
BUSINESS OPERATING PLAN

FOR THE

BULK FUEL STORAGE FACILITIES OF

ALAKANUK NATIVE CORPORATION

**ALAKANUK NATIVE CORPORATION
BULK FUEL STORAGE BUSINESS PLAN**

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**ALAKANUK NATIVE CORPORATION
BULK FUEL STORAGE BUSINESS PLAN**

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ALAKANUK BUSINESS OPERATING PLAN

FOR ITS

BULK FUEL STORAGE FACILITIES

INTRODUCTION

As the retail fuel distributor in the village of Alakanuk, Alaska, the Alakanuk Native Corporation (the “Corporation”), it is essential for it to maintain adequate storage capacity in order to minimize costs to the end user. Without adequate capacity, shortages may occur such that fuel must be delivered by air during winter – a process that can add several dollars per gallon. The Corporation’s existing storage facilities are non-compliant and are less than current consumption levels. Accordingly, the Corporation’s expected load growth in fuel sales cannot be accommodated. Consequently, the Corporation is now developing a new bulk fuel storage facility that will replace its existing storage facilities in Alakanuk.

The success of long-term sustainability of the storage facilities is dependent on the proper operations and maintenance of the facilities. In order to perform this maintenance, the Corporation must be adequately capitalized. This Business Operating Plan (the “Plan”) provides a guideline for the operation, maintenance, and sustainability of the Corporation’s new bulk fuel storage facility (the “Project”).

This Plan focuses on wholesale operations only. Activities for operations and maintenance as well as long-term renewals are identified, and a budgeting process for each is set forth. From that, collection rates that must be added to the retail cost of fuel can be developed. The Plan also includes a preliminary projection of the collection rates, although these rates must be monitored and modified as warranted in the future.

Additional costs that are not part of this Plan that will be borne by the Corporation include cost of fuel itself, labor associated with dispensing fuel to customers, and other retail operating and maintenance costs. The Corporation will set its retail rates to recover these costs as well.

CITY OF ALAKANUK

The village of Alakanuk is located on the Yukon approximately 15 miles from the Bering Sea. Emmonak lies eight miles to the northeast, and Bethel is approximately 160 miles to the southeast. The village is located in the Yukon Delta National Wildlife Refuge River. Alakanuk is a second-class city, incorporated in 1969. Access is via a state-owned and operated air strip, water, or winter snowmachine trails.

Alakanuk is a Yup'ik Eskimo village, and commercial fishing and subsistence dominate the local economy. Community members from Nunam Iqua travel to Alakanuk for fuel purchases and shopping; and due to Alakanuk's proximity to Emmonak, there is travel between each village.

Approximately 65 percent of the homes are connected to the water and wastewater systems that are owned and operated by the City of Alakanuk.

Selected historical data for the village is provided in Table 1.

Table 1
ALAKANUK BULK FUEL STORAGE PROJECT
Selected Statistics

Population:	
2000	652
1990	544
1980	522
1970	265
1960	278
1950	140
1940	61
Occupied Housing	139
Vacant Housing Due to Seasonal Use	0
Other Vacant Housing	<u>21</u>
Total	190
Unemployment Rate	21.50%
Median Household Income	<u>\$26,346</u>

PROJECT PARTICIPANTS

PARTICIPANT CONTACTS

The Corporation is developing its Project separate and apart from other community entities that may be conducting facility upgrades in the future.

- AVEC is planning construction of (1) an intertie between Alakanuk and the neighboring community of Emmonak and (2) an upgraded tank farm and power plant in Emmonak that will serve for fuel storage and power generation for both communities. The existing AVEC power plant in Alakanuk is scheduled to remain in its current state until these projects are completed. Upon completion of these projects, AVEC is planning to revise the existing power plant in Alakanuk to become a stand-by

power plant.

- The Lower Yukon School District is planning to maintain the existing school facilities until construction of the new Alakanuk airport are completed. At that time, the school is tentatively planning to build a new school and a new tank farm facility on the existing Alakanuk airport apron. The project cannot be completed until the new airport is operational and the Alaska Department of Transportation and Public Facilities (ADOT&PF) transfers ownership of the existing airport property to the community. This project will be on a schedule outside the confines of the ANC BFU project.

- □ The City of Alakanuk (City) stores bulk fuel for city operations and for use in heating the water treatment plant building. Fuel for city operations is obtained primarily from ANC, and fuel for the water treatment facility is purchased separately (approximately 37,000 gallons.) The City of Alakanuk reported that the City's existing tank farm is in good condition and is currently compliant with Coast Guard regulations. Most of the City fuel usage is included in ANC's fuel storage requirements.

Thus there is only one participant in the Project – the Corporation. Contact information is provided below.

ALAKANUK NATIVE CORPORATION

Primary Contact Name:	Mr. Martin S. Harry, President
Phone:	(907) 238-3117
Fax:	(907) 238-3120
Address:	Alakanuk Native Corporation PO Box 148 Alakanuk, AK 99554
E-mail:	ancorp@yahoo.com

STATEMENT OF CONFORMANCE

A Statement of Conformance and Variance with the Denali Commission Policies has been submitted to the Denali Commission under separate cover. The statement covers the following policies.

Private Enterprise Policy – The Project is in conformance with the Private Enterprise Policy of the Denali Commission.

Energy Project Design Capacity Policy – The Project’s design capacity takes into account future expansions, rate of change of population, historical power production and consumption data, usable vs. shell capacity, fuel delivery method, seasonal variations, infrastructure development, and disadvantages of excess tank farm storage capacity.

Bulk Fuel Pipelines & Dispensers Policy – The Project conforms to the Denali Commissions policy regarding fuel receipt and distribution design, marine header and fill pipeline, and type of dispenser.

Cost Containment for Energy Projects Policy – Design of the Project is cost effective as defined in the policy.

ALAKANUK FUEL STORAGE PROJECT

The Project is a bulk fuel storage facility that is designed and sized to meet the Corporation’s current and future needs. The Corporation is the sole retail supplier of fuel in Alakanuk; and since the new facilities are located at a site separate from current operations, the Project will include new distribution facilities. Projected fuel use and a more detailed description of the Project are provided in this section.

FUEL SALES

Historical fuel sales of the Corporation have been used by Hattenburg Dilley & Linnell (“HDL”), the design engineer of the Project, to project future sales. However, several factors make the use of the historical data problematic. First, fuel in 2008 was priced lower than in nearby Emmonak due to the fuel being left over from the previous year and having a lower price. Consequently, residents of Emmonak traveled to Alakanuk for fuel, thereby overinflating usage estimates. Second, another private enterprise sold retail fuel and has since gone out of business, as of 2001. Although fuel sales from the other party were relatively minor, detailed volumes are not available. Finally, fuel transfers between distributors occur if one distributor incurs a shortage, and these transfers are not thoroughly documented.

Nonetheless, an estimate of historical needs was prepared by HDL. Future growth was based on a review of historical growth and planned upgrades to the community infrastructure. These changes include additions of new roads, an intertie to Emmonak, new housing, and construction of a new airport. Based on these, HDL prepared a projection of fuel sales that included a high and low case. The Project is designed to meet the storage requirements of the high case plus an additional 15 percent to provide for 13 months of fuel use in the event of delays in fuel deliveries. As noted later in this report, the operating costs, in dollars/gallon, are conservatively based using the low case. Present and forecasted sales are summarized in Table 2. Storage facilities, described in the next

section, will provide storage capacity in excess of these amounts pursuant to Denali Commission guidelines.

Table 2
ALAKANUK BULK FUEL STORAGE PROJECT
Projected Fuel Sales
(Gallons)

	Present	Low Case	High Case
Gasoline	110,200	147,100	170,300
Diesel	95,400	127,300	147,400
Total	205,600	274,400	317,700

PROJECT DESCRIPTION

Based on the projected fuel use, site parameters, and other relevant factors, HDL prepared an Amended Conceptual Design Report (“CDR”) from an earlier 2004 CDR of the proposed Project. The purpose of the Amended CDR was to provide a current concept design and construction cost estimate for consolidation and upgrade of bulk fuel storage in the community. This Plan is predicated upon the information contained in the CDR and its acceptance by the community. The CDR was accepted on June 30, 2010, by the Alakanuk Tribal Council, City of Alakanuk, and the Alakanuk Native Corporation, and a copy of the resolution is provided in Appendix A.

The Project will be a new bulk fuel storage facility located on vacant property across Anderson Street from the Alakanuk Passage of the Yukon River. The site was selected based on proximity to town, access to marine off-loading of fuel, availability of the property, ease of construction, and other relevant factors. All storage tanks will be located within a locked, fenced containment area that will provide access for inspections and any necessary maintenance. The containment area will also include space for an additional tank (“Future”) should storage requirements increase greater than expected.

