

LAW OFFICES OF
KEMPEL, HUFFMAN AND ELLIS
A PROFESSIONAL CORPORATION

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RICHARD R. HUFFMAN (1943 - 2005)
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September 18, 2006

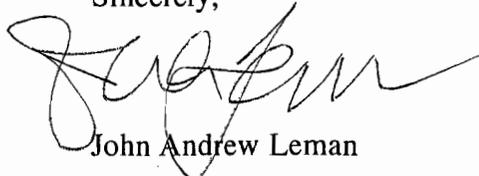
Mayor Walter Jack
City of Angoon
P.O. Box 189
Angoon, Alaska 99820

Re: Recordation of Lease Between City of Angoon and
Inside Passage Electric Cooperative, Inc.

Dear Mayor Jack:

I enclose for the City of Angoon's reference, a recorded copy of the Lease Agreement (with its exhibits) between Inside Passage Electric Cooperative, Inc. ("IPEC"), and the City of Angoon. Once again, on behalf of IPEC I would like to thank you for your help and cooperation with this project. IPEC is continuing to pursue it diligently with the Denali Commission. Should you have any future questions or concerns regarding this project, please feel free to contact myself or IPEC directly.

Sincerely,



John Andrew Leman

:tmg

Enclosure: Lease Agreement

cc w/encl.: Vern Rauscher, General Manager
Inside Passage Electric Cooperative, Inc.

✓ Steve Stassel



2006-006585-0

Recording Dist: 101 - Juneau

9/8/2006 10:18 AM Pages: 1 of 13

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CC

LEASE OF REAL PROPERTY

By and between the

CITY OF ANGOON

and the

INSIDE PASSAGE ELECTRIC COOPERATIVE, INC.

(Re-recorded with Exhibits A and B)

AFTER RECORDING IN THE
JUNEAU RECORDING DISTRICT,
PLEASE RETURN TO:

John Andrew Leman
Kempel, Huffman & Ellis, P.C.
255 E. Fireweed Lane, Suite 200
Anchorage, AK 99503
(907) 277-1604



2006-005266-0

Recording Dist: 101 - Juneau
7/24/2006 11:21 AM Pages: 1 of 9

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LEASE OF REAL PROPERTY

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PLEASE RETURN TO:

John Andrew Leman
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255 E. Fireweed Lane, Suite 200
Anchorage, AK 99503
(907) 277-1604



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2006-006585-0

RECEIVED
JUN 29 2006
BY: _____

LEASE OF REAL PROPERTY

THIS LEASE, made and entered into effective May 16, 2006, by and between the CITY OF ANGOON, ALASKA, whose mailing address is Box 189, Angoon, Alaska 99820, hereinafter referred to as the "Lessor," and the INSIDE PASSAGE ELECTRIC COOPERATIVE, INC., whose mailing address is Box 210149, Auke Bay, Alaska 99821, an Alaska rural electric cooperative organized under AS 10.25, *et seq.*, hereinafter referred to as the "Lessee,"

WITNESSETH:

1. Lessor, for and in consideration of the rents, covenants, and conditions hereinafter specified to be paid, performed, and observed by Lessee, does hereby let, lease, and demise to Lessee, all its interest, if any, in certain real property located in the City of Angoon, Juneau Recording District, First Judicial District, State of Alaska, described as follows:

A portion of Lot 3, Block 18, portions of the Chatham Road and Flagstaff Road rights-of-way, and portions of Blocks 19 and 20 of the Angoon Indian Village Townsite, U.S. Survey 1567, as shown on the attached Exhibit A.

TOGETHER WITH, all and singular, the tenements, hereditaments, and appurtenances thereunto belonging or in anywise appertaining.

2. This Lease is a single, entire transaction, and replaces all previous leases and amendments thereof for the Angoon power plant site. Lessee shall utilize the OXdemised premises in connection with the production and distribution of electrical power, and may conduct



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any additional related services or activities as Lessee in its own discretion may deem appropriate in the circumstances.

