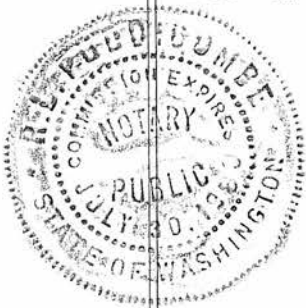


Glenna J. Barnes
Notary Public in and for Alaska
My Commission Expires: 8/5/90

STATE OF ~~ALASKA~~ WASHINGTON)
COUNTY OF KING) ss.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 26 day of MAY, 1988, personally appeared W.G. SALETIC, the PRESIDENT of PETER PAN SEAFOODS, INC., and acknowledged to me that he executed the foregoing instrument as the free and voluntary act of the said corporation for the uses and purposes therein set forth by virtue of authority granted by its bylaws or resolution of its Board of Directors.

WITNESS my hand and official seal.



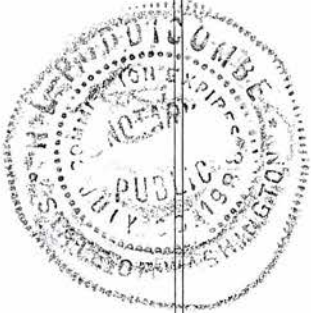
R. B. Brundin
Notary Public in and for ~~Alaska~~
STATE OF WASHINGTON My Commission Expires: 7/30/88

STATE OF ~~ALASKA~~ WASHINGTON)
COUNTY OF KING) ss.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 26 day of MAY, 1988, personally appeared GARY R. GREENWOOD, the VICE-PRES. of PETER PAN SEAFOODS, INC., and acknowledged to me that he executed the foregoing instrument as the free and voluntary act of the said corporation for the uses and purposes therein set forth by virtue of authority granted by its bylaws or resolution of its Board of Directors.

WITNESS my hand and official seal.

RJ Pannunzio
Notary Public in and for Alaska
STATE OF WASHINGTON My Commission Expires: 7/30/88



HUGHES THORSNESS
GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW
509 WEST THIRD AVENUE
ANCHORAGE, AK 99501
(907) 274-7522