Table 3 provides a summary of the installed capacity included in the Project. A Project layout is provided in the CDR, which is being submitted to the Denali Commission separately from this Plan.

Table 3
ALAKANUK BULK FUEL STORAGE PROJECT
Project Storage Capacity
(Gallons)

Type	Use	Number of Tanks	Net Capacity Per Tank	Net Capacity
Bulk	Gasoline	4	45,000	180,000
	Diesel	3	45,000	135,000
Disp.	Gasoline	1	3,000	3,000
	Diesel		3,000	3,000
Total		8		321,000

In addition to the tanks listed in the preceding table, the Project also includes several other components. These include:

- *Marine Header and Filling System* – Two marine headers will be located on the Alakanuk Passage of the Yukon River. Piping from the headers to the storage tanks will be above ground with the exception of the crossing under Anderson Street.
- *Manifold Piping* – Piping inside the secondary containment area that connects primary storage tanks, the secondary tanks and the fuel distribution systems.
- *Dispensing Facilities* – The Project will include a retail dispensing facility, including a small building for controls, adjacent to the storage tanks. The storage tanks will be in a fenced area secure from the public.
- *Secondary Containment Structures* – The primary storage tanks will be located in a steel piling and dike (bathtub) design for secondary containment.
- *Conex oil spill response equipment*
- *Miscellaneous* – Other components of the Project include fencing, lighting, and other miscellaneous facilities.

PROJECT EXCLUSIONS

The Project does not include the following:

Cost of decommissioning existing tanks

Retail business activities, including licenses, revenue, prices, taxes, profits, or contributions to the wholesale fuel storage program

Environmental cleanup of the existing tanks

PROJECT OWNERSHIP

The site where the Project is to be located is on land owned by the Corporation. However, the Property is to be leased to the Village of Alakanuk pursuant to a 50-year lease (Appendix B). Improvements made by the Village on the land shall be owned by the Corporation.

OPERATIONS

OVERVIEW

The Corporation recognizes its responsibility to properly operate and maintain the Project to ensure not only the long-term sustainability of the facilities but also for the safety of those living in Alakanuk. Accordingly, it will act as Primary Operator, as defined by the Denali Commission, and has set a plan in place (through this Plan) to:

1. Identify the daily, intermediate, and long-term tasks required for operations and maintenance;
2. Estimate the costs of such activities;
3. Set up procedures for collecting such costs in advance of disbursement; and
4. Set up procedures to monitor projected costs and revenues and adjust collections as necessary.

The Project will be maintained according to guidelines outlined in this Plan, all manufacturers' recommendations for maintenance, and all State and Federal laws, codes and regulations governing operation.

The qualifications and experience of each Primary Operator is summarized in Appendix D - *Resumes*.

ACTIVITIES

Work activities relating to the Project are divided into two separate components. These are:

Operations and Maintenance ("O&M") – O&M activities are those that occur on a regular basis or periodic repairs that cost less than \$1,000. These activities include, but are not limited to, labor expenses relating to the normal inspections and small repairs, annual inspections, and replacement of small parts such as dispenser pumps.

Renewals and Replacements (“R&R”) – R&R activities relate to those that incur on a relatively infrequent basis. Such activities include painting or repainting tanks, labor and other expenses relating to replacing relatively large system components, or expenses relating to activities that occur on an infrequent basis.

Specific O&M tasks include the following:

- Monitor fuel deliveries for the Project to ensure no spills occur; fuel is piped to the appropriate tanks, and other duties as required. At the time of each delivery, at least one Corporation staff member shall be on hand to oversee the delivery.
- “Stick” each tank just prior to and immediately after fuel deliveries. Physical levels will be recorded.
- At the end of each month, read the appropriate meters and record fuel usage.
- Patrol the site on a daily basis to ensure there are no leaks, all lights are in proper working order, secure areas are locked, and other appropriate actions.
- Perform routine maintenance of the Project.
- Obtain and coordinate outside services for maintenance outside the expertise of Corporation staff.
- Establish and maintain the O&M and R&R Accounts (described in greater detail later in this Plan).¹
- Establish and maintain a prudent inventory of spare parts.
- Maintain monthly records of expenditures incurred to operate and maintain the facilities.
- Establish and maintain the Operating and R&R Accounts (described in greater detail later in this Plan).
- Perform annual tests, such as pressure testing of lines, as required.

It is anticipated that the Corporation will hire an external inspector to inspect the Project every five years to identify R&R activities that must be accomplished on an immediate basis and those that are expected within the upcoming 5 – 10 years.

Costs of both O&M and R&R activities have been projected and are described in greater detail in *Projected Costs* of this Plan.

TRAINING AND OUTSIDE SERVICES

Day-to-day inspections, small repairs, and administrative support will be accomplished by Corporation staff identified in Appendix C. Although the Corporation strives to maintain jobs within the community, it recognizes that its members or community residents will not have

¹ Both of these accounts were established on June 18, 2010.

the skills to perform all activities over the life of the Project. When possible, training will be sought so that jobs can remain within the area. Most notable of this is the Bulk Fuel Tank Farm Operations training provided by the Alaska Vocational Technical Center (“AVTEC”).

When outside skills and contractors are required, the Corporation will hire such services on an as-needed basis. In order to minimize the costs of these services, the Corporation will work with AVEC, the school, and operators in other communities regarding its schedules to achieve possible economies of scale. The Rural Alaska Fuel Services (“RAFS”) is a prime example of this where the cost of annual inspections and pressure testing can be lowered if shared with one or more entities.

It is recognized that there will be, from time to time, turnover in various operational maintenance and administrative positions. Because all functions are essential to the successful operations, replacements will be recruited and trained as necessary.

FISCAL CONTROLS

Prior to the completion of the Project, the Corporation will establish two accounts – the O&M Account and the R&R Account. An initial deposit of \$5,000 shall be made into the O&M Account, or approximately three months of working capital. The R&R account is to fund long-term replacements, and therefore the initial deposit is not as important. Nonetheless, an initial deposit of \$15,000 shall be made into the R&R Account. Deposits into both accounts will be followed by weekly deposits based on the collection rates (described below) and retail sales.

Copies of the initial deposits into these two accounts are provided in Appendix E.

Operating and Capital Budgets shall be adopted by the Corporation for each fiscal year. The Operating Budget shall project costs over the ensuing fiscal year for O&M activities, whereas the Capital Budget shall project costs for the ensuing five fiscal years for R&R activities. The budgets shall also include projections of fuel sales for the respective periods to develop per unit (\$/gallon) collection rates for both O&M and R&R activities. These collection rates shall be added to the retail cost of fuel to ensure that O&M and R&R activities are properly funded. An initial projection of costs is included in *Projected Costs* later in this report.

The budgets shall be developed no later than three months prior to the beginning of the Corporation’s fiscal year and will reflect O&M and R&R costs and activities for the upcoming fiscal year. The budgets will include the following elements:

Operating Budget

An itemized list of operating expenditures for the past two years.

A comparison of the current year budget and actual costs to date.

A detailed budget of estimated expenditures for the upcoming fiscal year including insurance costs.

Year-end balances of the O&M Account.

Projected fuel sales over the year.

Collection rate, in \$/gallon, based on the projected expenses and fuel sales.

R&R Budget

An itemized list of renewals expenditures for the past two years.

A detailed budget of estimated renewals over the next five years by year.

An estimate of renewals required during the years 6 - 10.

Year-end balances of the R&R Account

Estimated balances of the R&R Account by year over the next five years and at the end of the tenth year.

Projected annual fuel sales

Collection rate, in \$/gallon, based on the costs and sales.

Once the budgets are adopted and the new fiscal year begins, retail rates of fuel shall be increased by an amount no less than the sum of the O&M collection rate and the R&R collection rate. At the end of each week, funds will be deposited into each account based on the fuel sales for the week and the respective collection rates developed in the budgets. Sales, expected costs, and per unit collection rates will be monitored and adjusted during the year if warranted.

The Corporation will maintain its books in a manner clearly showing fuel sales and the cost of operating and maintaining its facilities. A record shall be kept of all receipts and disbursements made for O&M and R&R activities, with disbursements coded into proper accounts to allow tracking in the future. A periodic audit of the financial operations relative to the bulk fuel storage facilities will be conducted by qualified, independent auditors. The audit will be forwarded to the appropriate parties including the Denali Commission.

The Corporation currently uses Quick Books to track and record financial transactions.