3. The premises are leased subject to deed restrictions, easements, zoning and building restrictions, and governmental regulations, if any, now in effect or hereafter adopted by any governmental authority; provided, however, that any other regulations or restrictions now in effect or hereafter adopted by Lessor as a governmental authority shall not conflict with the rights granted in this Lease.

4. (a) The term of this Lease shall be fifty (50) years, commencing January 31, 2006, through and including January 31, 2056, subject to the optional extensions hereinafter granted.

(b) The term of this Lease shall be automatically extended for additional terms of ten (10) years each, upon the same terms and conditions contained in this Lease, unless Lessor notifies Lessee of non-renewal in writing not more than five (5) years or less than two (2) years prior to the expiration of this Lease or Lease extension.

(c) Notwithstanding the provisions contained in subsections (a) and (b) above, the term of this Lease shall automatically end if Lessee shall cease using the premises leased herein for purposes related to the production or distribution of electrical power in and about the City of Angoon.

5. Lessee hereby agrees to pay on the first day of each calendar year during the term of this Lease, and any extensions thereof, p+1X a yearly rental of one dollar (\$1.00).

6. Lessee shall be exempt from payment of taxes or assessments on the property covered by this Lease, together with any other and further properties purchased, leased,



or otherwise acquired and utilized in connection with power production and distribution in or about the City of Angoon, Alaska.

7. Lessee shall pay all charges for water, gas, sewer, or other public utility services rendered to the leased premises during the term of this Lease as such charges become due.

8. Except and to the extent of rights granted pursuant to Section 10 below, Lessee, at its own cost and expense, shall keep the leased premises, and all buildings, structures, improvements, fixtures, and equipment, which at any time during the term of this Lease or any extensions thereof may be situated or located thereon, and any and all appurtenances thereunto belonging, in good condition and repair, reasonable wear and tear excepted.

9. With the exceptions of liens, encumbrances, mortgages, or other security instruments which may be required by the Rural Utilities Services, or by any other Federal, State or local governing body or private entity extending loans or credit in respect to the repair, replacement, maintenance, or improvement of electrical facilities and appurtenant buildings, structures, improvements, fixtures, and equipment in respect to the leased premises, Lessee shall not create or permit any lien or encumbrance on the premises which would in any way cloud or jeopardize Lessor's right, title, and interest in and to the premises, or any portion thereof. Lessor retains all statutory rights to post the premises and each and every portion thereof with notices of non-responsibility for liens.

10. (a) Lessee, when not in default or performance of any of its obligations hereunder, shall have the following rights during the term of this Lease and any

extensions hereof from time to time in such manner and to such extent that Lessee may in its judgment deem advisable:

(1) To demolish, remove, or otherwise dispose of any buildings, structures, improvements, fixtures, and equipment, presently or subsequently situated upon the demised premises. Upon such removal, such improvements shall be the sole property of the Lessee with the right to dispose of such improvements in any way it should deem advisable. At the expiration or termination of Lessee's occupancy of the demised premises, Lessee shall leave all buildings, structures, improvements, fixtures, and equipment upon the premises and in as good condition as that existing during Lessee's last use thereof, which improvements will thereupon become the property of Lessor, subject to such liens, encumbrances, mortgages, or other security interests as are permitted pursuant to Section 9 above.

(2) To erect, place, or install upon the leased premises structures, buildings, improvements, fixtures, and equipment, as from time to time Lessee in its judgment shall deem advisable.

(3) To make such alterations, additions, and repairs to the leased premises as it may desire.

(b) All improvements, including but not limited to buildings, structures, fixtures, and equipment, which are installed, placed, or attached in or about the leased premises by Lessee shall remain the property of Lessee during the term of this Lease and any extensions hereof, and shall revert to Lessor only upon expiration or termination of Lessee's occupancy.