It is not anticipated that day-to-day activities required for operations and maintenance of the Project will require large amounts of labor. Consequently, labor costs will not be directly allocated to the Project accounts. Instead, these labor costs will be provided for through the

retail sales of fuel and its store. Should labor activities subsequently take longer amounts of time than anticipated, the Corporation may revisit this issue and allocate costs on a per-hour basis.

PROJECTED COSTS

Detailed projections of the non-labor costs required to operate and maintain the Project have been made and are included in Tables 5 – 7 at the end of the narrative of this Plan, and the costs for the initial year of operations are summarized in Table 4. These costs are based on preliminary assumptions, and revised projections are warranted prior to operations.

All estimates and assumptions contained in this Plan are intended for the first year of operations. Starting with the second year, as operating expenses specific to the Project are obtained, the projections and assumptions upon which the Plan is based will be reviewed and modified.

The projected costs include insurance costs as well as a Spill Response Fund. This fund will be established by the Corporation in a separate, interest-bearing account. The Corporation will contribute \$15,000 per year until the fund reaches \$150,000. At that time, the adequacy of the Spill Reserve Fund shall be reassessed.

Table 4
ALAKANUK BULK FUEL STORAGE PROJECT
Summary of Estimated Initial Year Costs – Non Labor

Operations and Maintenance			
Materials	\$	2,000	\$ 0.010
Outside Services		14,000	0.068
Other		-	-
Liability/Property Insurance		10,000	0.049
Subtotal		26,000	\$ 0.126
Other			
Spill Reserve		15,000	0.073
Renewals and Replacements		6,168	0.030
TOTAL	\$	47,168	\$ 0.229
Initial Throughput (gallons)		205,600	

It is anticipated that several significant R&R activities must be accomplished in approximately the 20th year of operations. Therefore in an effort to smooth payments into the R&R Account, contributions are based on a 20-year projection rather than allowing the

budget process to identify the anticipated expenditures ten years before they will be made. Annual deposits are inflated at 1.5 percent per year, less than the assumed inflation rate, in order to keep entry costs low but have adequate funds as required. Projected sales during the initial 20 years are based on the Low Growth scenario summarized in Table 2.

As described at the beginning of this Plan, the costs and rates just described are based upon assumptions regarding throughput, maintenance activities, administrative support, and other factors. As operating experience specific to the Project is obtained, the projections and assumptions will be reviewed and modified as required through the annual budgeting process.

SECONDARY OPERATOR

The Corporation understands that the Denali Commission will audit operations as it relates to the Project. The audit will be performed on a periodic basis and will allow the Corporation an initial three years to establish operations pursuant to this Plan. If, after this initial three-year period, an audit reveals that the Corporation is not operating it in accordance with this Plan, the Denali Commission has the right to transfer the cash assets, receivables, inventory, and certain other assets of the Project to the Secondary Operator and designate the Secondary Operator as the Primary Operator. If the Corporation can later demonstrate to the Denali Commission that it can then operate the Project in accordance with the Plan, the Denali Commission can designate it as the Primary Operator.

A Secondary Operator has not yet been identified. At such time, a Secondary Operator must be approved by the Denali Commission.

REGULATORY COMPLIANCE

As the owner and operator of the Project, the Corporation is responsible for ensuring the operation and maintenance of the Project meets with state and federal requirements. The Corporation shall comply with the procedures established in the spill prevention and response plans listed below and will maintain and be familiar with the following regulatory plans:

US Coast Guard Facility Response Plan (33CFR Part 154) and EPA Facility Response Plan (40 CFR Part 112) - This plan established spill response procedures and organization for the tank farm. It commits the Corporation to maintain adequate spill response equipment and to conduct annual training and drill programs.

US Coast Guard Operations Manual (33 CFR Part 154) - This plan describes the required procedures to be followed by the Corporation when off-loading fuel from marine vessels to the tank farm.

US Environmental Protection Agency (EPA) Spill Prevention Control and Countermeasures Plan (SPCC) (40 CFR Part 112) - This plan confirms compliance of the

Project with the spill prevention and operating requirements of 40 CFR Part 112. A Registered Professional Engineer must stamp and certify the plan.

These plans include commitments and guidelines for spill prevention, response, and other related environmental information to ensure the environmental integrity of the Project. The plans will be developed near the end of tank farm construction. The Corporation will participate in development and review of the plans as requested. Estimated expenses have been provided herein and include the anticipated cost of implementing the plans, ensuring the reliability of the spill response equipment, maintaining the proper records, and conducting periodic spill drills.

The Corporation shall ensure the plans are approved, maintained, and updated in accordance with Coast Guard and EPA requirements described in the plans.

Table 5
ALAKANUK BULK FUEL STORAGE PROJECT
Annual Costs

	1	2	3	4	5	6	7	8	9	10
	Corporation									
Operating Costs										
Operating Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administration	-	-	-	-	-	-	-	-	-	-
Spill Response Labor	-	-	-	-	-	-	-	-	-	-
Materials	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610
Outside Services	14,000	14,420	14,853	15,298	15,757	16,230	16,717	17,218	17,735	18,267
Liability/Property Ins.	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
Spill Liability Fund	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Subtotal	\$ 41,000	\$ 41,780	\$ 42,583	\$ 43,411	\$ 44,263	\$ 45,141	\$ 46,045	\$ 46,977	\$ 47,936	\$ 48,924
Renewals Contribution	6,168	6,444	6,732	7,033	7,348	7,676	8,020	8,378	8,753	9,412
Total	\$ 47,168	\$ 48,224	\$ 49,315	\$ 50,444	\$ 51,611	\$ 52,817	\$ 54,065	\$ 55,355	\$ 56,689	\$ 58,336
\$/gallon	\$ 0.229	\$ 0.228	\$ 0.226	\$ 0.225	\$ 0.224	\$ 0.222	\$ 0.221	\$ 0.220	\$ 0.219	\$ 0.213
Throughput (gallons)	205,600	211,621	217,819	224,198	230,764	237,522	244,478	251,638	259,007	274,400
Renewals:										
Fund Balance	-	6,415	13,373	20,909	29,060	34,850	44,227	54,337	65,224	76,936
Contribution	6,168	6,444	6,732	7,033	7,348	7,676	8,020	8,378	8,753	9,412
Interest Earnings	247	514	804	1,118	1,340	1,701	2,090	2,509	2,959	1,196
Expenditures	-	-	-	-	(2,898)	-	-	-	-	(56,444)
Contribution (\$/gallon)	\$ 0.030	\$ 0.030	\$ 0.031	\$ 0.031	\$ 0.032	\$ 0.032	\$ 0.033	\$ 0.033	\$ 0.034	\$ 0.034

Table 6
ALAKANUK BULK FUEL STORAGE PROJECT
O&M / R&R Assumptions
(Page 1 of 3)

OPERATIONS	
	Annual Cost
Communications, Postage	
Materials	\$ 2,000
Outside Services:	
Training	\$ 2,000
Annual Inspection/Pressure Testing	10,000
Annual Audit	2,000
Subtotal - Outside Services	\$ 5,500
Insurance	
Insurance	\$ 10,000
Spill Reserve	12,000

Table 6
ALAKANUK BULK FUEL STORAGE PROJECT
O&M / R&R Assumptions
(Page 2 of 3)

RENEWALS					
R&R Activity	Year	Unit Price	Units	Present Day Cost	Nominal Cost
Dispensing Repair - Minor	5	\$ 500	1	\$ 500	\$ 580
Filler Pipeline Repair - Minor		500	2	1,000	1,159
Misc		1,000	1	1,000	1,159
				\$ 2,500	\$ 2,898
Tank Repaint Minor	10	\$ 5,000	7.0	\$ 35,000	\$ 47,037
Major Inspection		2,500	1	2,500	3,360
Dispensing Repair - Minor		500	1	500	672
Filler Pipeline Repair - Minor		1,000	2	2,000	2,688
Misc		2,000	1	2,000	2,688
				\$ 42,000	\$ 56,444
Dispensing Repair - Minor	15	\$ 750	1	\$ 750	\$ 1,168
Filler Pipeline Repair - Minor		500	2	1,000	1,558
Misc		1,000	1	1,000	1,558
				\$ 2,750	\$ 4,284
Tank Repaint - Major	20	\$ 5,000	7.0	\$ 35,000	63,214
Major Inspection		2,500	1	2,500	4,515
Major Facelift		10,000	1	10,000	18,061
Dispensing Repair - Major		2,000	1	2,000	3,612
Filler Pipeline Repair - Major		1,000	2	2,000	3,612
Misc		2,000	1	2,000	3,612
				\$ 53,500	\$ 96,627

Table 6
ALAKANUK BULK FUEL STORAGE PROJECT
O&M / R&R Assumptions
(Page 3 of 3)

RENEWALS					
R&R Activity	Year	Unit Price	Units	Present Day Cost	Nominal Cost
Dispensing Repair - Minor	25	\$ 500	1	\$ 500	\$ 1,047
Filler Pipeline Repair - Minor		500	2	1,000	2,094
Misc		1,000	1	1,000	2,094
				\$ 2,500	\$ 5,234
Tank Repaint Minor	30	\$ 5,000	7.0	\$ 35,000	84,954
Major Inspection		2,500	1	2,500	6,068
Dispensing Repair - Minor		500	1	500	1,214
Filler Pipeline Repair - Minor		1,000	2	2,000	4,855
Misc		2,000	1	2,000	4,855
				\$ 42,000	\$ 101,945
Dispensing Repair - Minor	35	\$ 500	2	\$ 1,000	\$ 2,814
Filler Pipeline Repair - Minor		500	2	1,000	2,814
Misc		1,000	1	1,000	2,814
				\$ 3,000	\$ 8,442

Table 7
ALAKANUK BULK FUEL STORAGE PROJECT
Assumed Throughput - Gallons
(Page 1 of 1)

1	205,600
2	211,621
3	217,819
4	224,198
5	230,764
6	237,522
7	244,478
8	251,638
9	259,007
10	274,400
11	274,400
12	274,400
13	274,400
14	274,400
15	274,400
16	274,400
17	274,400
18	274,400
19	274,400
20	274,400

APPENDIX A

**RESOLUTION OF ACCEPTANCE OF
CONCEPTUAL DESIGN REPORT**

ALAKANUK NATIVE CORPORATION
PO BOX 148
ALAKANUK AK 99551
PH: (907) 238-3117 FAX: (907) 238-3120
EMAIL: ANCOR@YAHOO.COM

FACSIMILE TRANSMISSION SHEET	
TO:	FROM:
Matt	Martin
COMPANY:	DATE:
AVLC, Inc.	7/23/2010
FAX NUMBER:	CALL NO. OF PAGES INCLUDING COVER
(907) 561-2388	5
SIGNS NUMBER:	SENDER'S REFERENCE NUMBER
(907) 561-7927	
RE:	RECEIVER'S REFERENCE NUMBER
Land Lease Agreement Resolution 2010-03	

X ORIGINAL X NO ORIGINAL NO ORIGINAL NO ORIGINAL NO ORIGINAL

NOTE COMMENTS:

Hi Matt,

ANC Board of directors meet with Alakanuk Tribal Council yesterday & today. We went over the Business Operating Plan & made slight revisions. ANC Board Members & Tribal Council Members read, passed & signed the Bulk Fuel Tank Farm Ground Lease Agreement. ANC Board Members read, passed & signed Resolution 2010-03. Included are sign up sheets of signatures from Tribal & Corporation board members attending the meeting 07/22/10 & 07/23/10.

Sincerely,
Martin

PLEASE PRINT NAME OF FAX USER

ALAKANUK NATIVE CORPORATION

BOARD OF DIRECTORS

Resolution No. 2010-03

WHEREAS, the Alakanuk Native Corporation ("Corporation") is pursuing a new bulk fuel tank farm facility for Alakanuk; and

WHEREAS, the Corporation has completed a draft of its Business Operating Plan for the new bulk fuel tank facility; and

WHEREAS, the Corporation has instigated the design engineering portion of the project through Hattenburg Dilley & Linnell ("HDL") and obtained a Conceptual Design Report ("CDR"); and

WHEREAS, the Corporation has coordinated community meetings regarding the new bulk fuel tank facility and obtained community buy-in for the project; and

WHEREAS, the Corporation presented the CDR for the project to the community, which was accepted thereby;

THEREFORE, IT IS RESOLVED, that the Corporation move forward with the CDR, pursue funding for the project with the Denali Commission and other funding resources, enter into a long-term lease with the Village of Alakanuk for site control, obtain surveys, and do all things necessary and advisable to prepare for the construction phase of the bulk fuel tank farm project to begin during the construction season of the summer of 2011.

FURTHER RESOLVED, that the President of the Corporation is authorized to enter into such contracts or similar instruments to pursue funding and prepare for the construction phase of the bulk fuel tank farm project.

APPROVED July 23, 2010 at a special meeting of the Board, by a vote of 7 in favor, and 0 opposed.

Martin Harry
Martin Harry, President

ATTEST:

Carl King
Secretary

Sign up Sheet

For July 22 2010

1 Joe Hefner - ANC - 200.00

2 Dan Reynolds - ANC - 200.00

3 Bruce Roman - Subt. Council

4 Edward East - ANC - 200.00

5 Brian L. Williams - Vice Chair ANC

6 Mary C. Campbell - T.C. - 200.00

7 Doug Kelly - ANC - 200.00

8 [unclear] - ANC - 200.00

9 [unclear] - ANC - 200.00

10 [unclear] - T.C. - 200.00

11 James Hyman - ANC - 200.00

12 [unclear] - ANC - 200.00

13 [unclear] - ANC - Pres.

14

7/23/10 sign-ups for meeting:
@ 9 AM

1. John Agnewick AWC.
2. [unclear] AWC.
3. Brian L. Williams AWC
4. Mary Agnewick T.C.
5. [unclear] T.C.
6. [unclear] AWC
7. Sally Leppelt AWC
8. [unclear] AWC - General Manager - Tribal Council
9. [unclear] AWC Admin.
10. James Agnewick AWC
11. Edward Post AWC
12. Theresa Roman Tribal Council
13. Anthony P. Shelt - AWC
- 14.
- 15.

Resolution of Agreement for
The Alakanuk Native Corporation
Bulk Fuel Upgrades Concept Design Report

The following parties have reviewed this Concept Design Report and accept the document and its contents.

Alakanuk Native Corporation:

Marin Harry 6-30-10
Marin Harry, President Date

City of Alakanuk:

Michael James 6/30/10
City Representative Date

Alakanuk Tribal Council

Janice King 30 June 2010
Village Representative Date

Alaska Village Electric Cooperative

Mesa Kohler 8/5/10
Mesa Kohler, Project Manager Date
Mesa Kohler, President CEO

APPENDIX B

ACCEPTANCE OF THE BULK FUEL STORAGE BUSINESS PLAN

The undersigned hereby acknowledge and accept the terms of the Chevak Bulk Fuel Facility Business Operating Plan dated September 3, 2010

For the Alakanuk Native Corporation

Martin Harry
Printed Name

Martin Harry
Signature

Sept. 3, 2010
Date

For the Alakanuk Tribal Council

Benjamin B. Bellis
Printed Name

B. Bellis
Signature

03 Sept 2010
Date

APPENDIX C

**GROUND LEASE AGREEMENT
BETWEEN
ALAKANUK NATIVE CORPORATION
AND
VILLAGE OF ALAKANUK**

BULK FUEL TANK FARM GROUND LEASE AGREEMENT

THIS BULK FUEL TANK FARM GROUND LEASE AGREEMENT (the "Lease") is made and entered into and effective as of the 2nd day of JULY, 2010, by and between the ALAKANUK NATIVE CORPORATION, (hereinafter "Lessor" or "ANC"), whose address is P.O. Box 148, Alakanuk, Alaska 99554, and the VILLAGE OF ALAKANUK, Alakanuk Tribal/Village Council, (hereinafter "Lessee"), whose address is P.O. Box 149, Alakanuk, Alaska 99554.

RECITALS

WHEREAS, the community of Alakanuk is pursuing funding for the design, construction and operation of a new and upgraded bulk fuel tank farm; and

WHEREAS, Lessor has determined it is in the best interests of its shareholders to assist in obtaining funding, assisting in planning, and operating the bulk fuel tank farm; and

WHEREAS, funding is available primarily for non-profit organizations for a project such as the bulk fuel tank farm; and

WHEREAS, the Village of Alakanuk is a non-profit organization and is interested in moving the bulk fuel tank farm project forward to benefit its tribal members and the community of Alakanuk; and

WHEREAS, to pursue funding for the bulk fuel tank farm the Village of Alakanuk must have site control of the real property for the bulk fuel tank farm; and

WHEREAS, Lessor owns and has committed to contribute the surface estate of certain real property through a long-term lease to the Village of Alakanuk for the bulk fuel tank farm to satisfy the requirement of site control; and

WHEREAS, as a condition of this Lease, the Village of Alakanuk agrees to execute an agreement for Lessor or its wholly-owned subsidiary to operate the bulk fuel tank farm in accordance with applicable federal, state and local laws and requirements of funding organizations; and

WHEREAS, the parties have agreed to the terms and conditions of the Lease;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and promises herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto covenant and agree as follows:

1. **Demise; Description of Premises.** Lessee leases from Lessor the surface estate of the following real property:

Legal description attached Exhibit A and incorporated herein by this reference.