11. In the event the leased premises, or any part thereof, shall be condemned or taken for a public or quasi-public use, then upon payment of any award or compensation arising from such condemnation, there shall be such division of the proceeds as the parties may agree upon as being just and equitable under all of the circumstances, regardless of any technical rule of law. If Lessor and Lessee are unable to agree within thirty (30) days after such award has been paid into court upon what division is just and equitable, the dispute shall be determined by arbitration as provided in Section 12 below.

12. In the event any controversy or dispute shall arise out of or in any manner relate to the interpretation, operation, or performance of this Lease, such controversy or dispute shall be submitted to final and binding arbitration pursuant to AS 09.43, at the request of either party hereto. The party desiring arbitration as aforesaid shall give notice in writing to the other party within thirty (30) days from the date any such controversy or dispute shall arise. Failure to give notice within the foregoing time period shall waive any rights to arbitration, except and to the extent the parties may otherwise agree.

13. Provided Lessee is not in default hereunder, Lessor covenants that the Lessee shall have peaceful and quiet enjoyment of the leased premises without let or hindrance on the part of Lessor, and Lessor will warrant and defend Lessee in the peaceful and quiet enjoyment of the leased premises. Lessee may record a copy of this lease with the recorder's office.

14. Any written notice herein required or permitted shall be deemed given if and when mailed, postage prepaid, properly addressed to Lessor or Lessee, as the case may be, or



to the their designated agents as the same shall appear from time to time. Until changed, notices and communications to Lessor or Lessee shall be addressed as follows:

Lessor: City of Angoon
Attn: Mayor
Box 189
Angoon, Alaska 99820

Lessee: Inside Passage Electric Cooperative, Inc.
Attn: General Manager
P.O. Box 210149
Auke Bay, Alaska 99821

15. If Lessee at any time during the term of this Lease, or any extension thereof, shall (1) fail to make payment of any amounts specified to be paid to Lessee hereunder, or (2) fail to observe or perform any of Lessee's other covenants, agreements, or obligations hereunder, and if such default shall not be cured within sixty (60) days after Lessor shall have given to Lessee written notice specifying such default or defaults and demanding p+24Xthe cure thereof, Lessor may: (1) proceed to cure the same and recover any moneys expended from Lessee; and/or (2) bring an action for damages incurred as a result of any such default.

16. Lessee hereby agrees to indemnify and hold Lessor harmless against any and all liabilities or claims which may arise from the possession, control or custody of or operations on or involving the property subject to this Lease by Lessee, its successors and assigns.

17. Lessor shall at all reasonable times during Lessee's business hours have access to the premises for the purposes of inspection.

18. No modification of this Lease shall be binding upon the parties unless it is reduced in writing and signed by both parties.

LEASE OF REAL PROPERTY

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19. The rights and obligations contained in this Lease may not be assigned, transferred, pledged, hypothecated, or otherwise conveyed or delegated without the prior written consent of both parties, and any attempt to do so shall be null and void and constitute a default under the terms of this Lease.

20. This Lease shall be binding upon the parties, their successors, and assigns.

21. Lessor agrees to modifications of the boundaries of this Lease to accommodate the proposed power plant upgrade project, including changes to accommodate design changes, regulatory requirements, and code issues. If such changes are made, Lessee will provide Lessor with a new Exhibit A reflecting the revised design. Lessor will also cooperate with Lessee to obtain all necessary plats, replats and vacations needed to complete the site control action plan attached as Exhibit B.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the date, month, and year first above written.

LESSOR:
CITY OF ANGOON, ALASKA

By: Walter Jean

Its: Mayor

LESSEE:
INSIDE PASSAGE ELECTRIC COOPERATIVE, INC.

By: Vernon Rauscher

Vernon Rauscher
Its: General Manager



STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 19th day of JUNE, 2006, in Angoon, Alaska, before me the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared WAITEV JACK, the _____ for the **City of Angoon**, to me known and known to me to be the person he/she represents himself/herself to be, the person described in the foregoing instrument, and who acknowledged to me that he/she signed the same freely and voluntarily for the uses and purposes therein mentioned, being fully authorized to do so.