(such real property hereinafter referred to as the "Premises"). The rights granted under this Lease are subject to the exclusions, exceptions, reservations, restrictions, easements, rights-of-way, covenants, terms and conditions contained in the Interim Conveyance which transferred the real property subject to this Lease from the United States to Lessor, and to any subsequent patents which have been, or will be, issued to Lessor from the United States. The rights granted under this Lease are all subject to all exceptions, agreements, easements, rights-of-way, conditions, covenants, reservations, terms, conditions, and restrictions of record against the real property.

At such time as the property associated with the bulk fuel tank farm is surveyed, the legal description herein shall be modified to correspond with the surveyed legal description.

2. **Use of Premises.** Subject to the terms and conditions of this Lease, Lessee shall use the Premises solely for the purpose of the location and operation of a bulk fuel tank farm and fuel dispensary. Lessee shall pay all costs associated with funding, planning, locating, constructing, operating, and maintaining the improvements on the Premises.

3. **Term.** The term of this Lease shall be for 50 (years), commencing on 7-23-10, and ending on 7-23-2060 ("Term").

4. **Rental.** Lessee agrees to pay Lessor the following rental during the entire Term of this Lease: One Dollar (\$1.00).

5. **Utilities.** All costs for utilities and other activities necessary for the operation of the Premises, improvements thereon, and Lessee's business and other activities thereon shall be provided by Lessee at Lessee's sole cost and expense. Lessee shall be solely responsible, at Lessee's sole cost and expense, for all necessary utility hook-ups and connection, including without limitation, those necessary for telecommunications, electricity, natural gas, refuse, water and sewer.

6. **Acceptance of Premises.** Lessee has inspected the Premises and Lessee accepts the same "AS IS WITH ALL FAULTS." Lessor makes no specific warranties, expressed or implied, concerning the title or condition of the Premises, including survey, access, utility availability, or habitability or suitability for use, including those uses authorized by this Lease. Lessor shall have no liability or obligation with respect to the condition, maintenance or use of the Premises or any improvements now existing or hereinafter placed on the Premises.

7. **Indemnification.**

(a) **General.** Lessee shall save, protect, hold harmless, indemnify and defend Lessor, and Lessor's officers, directors, employees, and shareholders, of, from and against any and all liability, damages, demands, penalties, fines, causes of action, losses, costs, or expenses, including attorneys fees, arising from any act, omission, or negligence of Lessee or the officers,

contractors, subcontractors, licensees, agents, servants, employees, guests, invitees, visitors, or trespassers of Lessee in or about the Premises or improvements located thereon, or arising from any accident, injury or damages howsoever and by whomsoever caused, to any person or property, including but not limited to damage to the Premises itself, improvements thereon, or injury to or death of persons, occurring in or about the Premises or improvements located thereon, or in any manner arising out of Lessee's use and occupation of the Premises or improvements thereon, or as a result of the condition of the Premises or improvements thereon.

(b) Environmental.

(1) Review of Environmental Standards. Lessee shall abide by, and shall cause its employees, agents, any contractors or subcontractors it employs, and its invitees and guests to abide by, all applicable rules and regulations related to fire, safety, health and environmental protection.

(2) Permits. Lessee shall prepare and submit any reports and apply for and procure all permits or authorizations required to operate the Premises in full compliance with any and all applicable or relevant federal, state, and local statutes or ordinances, rules and regulations, financial responsibility requirements, permit conditions, and orders related to safety and working conditions, transportation or disposal of Hazardous Substances, and environmental protection.

(3) Restoration. Lessee shall take all steps necessary to adequately restore the Premises as a result of any environmental damage, including, but not limited to, such steps as may be required by applicable Environmental Law or valid order of a court or regulatory agency.

(4) Hazardous Substances. Lessee shall transport and dispose of any Hazardous Substances in accordance with all applicable laws. For purposes of this Lease, the term "Hazardous Substance" means any flammables, explosives, radioactive materials, crude or refined petroleum, pollutants, contaminants, or any hazardous, toxic, or dangerous waste, substance, or material, including asbestos, defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C.A. Sec. 9601 *et. seq.*), any so-called "Superfund" or "Superlien" law, or any other Environmental Law, including, but not limited to, Alaska Statutes Title 46, Chapters .03, .08 and .09, as now or at any time hereafter in effect. For purposes of this Lease, the term "Environmental Law" means any Federal, state, or local laws, ordinances, codes, regulations, rules, orders, or decrees, relating to, or imposing liability or standards of conduct concerning the treatment, storage, use or disposal of any Hazardous Substances.

(5) Indemnification: Hazardous Substances. Without limiting the duty to indemnify as provided in (a) above, Lessee shall save, protect, defend, indemnify and hold harmless Lessor from and against any and all demands, claims, causes of action (whether in the nature of an action for damages, indemnity, contribution, government cost recovery or otherwise), lawsuits, settlements, actions, damages, fines, penalties, judgements, costs and

expenses (including without limitation costs of defense, settlement, and reasonable attorney's fees), charges, forfeitures, liens, liabilities or losses of any nature and kind whatsoever, which arise during or after the Term of this Lease from or in connection with the presence or suspected presence of Hazardous Substances in the soil, groundwater, or otherwise on, above or in the Premises, or otherwise generating from the Premises, or operations or activities thereon, or from Lessee (or its employees, affiliates, parents, agents, contractors, subcontractors, sublessees, guests, invitees, or assigns, and their respective employees, agents, contractors, subcontractors, or subusers), or from any alleged or actual violation of an Environmental Law. This indemnification includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal, or restoration work.

(c) All of the foregoing indemnification, defense and hold harmless obligations in (a) and (b) above shall survive the expiration or early termination of this Lease.

8. **Condemnation.** If all of the Premises or such portion as may be required for the reasonable use of the Premises, are taken by eminent domain, this Lease shall automatically terminate as of the date Lessee is required to vacate the Premises, and all rent shall be paid which is due and owing through that date. In the case of a taking of less than that portion of the Premises required for the reasonable use of the Premises, then this Lease shall continue in full force and effect, and the rent shall be equitably reduced based upon the proportion of the square footage by which the Premises is reduced, such rent reduction to be effective as of the date possession of such portion is delivered to the condemning authority. Lessor reserves all rights to just compensation and/or damage for any taking of the Premises, and Lessee hereby assigns to Lessor, and Lessee shall make no claim against Lessor, for damages arising out of the condemnation, provided, Lessee shall have the right to claim and recover from the condemning authority, to the extent permitted by law, compensation for any loss to which Lessee may be put for the improvements, for Lessee's moving expenses or for the interruption of or damage to Lessee's business, to the extent such damages may be claimed and awarded separately from the damages and/or compensation awarded to Lessor.

9. **Use, Occupancy and Care of the Leased Premises.** At all times during the Term hereof, Lessee shall, at Lessee's sole cost and expense:

- (a) keep the Premises and improvements constructed thereon clean, safe and orderly;
- (b) conduct activities upon and generally maintain the Premises and improvements in such a manner and with such care that injury to persons and damage to property does not result therefrom;
- (c) not use or permit any part of the Premises or improvements to be used for any unlawful or unauthorized purpose nor perform, permit or suffer any act or omission upon or about the Premises or improvements which would result in a nuisance or a violation of any applicable laws, ordinances or regulations;
- (d) comply with city, state, federal and other governmental laws, statutes,

ordinances, rules, orders, and regulations of whatever type and nature, including but not limited to, zoning ordinances, health, fire, safety and environmental laws and regulations which in any manner affect the leased Premises, improvements, or activities thereon;

- (e) not cause or permit any waste, damage or injury to the Premises or improvements; and
- (f) not vacate or abandon the Premises at any time during the Term hereof.

10. **Maintenance and Repair.** Lessee covenants throughout the term hereof, at Lessee's sole cost and expense, to properly keep the Premises and improvements in good maintenance, repair, order and condition. Lessee acknowledges that Lessor has no responsibility to maintain the Premises or improvements during the Term hereof.

11. **Fixtures and Improvements.** Lessee shall pay all costs associated with locating, constructing, and maintaining all improvements and fixtures on the Premises. Lessor and Lessee agree that all improvements and fixtures erected on or attached to the Premises by Lessee shall become the property of Lessor. The parties agree that this Lease shall constitute a quitclaim, by Lessee to Lessor, of all Lessee's right, title, and interest in such improvements and fixtures upon such termination or expiration. Lessee further agrees, at the request of Lessor, to execute such other or further documents necessary to transfer Lessee's interest in the improvements or fixtures. This provision of the Lease shall also be in effect in the event of early termination of the Lease as provided herein.