WITNESS my hand and official seal the month, day and year herein first above written.

2388Y



Notary Public for the State of Alaska Lillian James Town
My Commission expires: with job

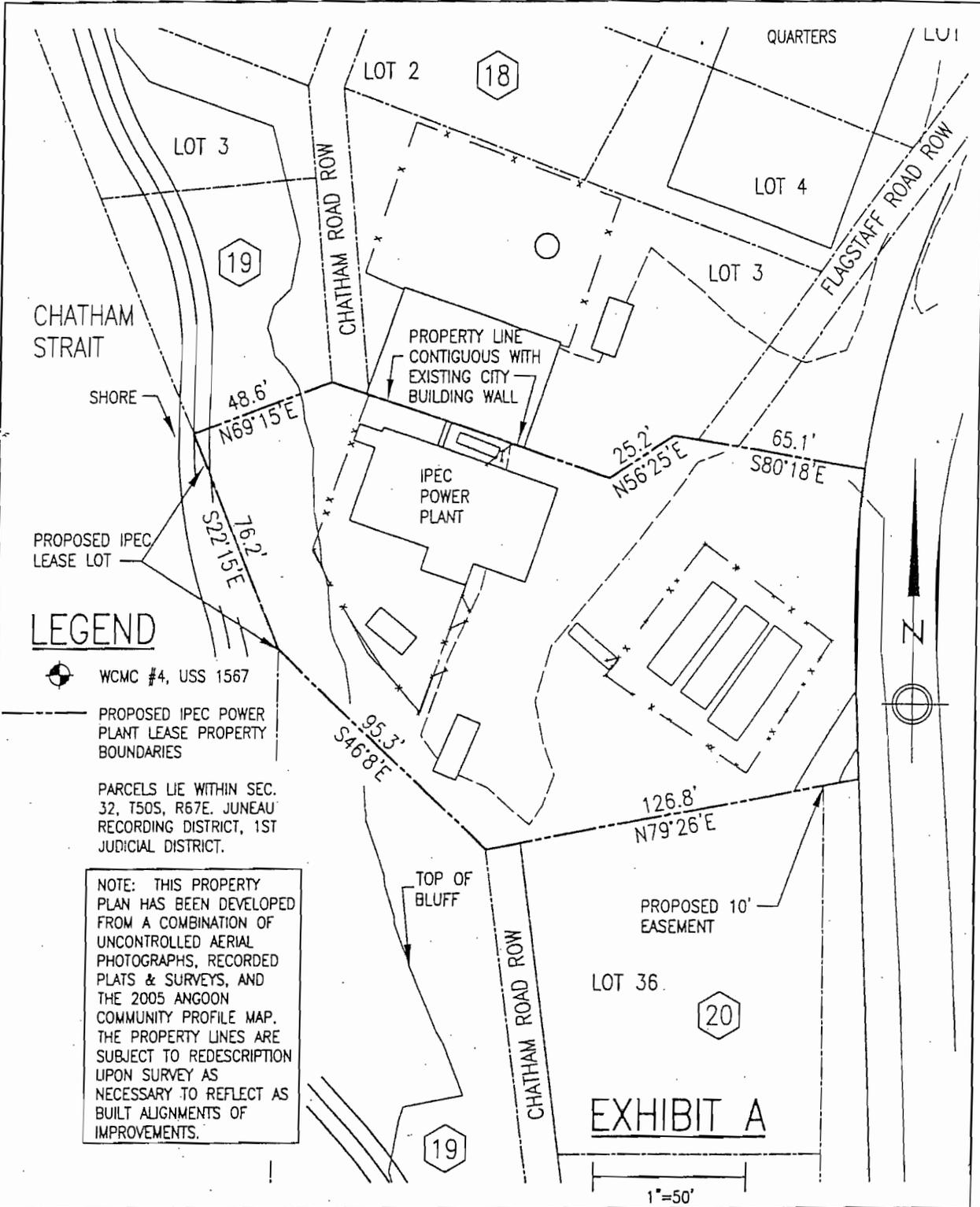
STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 5th day of July, 2006, in Angoon, Alaska, before me the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared Vernon Rauscher, the General Manager of **Inside Passage Electric Cooperative, Inc.**, to me known and known to me to be the person he represents himself to be, the person described in the foregoing instrument, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned, being fully authorized to do so.