12. **Surrender of Premises.** Lessee on the last day of the Term, or upon earlier termination of this Lease, shall peaceably and quietly leave and surrender the Premises in as good condition as on commencement of the Term, ordinary wear and tear excepted.

13. **Access.** Lessor, Lessor's agents, employees, officers, and designees shall have the right to enter the Premises at all reasonable times to inspect the same, to post "Notices of Non-Responsibility", and to preserve and protect the Premises.

14. **Liens.** Lessee shall keep the Premises and any part thereof free from liens for labor or materials ordered or supplied upon the express or implied request of Lessee. Should any such lien be recorded or should a lien be recorded by Lessee, Lessee shall forthwith and within ten (10) days of learning of such recording cause the same to be cancelled and discharged of record at Lessee's sole cost and expense.

15. **Taxes and Assessments.** Lessee shall be responsible for and shall pay promptly when due any and all general, special, real property, sales, personal property, and possessory interest taxes and assessments levied against the Premises and/or the improvements thereon.

16. **Holding Over.** If Lessee shall remain in possession of said Premises after

the termination of this Lease or after the expiration of said Term without a proper extension or renewal of this Lease, Lessee shall be deemed to occupy the Premises as a Lessee from month-to-month.

17. Insurance.

(a) Lessee shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lessor. Lessee shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lessor may request with Lessor and Beneficiary being named as additional insureds in such liability insurance policies. Additionally, Lessee shall maintain such other insurance, including but not limited to hazard, business interruption, and boiler insurance, as Lessor may reasonably require. Policies shall be written in form, amounts, coverage and basis reasonably acceptable to Lessor and issued by a company or companies reasonably acceptable to Lessor. Lessee, upon request of Lessor, will deliver to Lessor from time to time the policies or certificates of insurance in form satisfactory to Lessor including stipulations that coverages will not be cancelled or diminished without at least forty-five (45) days' prior written notice to Lessor. Each insurance policy also shall include an endorsement providing that coverage in favor of Lessor will not be impaired in any way by any act, omission or default of Lessee or any other person. Should the Real Property at any time become located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Lessee agrees to obtain and maintain Federal Flood Insurance for the full unpaid principal balance of the loan, up to the maximum policy limited set under the National Flood Insurance Program, or as otherwise required by Lessor, and to maintain such insurance for the term of the loan.

(b) In the event of foreclosure of this Bulk Fuel Tank Farm Ground Lease Agreement all interest of Lessee in any insurance policies pertaining to the Property and in any claims against the policies and in any proceeds due under the policies shall pass to Lessor.

(c) If Lessee fails to maintain any insurance required of it by Lessor, or fails to pay any premiums with respect to such insurance, Lessor may obtain such replacement insurance as it deems necessary or desirable, or pay the necessary premium on behalf of Lessee, and any sums expended by Lessor in so doing shall be added to the principal balance of the Note and bear interest at the default interest rate set forth in the Note.

(d) Lessee shall promptly notify Lessor of any loss or damage to the Property. Lessor may make proof of loss if Lessee fails to do so within fifteen (15) days of the casualty. Whether or not Lessor's security is impaired, Lessor may, at its election receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the indebtedness, payment of any lien affecting the Property or the restoration and repair of the Property. If Lessor elects to apply the proceeds to restoration and repair, Lessee shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Lessor. Lessor shall, upon satisfactory

proof of such expenditure, pay or reimburse Lessee from the proceeds for the reasonable cost of repair or restoration if Lessee is not in default under this Deed of Trust. Any proceeds which have not been disbursed within 180 days after their receipt and which Lessor has not committed to the repair or restoration of the Property shall be used first to pay any amount owing to Lessor under the Deed of Trust, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the indebtedness. If Lessor holds any proceeds after payment in full of the indebtedness, such proceeds shall be paid to Lessee as Lessee's interest may appear.

(e) Upon request of Lessor, however not more than once a year, Lessee shall furnish to Lessor a report of each existing policy of insurance showing; (i) the name of the insurer; (ii) the risks insured; (iii) the amount of the policy; (iv) the Property insured, the then current replacement value of such Property, and the manner of determining that value; and (v) the expiration date of the policy. Lessee shall, upon request of Lessor, have an independent appraiser satisfactory to Lessor determine the cash value replacement cost of the Property.

18. Notices. Any and all notices required or permitted under this Lease, unless otherwise specified in writing by the party whose address is changed, shall be as follows:

Lessor: ALAKANUK NATIVE CORPORATION
ATTN: President
P.O. Box 148
Alakanuk, Alaska 99554

Lessee: VILLAGE OF ALAKANUK
P.O. Box 149
Alakanuk, Alaska 99554
Attn: President

19. Default.

A. The occurrence of one or more of the following events shall constitute a default and breach of this Lease by Lessee:

- (a) Violation or breach or failure to keep or perform any covenant, agreement, term or condition of this Lease which shall continue or not be remedied within fifteen (15) days (or if no default in payment of rent is involved within thirty (30) days) after notice thereof is given by Lessor to Lessee specifying the matter or matters claimed to be in default.
- (b) Filing by the Lessee in any court pursuant to any statute, either of the United States or any state, a petition in bankruptcy or insolvency, or for reorganization or for the appointment of a receiver or trustee of all or a portion of the Lessee's property, or an assignment by the

Lessee for the benefit of creditors.

- (c) The taking possession of the property of Lessee by any governmental office or agency pursuant to statutory authority for the dissolution or liquidation of the Lessee.
- (d) An abandonment or vacation of the Premises by Lessee prior to the expiration of the Term of this Lease.
- (e) The use of the Premises for any purpose other than those specified in Section 2.
- (f) Violation of any requirement of a funding organization for funds committed to the bulk fuel tank farm or for the application for funds for the bulk fuel tank farm.

B. Upon the occurrence of a default as defined in "A" above, Lessor may at Lessor's option, declare Lessee's rights terminated and may re-enter the Premises and improvements, using such force as is necessary, and without further notice, remove all persons and property from the Premises and repossess Lessor of Lessor's former estate. In such case, Lessor shall be deemed to have an immediate right to possession of the Premises and improvements (if Lessor so desires) and Lessee shall peacefully surrender the same. No judicial action shall be necessary to effect such termination.

C. Such re-entry and termination notwithstanding, the liability of Lessee for payment of all amounts required to be paid by Lessee under this Lease, including payment of the full rental provided herein for what would otherwise have constituted the balance of the Term of this Lease shall not be extinguished and Lessee shall make good to Lessor the expenses and damages suffered by Lessor as a result of the default, repossession and reletting, including without limitation, legal expenses, renovation expense, alteration expense, and any rental deficiency resulting from the inability to relet the Premises or reletting at a lesser rate.

Lessor may, but shall not be obligated to, relet the Premises or any part thereof in the name of the Lessor, or otherwise, for such term (which may be greater or less than the period which would otherwise have constituted the balance of the Term of this Lease) and on such conditions as Lessor may determine appropriate, and may collect and receive the rent therefrom; Lessor shall not be responsible or liable for any failure to relet the Premises, or any part thereof, or for any failure to collect any rent due upon any such reletting.

D. In the event of default, as defined in subparagraph A, Lessor shall have such further and additional rights as are provided by law or equity.

20. **Cure of Default by Lessor.** Lessor may, at the expense of Lessee, cure any default by Lessee hereunder, but shall not be required to do so. Lessee shall reimburse Lessor for all amounts expended in connection therewith, including attorney's fees and other incidental

expenses. Such amounts, together with interest at the maximum lawful rate of interest, shall be deemed additional rent payable within thirty (30) days of notification that such amount is due.

21. **Costs Upon Default.** In the event a party shall be in default in the performance of any of its obligations under this Lease and an action shall be brought for the enforcement thereof, the defaulting party shall pay to the other party all the expenses incurred therefor, including reasonable attorney's fees.

22. **Attorneys' Fees, Costs and Expenses.** In the event either party brings or commences legal proceedings to enforce any of the terms of this Lease, the successful party in such action shall receive from the other, in every action commenced, a reasonable sum for attorneys' fees and costs to be fixed by the court in the same action.

23. **Rights and Remedies.** No right or remedy herein conferred upon or reserved to a party hereunder is intended to be exclusive of any other right or remedy, and such and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter existing at law or in equity or by statute.

24. **Assignment and Subletting.** Lessee shall not sublet, mortgage, pledge or assign its rights under this Lease without the prior written consent of Lessor, which consent may be withheld in Lessor's sole and absolute discretion, and any purported sublease, mortgage, pledge or assignment without such consent shall be null and void and of no force or effect.

25. **Waiver and Forbearance.** No waiver by a party hereto of any breach by the other party of any of its obligations, agreements or covenants hereunder shall be deemed to be a waiver of any subsequent breach of the same or any other covenant, agreement or obligation. Nor shall any forbearance by a party to seek a remedy for any breach of the other party be deemed a waiver by the first party of its rights or remedies with respect to such breach.

26. **Successors in Interest.** This Lease shall be binding upon and inure to the benefit of the respective heirs, successors and permitted assigns of the parties hereto.

27. **Applicable Law.** This Lease Agreement shall be construed and enforced in accordance with the laws of the State of Alaska.

28. **Authority.** Lessee covenants and acknowledges that it has the full, complete and absolute authority to enter into this Lease; this Lease has been duly authorized by its governing body; this Lease is a binding and enforceable agreement of and against Lessee; and the person executing the Lease on Lessee's behalf is duly and properly authorized to do so.

29. **Waiver of Immunity.** NOTWITHSTANDING ANY OTHER PROVISION OF THIS LEASE, FEDERAL, OR STATE LAWS OR REGULATIONS, LESSEE HEREBY AGREES TO BE BOUND BY ALL OF THE TERMS AND CONDITIONS OF THIS LEASE AND IRREVOCABLY WAIVES IT RIGHT TO ASSERT THE DEFENSE OF SOVEREIGN IMMUNITY OR OTHER IMMUNITY FROM SUIT WITH RESPECT TO THE

ENFORCEMENT OF THIS LEASE IN ACCORDANCE WITH ITS TERMS, AND CONSENTS TO SUIT AGAINST ITSELF OR ITS OFFICIALS IN THE COURTS OF THE STATE OF ALASKA AS TO ALL CAUSES OF ACTION ARISING OUT OF OR IN CONNECTION WITH THIS LEASE. NOTWITHSTANDING THE ABOVE-MENTIONED WAIVER OF IMMUNITY, NOTHING HEREIN SHALL BE DEEMED TO BE AN ADMISSION ON THE PART OF LESSOR THAT LESSEE POSSESSES OR MAY EXERCISE ANY SOVEREIGN IMMUNITY OR OTHER FORM OF IMMUNITY.

30. **Termination.** In the event that this Bulk Fuel Tank Farm is not funded or not completed by December 31, 2015, this Lease shall terminate and all rights to the Premises shall revert back to the Lessor.

31. **Miscellaneous Provisions.**

(a) This Lease constitutes all of the agreements and conditions made between the parties pertaining to the bulk fuel tank farm ground Lease and may not be modified orally or in any manner other than by an agreement in writing signed by both parties or their respective successors in interest.

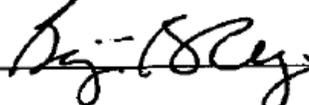
(b) Each term and such provision of this Lease shall be construed to be both a covenant and a condition of this Lease.

(c) Time is of the essence in each term and provision of this Lease.

IN WITNESS WHEREOF, the undersigned have caused this Bulk Fuel Tank Farm Ground Lease Agreement to be executed effective as of the date and year hereinabove first written.

LESSEE:

VILLAGE OF ALAKANUK

By:  _____

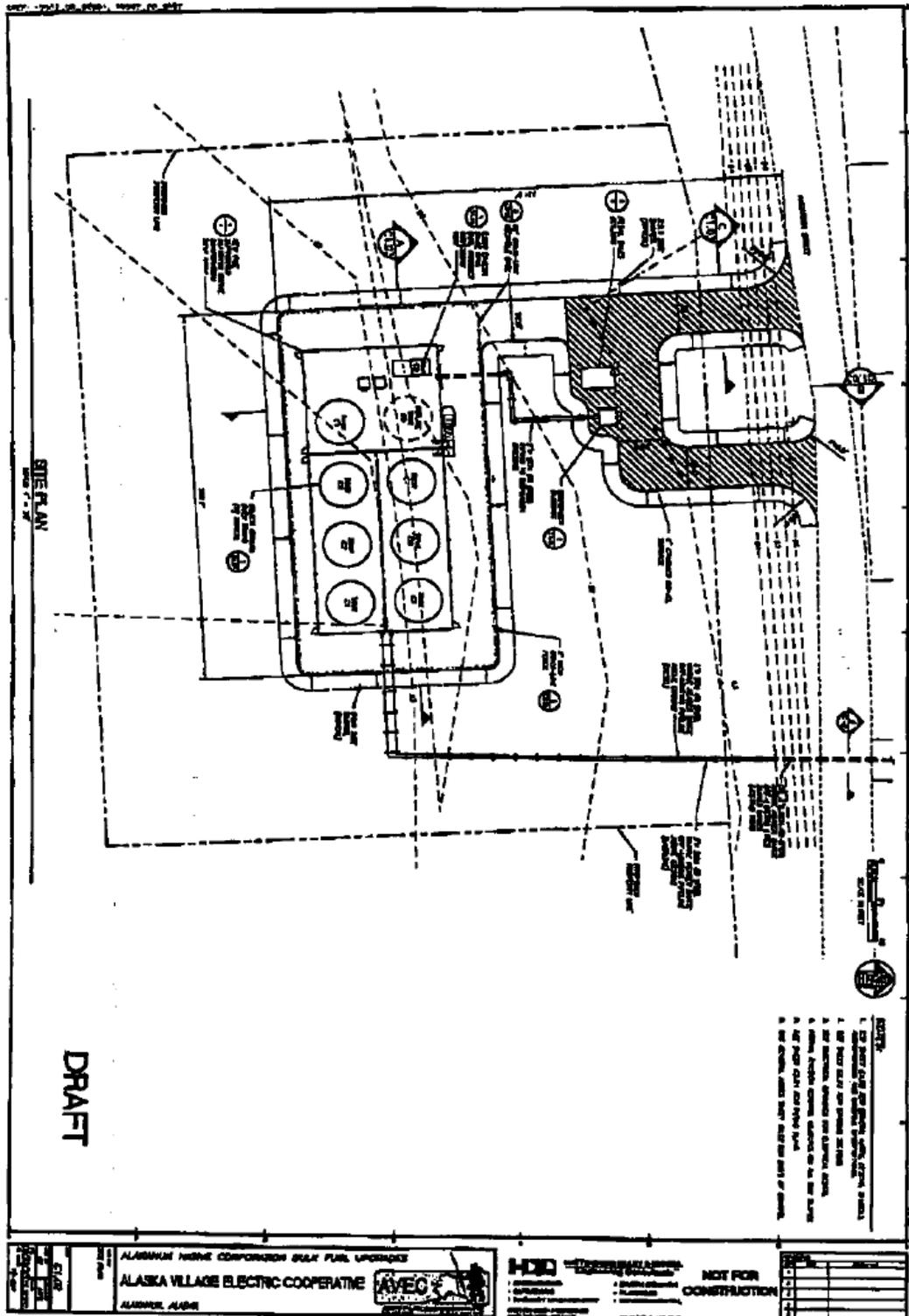
Its: President

LESSOR:

ALAKANUK NATIVE CORPORATION

By:  _____

Its: President



DRAFT

ALASKA VILLAGE ELECTRIC COOPERATIVE
 ALASKA VILLAGE ELECTRIC COOPERATIVE
 ALASKA, ALASKA

ACKNOWLEDGEMENTS

STATE OF ALASKA)
) ss:
SECOND JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on the 23rd day of July, 2010 before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared Marta Harry to me known and known to me to be the President of ALAKANUK NATIVE CORPORATION, the corporation named in the foregoing Bulk Tank Farm Ground Lease Agreement, and she/he acknowledged to me that she/he executed the foregoing Bulk Tank Farm Ground Lease Agreement on behalf of said corporation for the uses and purposes therein stated.

WITNESS my hand and notarial seal on the date and year in this certificate first above written.

Rtney - Pm
NOTARY PUBLIC in and for Alaska
My commission expires: N/A



STATE OF ALASKA)
) ss:
_____ JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on the 23rd day of July, 2010, before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared Bertram P. Patton to me known and known to me to be the President of VILLAGE OF ALAKANUK, the tribal council named in the foregoing Bulk Tank Farm Ground Lease Agreement, and she/he acknowledged to me that she/he executed the foregoing Bulk Tank Farm Ground Lease Agreement on behalf of said tribal council for the uses and purposes therein stated.

WITNESS my hand and notarial seal on the date and year in this certificate first above written.