WITNESS my hand and official seal the month, day and year herein first above written.



[Signature]
Notary Public for the State of Alaska
My Commission expires: 8-28-2007.



LEGEND

- WCMC #4, USS 1567
- PROPOSED IPEC POWER PLANT LEASE PROPERTY BOUNDARIES

PARCELS LIE WITHIN SEC. 32, T50S, R67E, JUNEAU RECORDING DISTRICT, 1ST JUDICIAL DISTRICT.

NOTE: THIS PROPERTY PLAN HAS BEEN DEVELOPED FROM A COMBINATION OF UNCONTROLLED AERIAL PHOTOGRAPHS, RECORDED PLATS & SURVEYS, AND THE 2005 ANGOON COMMUNITY PROFILE MAP. THE PROPERTY LINES ARE SUBJECT TO REDESCRIPTION UPON SURVEY AS NECESSARY TO REFLECT AS BUILT ALIGNMENTS OF IMPROVEMENTS.

PROJECT:		ANGOON RURAL POWER SYSTEM UPGRADE PROJECT	
TITLE:		IPEC POWER PLANT PROPERTY PLAN	
DRAWN BY:	SJS/TDK	SCALE:	1"=50'
DESIGNED BY:	SJS	DATE:	1-26-06
FILE NAME:	PROP-PLAN	SHEET OF:	SH1 1

State of Alaska
 Department of Community and Economic Development
 AIDEA/AEA
 Rural Energy Group
 813 West Northern Lights Blvd.
 Anchorage, Alaska 99503

ALASKA ENERGY AUTHORITY



Action Plan for Resolving Site Control Issues

Resolve Title Conflicts.

1. The three individuals noted above should be approached to determine if there is an actual conflict. If there is no acknowledged conflict, the individuals should be requested to execute quitclaim deeds to clear the land title. All three individuals need to take such action in order to clear the title. The execution and recording of quitclaim deeds from the three individuals would resolve this title issue.
2. If there is an acknowledged conflict that cannot be resolved between the parties, legal assistance should be obtained and a determination made if a quiet title action should be taken
3. If the legal analysis recommends it, a quiet title action should be initiated to clear the title.

Expand property boundary to meet setback requirements and correct encroachments.

The following outlines the steps necessary to finalize site control for this project, as depicted on the attached proposed Property Plan, Exhibit A, dated 2/2/05:

1. The City and IPEC will review the proposed Property Plan, provide comments, and agree on a final Property Plan layout. The proposed property is bound on the west by Block 19, on the south by Lot 36, Block 20, and on the east by the proposed new BIA ROW. The northern property boundary runs along the face of the existing city building (vacated sewer plant) and jogs north slightly to provide the minimum 40' clearance to the existing IPEC fuel tanks. A 10' easement is shown across the southeasterly corner of the property and is centered along the existing access trail to Lot 36.
2. The City and IPEC will need to agree on the type of site control instrument to be used – either a long-term lease or deed, to meet the project site control requirements. The lease/deed will contain a provision stating that the instrument replaces all previous leases.
3. A Memorandum of Agreement (MOA) between the City and IPEC will memorialize the site control agreement and define the steps necessary to complete the replat and site control process. A partial list of the required steps follows:
 - a. Based on available documentation, it appears the “BIA Road” was constructed partially outside the boundaries of the platted right of way. This right of way will need to be replatted to show the as built location of the road. The proposed Property Plan locates the new BIA Road right of way boundary a minimum of 5' from the edge of the existing paved road surface.
 - b. The City of Angoon has planning and platting authority and will need to take the appropriate vacation and platting actions required to authorize the replat. Further research is needed to determine what ordinances the City has in effect. The Juneau office of the Department of Community and Economic Development, Division of Community Advocacy will be consulted to provide technical assistance to the City to complete this process. The required steps will be included in the MOA.
 - c. Once the City has taken appropriate action to approve the property plan, enter into the MOA with IPEC, and vacate the road rights of ways, the property will be surveyed and a plat prepared. Upon approval of the replat by the City, the plat will be recorded in the Juneau Recording District.
 - d. After the plat has been recorded, the site control instrument (long-term lease or deed) will be recorded in the Juneau Recording District.