Rtney - Pm
NOTARY PUBLIC in and for Alaska
My commission expires: N/A



APPENDIX D

STATEMENT OF QUALIFICATIONS – ALAKANUK NATIVE CORPORATION

The Alakanuk Native Corporation has successfully run a retail business enterprise for 37 years. Starting in May 1973, the Corporation has owned and operated the Alakanuk Native Store, a general retail business selling gasoline, heating fuel, diesel, propane, hardware, dry goods and groceries. The store has a staff of at least seven people with additional help being hired on a temporary basis as required.

Since the store is located some distance from the village, an annex was completed in 1983. The annex sells only dry goods and groceries and employs a staff of five or more, depending on the workload.

The Corporation's Board of Directors is comprised of nine directors with each elected to a three-year term. Terms are staggered to allow continuity among the Board. The Board meets monthly, with the regular meeting held on the first Wednesday of each month.

The Corporation owns several computers and related equipment for maintaining its accounting system. Quick Books is the primary accounting software used, although Excel is used for certain elements.

Labor costs are tracked through a timecard basis, with payroll performed every two weeks.

The Board will be responsible for adopting the annual budgets pursuant to this Plan.

APPENDIX E

RESUMES

Martin S. Harry, Board President

Mr. Martin Harry is the current Board President of the Alakanuk Native Corporation. Mr. Harry is a graduate of Bethel High School, when he then became a police officer in Alakanuk. In 2001, Mr. Harry became employed at the Alakanuk Native Store as Assistant Store Manager.

Mr. Harry has served on the Corporation Board of Directors since 2003 when he was first elected. In 2007, he was elected to Vice President of the Board, and in 2010 elected as President.

Mr. Brian L. Williams, Board Vice President

Mr. Brian Williams is the current Board Vice President, a position he has held since February 2010. He is a high school graduate and graduate of the Mountain Village Voc-Ed school. After graduation, he served as a police officer in Alakanuk. Other positions held by Mr. Williams include house mover for the City of Alakanuk and carpenter for AVCP Housing.

Mr. Williams was first elected to the Board of Directors in 2005.

Ms. Caroline M. Murphy, Board Secretary/Treasurer

Ms. Caroline Murphy is the Board's Secretary/Treasurer, a position she was elected to in February 2010. Ms. Murphy is a graduate of St. Mary's High School, at which time she joined the Alaska National Guard where she served for six years. At that time, she was employed as a Teacher's Aide and other positions at the Alakanuk Head Start Program.

Ms. Theresa Damian, Office Secretary/Bookkeeper

Ms. Damian is a lifelong resident of Alakanuk. She has worked for the Alakanuk Native Store for ten years, managed the store for six years and was hired in 2005 by the Corporation to act as its Office Secretary and Bookkeeper. Her training includes at least four Quick Books training courses and two IRS training workshops. She currently performs accounts payable, accounts receivable, and payroll using Quick Books and records entries in the ledger.

Jonathon Damian

Professional

Alakanuk Native Corporation
Maintenance

7/99 to Present

Duties: Unload fuel barge, service & maintenance of all commercial equipment, order Spring & Fall fuel orders, order lumber, propane and motor oil. Supervise one part-time employee.

Bering Pacific
Laborer

6/85 to 6/99

Duties: Carpentry, plumber, LCM Operator, maintenance of commercial equipment.

Education

Alakanuk High School

Graduated 1985

Department of Labor
Hazardous Waste Operations & Emergency Response Standard
(HAZWOPER)

2005

Welding Certification

1986

Ray T. Phillip
P.O. Box 75
Alakanuk, Ak 99554-0075
(907) 238-3252/3661
E-mail: la_raymondo@yahoo.com

Education/Training

Elementary & High School/G.E.D.	1987-1999
Army National Guard/Honorable Discharge	1997-2003
Alaska Job Corps/Computer Repair	2000-2001
HAZWOPER/Air Port Sec. Screening	2001
Bulk Fuel Tank Operator 48hr Course/AVTEC	2010
First Aid CPR/AVTEC	2010

Work Experience

June 1993-1997

D.F. Jorgensen Co. Gen Del Alakanuk, Ak 99554

Job duties included cleaning, stocking, cashier, freight loading, maintenance, inventory and delivery.

May 2002

United Utilities Inc. Gen Del Alakanuk, Ak 99554

Part time work included manual labor. Assisted with Phone line Connecting and wiring.

July-September 2004

YDFDA/Lisa Marie Long Liner Fishing Vestal

Completed One Contract

Job duties included manual labor, Hydraulics Operator, Wheel House Watch, Bait Operator and Stacking pots at High Seas.

October-December 2004

YDFDA/Sea Freeze Alaska Fish Processing Boat

Completed One Contract

Job duties included packing of P-Cod, Black Cod, Mackerel, Yellow Fin, Rocksoll. Offloaded 900 tons of Frozen Product every week and a half.

Feb. 2008 - September 2009

YDFDA/Golden Alaska Sea Foods Processing Boat

Completed 5 Contracts

Job duties included packing of P-Cod, Bleeding Area Operator, Badder Driver, Filet Flipper, Roe Packer, Roe Scalier, Mince Packer, Mince Extruder, Serimi Packer, Serimi Extruder, Serimi Scalier, Freezer Loading, Freezer Breaking, Box Making Machine Mechanics, Sugar Loader for the Serimi Machine. Offload included lifting of 50 lb boxes, and 75 lb bags of Fish meal 12 hours a day for 2 days.

April to Present Day 2010

Alakanuk Native Store

References:

*Teri of Golden Alaska
(206) 441-1990
Seattle, Wa 98120*

*Felix Edmund
(907) 238-3424
Alakanuk, Ak 99554*

*Dough Redfox
(907) 949-1202
Emmonak, Ak 99581*

Goals/Objectives

My goal is to get as much training as possible. I believe that any company willing to send me out to training will be making a good investment because of my will to learn, and to perform well with the company that I work for.

APPENDIX F
Secondary Operator Agreement

APPENDIX G

INITIAL DEPOSITS

O&M ACCOUNT

R&R ACCOUNT

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ALAKANUK NATIVE CORPORATION
P.O. BOX 148
ALAKANUK, AK 99664-0148



Member FDIC

8/10/2010

PAY TO THE ORDER OF Alaska USA Federal Credit Union

\$ **15,000.00

Fifteen Thousand and 00/100 DOLLARS

Alaska USA Federal Credit Union
P.O. Box 195813
Anchorage, Alaska
99519-6613

Shirley Ramirez
AUTHORIZED SIGNATURE

MEMO

⑈ 001788⑈ 12125200080⑈ 3076 578 8⑈

ALAKANUK NATIVE CORPORATION
Alaska USA Federal Credit Union

Spill Response Account under TCD

8/10/2010

1788
15,000.00

30765788

15,000.00

ALAKANUK NATIVE CORPORATION
Alaska USA Federal Credit Union

Spill Response Account under TCD

8/10/2010

1788
15,000.00

30765789

15,000.00

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ALAKANUK NATIVE CORPORATION
P.O. BOX 148
ALAKANUK, AK 99554-0148



NO OTHER PAYEE

8/10/2010

PAY TO THE ORDER OF **Alaska USA Federal Credit Union**

\$ **4,500.00

Four Thousand Five Hundred and 00/100 DOLLARS

Alaska USA Federal Credit Union
P.O. Box 196613
Anchorage, Alaska
99518-6613

Theresa Damian
APPROVED SIGNATURE

MEMO

⑆001789⑆ ⑆125200060⑆ 3076 578 8⑆

ALAKANUK NATIVE CORPORATION
Alaska USA Federal Credit Union

O & M Account - TCD

8/10/2010

1789
4,500.00

30765788

4,500.00

ALAKANUK NATIVE CORPORATION
Alaska USA Federal Credit Union

O & M Account - TCD

8/10/2010

1789
4,500.00

30765788

4,500.00

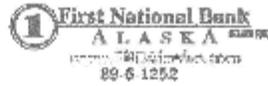
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ALAKANUK NATIVE CORPORATION
P.O. BOX 148
ALAKANUK, AK 99554-0148



First National Bank

8/10/2010

PAY TO THE ORDER OF Alaska USA Federal Credit Union

\$ **500.00

Five Hundred and 00/100***** DOLLARS

Alaska USA Federal Credit Union
P.O. Box 188813
Anchorage, Alaska
99519-6613

Theresa Damico
AUTHORIZED SIGNATURE

MEMO

⑆001790⑆ ⑆125200060⑆ 3076 578 8⑆

ALAKANUK NATIVE CORPORATION
Alaska USA Federal Credit Union

R & R Account - TCD

8/10/2010

1790

500.00

30765788

500.00

ALAKANUK NATIVE CORPORATION
Alaska USA Federal Credit Union

R & R Account - TCD

8/10/2010

1790

500.00

30765788

500.00

APPENDIX H

CONCEPTUAL DESIGN REPORT