Site Control Action Plan
Rural Power Systems Upgrades
Angoon, Alaska

Background

Inside Passage Electric Company (IPEC) was formerly the Tlingit-Haida Regional Electrical Authority (THREA). The IPEC power plant and tank farm is located within Lot 3 of Block 18, as well as portions of the Chatham Road and Flagstaff Road rights-of-way, and Blocks 19 and 20 of the Angoon Indian Village Townsite, U.S. Survey 1567. In 1977, THREA leased a small parcel (100' by 100') from the City of Angoon for power purposes. The term of the lease was 99 years. In 1981, another lease was issued for a parcel containing 0.519 acres. However, this lease expired in 1991 and there is no record the lease was extended.

A certificate to plat dated August 17, 2004, was prepared by First American Title of Alaska. This title report shows that the City of Angoon is the owner of record for Lot 3, Block 18; and the unsubdivided portion of Block 19, U.S. Survey 1567. However, the title report also reveals a title conflict that affects Lot 3, Block 18. Three individuals, as tenants in common, have some recorded interest in the noted property. The individuals (Margaret Gamble, June D. Pegues/Brown, and Harriet Chilton) were deeded the interests by Annie Bennett.

The City was issued trustee deeds for Lot 3, Block 18 and the unsubdivided portion of Block 19 on January 31, 1975. These deeds were recorded on February 5, 1975. However, Annie Bennett issued a quitclaim deed to Margaret Gable, June Brown and Harriett Chilton on September 17, 1962 for a tract of land which included a portion of Chatham Road and a portion of Lot 3, Block 18, U.S. Survey 1567. This deed was recorded on August 8, 1963. Annie Johnson Bennett also issued another quitclaim deed dated July 25, 1977, to Margaret Gamble, June Pegues and Harriet Chilton which included a portion of Chatham Road and Lot 3 of Block 18, U.S. Survey 1567. There is no record that the townsite trustee ever issued a deed to Annie Bennett for these parcels. Therefore, the deeds from Annie Bennett appear to be outside the chain of title.

The City received title to Block 20 by trustee deed dated May 1, 1972, and recorded in the Juneau Recording District on July 3, 1972 at Book 101, Page 296. Block 20 was not included in the certificate to plat.

Site Control Issues

Title Conflicts: The conflict with the three tenants in common noted above was researched. Neither the certificate to plat nor an online search revealed the origin of Ms. Bennett's claim to title. However, the online data is not complete as it only goes back to about 1978. This claim is a cloud on the title for the above-identified lots.

Property boundary setback requirements and encroachments: The current building and tank locations in the vicinity of the IPEC power plant do not meet IBC or IFC setback requirements, and encroach into platted road rights of ways. The IPEC lease boundaries need to be revised to correct these deficiencies. Since the 1977 lease does not include all of the required land and since the 1981 lease has apparently expired, it is recommended that a new lease be issued or that the title to the required property be transferred by deed. However, since vacations of rights of way are necessary, vacation and replat actions are necessary before the lease is issued or title is transferred.

