

**STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER
3700 Airport Way
Fairbanks, Alaska 99709-4299
ADL No. XXXXXX**

LEASE AGREEMENT

Effective XX day of XXXX, this lease agreement is entered into by the State of Alaska, hereafter referred to as "Lessor," and XXXXX., hereafter referred to as "Lessee," whether one or more, whose sole addresses for purposes of notification under this lease agreement are listed in section 30.

Lessor and Lessee agree that this lease, including all attachments and documents that are incorporated in this lease by reference, contains the entire agreement between the parties, and each of the covenants and conditions in this lease including any attachments will be binding upon the parties and upon their respective successors and assigns. Lessor and Lessee further agree that this lease is conditioned upon satisfactory performance by Lessor and Lessee of all covenants and conditions contained in this lease. Lessee is aware of the provisions of Title 38, Alaska Statutes, Title 11, Alaska Administrative Code and fully understands the duties and obligations of Lessee under this lease, and the rights and remedies of Lessor.

This lease is subject to all applicable state, federal, and municipal statutes, regulations, and ordinances in effect on the effective date of this lease, and insofar as is constitutionally permissible, to all statutes, regulations, and ordinances placed in effect after the effective date of this lease. A reference to a statute, regulation, or ordinance in this lease includes any change in that statute, regulation, or ordinance, whether by amendment, repeal and replacement, or other means. This lease does not limit the power of the State of Alaska, its political subdivisions, or the United States of America to enact and enforce legislation or to adopt and enforce regulations or ordinances affecting, directly or indirectly, the activities of Lessee or its agents in connection with this lease or the value of the interest held under this lease. In case of conflicting provisions, statutes, regulations, and ordinances take precedence over this lease. This lease shall not be construed as a grant or recognition of authority for promulgation or adoption of municipal ordinances that are not otherwise authorized.

1. Grant. This competitive lease is issued under the authority of AS 38.05.070, for a term of 25 year(s) beginning on the XXXX and ending at 12 o'clock midnight on the XX day of XXXXX, unless sooner terminated, subject to: compensation as specified in section 2; the development plan was reviewed and approved by the state on XXX; and attached stipulations, if any, that are incorporated in and made a part of this lease, for the following property, hereafter referred to as the "leasehold":

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

excepting and reserving any general reservations to Lessor that are required by law and that may be stated elsewhere in this lease. This lease is subject to all valid existing rights in and to the land under this authorization. The State of Alaska makes no representations or warranties whatsoever, either expressed or implied, as to the existence, number, or nature of such valid existing rights.

2. Compensation. (a) Lessee shall pay to Lessor compensation as follows, without the necessity of

any billing by Lessor: \$XXXX annually, due on XXXX of each year the lease is in effect. Lessor may, upon 10 days' notice, review and copy any records of Lessee that are necessary to verify Lessee's compliance with this paragraph.

(b) In accordance with AS 38.05.105, the lease compensation is subject to adjustment by Lessor at the commencement of the sixth year of the term and every fifth year thereafter (the "adjustment date"). The compensation adjustment takes effect on the applicable adjustment date, regardless of whether the adjustment determination occurs before or after that date. All reasonable costs of the adjustment, including reappraisal if required by Lessor, will be borne by Lessee.

(c) Lease compensation may also be adjusted as a condition of Lessor's approval of a proposed assignment or sub-lease, under sections 6 and 7, or approved changes to the development plan, under section 4.

3. Denial of Warranty. Lessor makes no warranty, express or implied, nor assumes any liability whatsoever, regarding the social, economic, or environmental aspects of the leasehold, including, without limitation, the soil conditions, water drainage, access, natural or artificial hazards that may exist, or the profitability or fitness of the leasehold for any use. Lessee represents that Lessee has inspected the leasehold and determined that the leasehold is suitable for the use intended, or has voluntarily declined to do so, and accepts the leasehold "as is" and "where is."

4. Use of Leasehold. Prior to execution of this lease and to commencing use or development of the leasehold, Lessee shall submit a development plan for the leasehold to Lessor and obtain Lessor's approval of the plan. Any use or development of the leasehold must be consistent with the development plan approved by Lessor. Any proposed revisions to the development plan must be submitted to Lessor for approval before any change in use or development occurs. Lessee shall use and occupy the leasehold in compliance with the approved development plan and all applicable laws, regulations, ordinances, and orders that a public authority has put into effect or may put into effect, including those of a building or zoning authority and those relating to pollution and sanitation control. Lessee may not permit any unlawful occupation, business, or trade to be conducted on the leasehold. Lessee shall properly locate all activities and improvements on the leasehold, and may not commit waste of the parcel. Lessee shall maintain and repair the leasehold including improvements in a reasonably neat and clean condition, and shall take all necessary precautions to prevent or suppress grass, brush, or forest fires, and to prevent erosion, unreasonable deterioration, or destruction of the land or improvements. Lessee agrees not to place any aboveground or underground fuel or chemical tanks on the leasehold without the prior written approval of Lessor.

5. Encumbrance of Leasehold. Lessee may not encumber or cloud Lessor's title to the leasehold, or any portion of the leasehold, nor enter into any lease, easement, or other obligation of Lessor's title without the prior written approval of Lessor.

6. Assignment or Sublease of Interest. Lessee may not assign or sublet any interest held under this lease, including a security interest, without the prior written approval of Lessor. Lessor may approve such assignment or subletting if Lessor finds it to be in the best interest of the state. No such assignment or subletting will be effective until approved by Lessor in writing, and the assignee or sub-lessee agrees to be subject to and governed by the provisions of this lease, any subsequent amendments to this lease, any additional stipulations, or reappraisal as deemed appropriate by Lessor, and all applicable laws, regulations, and ordinances in the same manner as the original Lessee. No assignment or subletting of the leasehold, or any portion thereof, by Lessee will annul Lessee's obligation to pay the compensation required for the full term of this lease. Except as

provided in this lease, no subdivision of the leasehold interest may occur without the prior written approval of Lessor.

7. Sublease and Rental Agreements. The Lessor may require an increased annual compensation as a condition of a sublease approval. Said increase shall be determined by negotiation between the Lessee and Lessor, but shall not be less than 25% of all compensation paid annually to the Lessee by the Sub-lessee. Neither the terms of this sublease provision nor any actual compensation derived from a sublease shall have any effect upon a determination of appraised market value pertaining to AS 38.05.840 and/or this lease parcel. Sublease shall be defined to include any lease, rental, storage or accommodation agreement between the Lessee and another individual, business or corporation utilizing or benefiting from the lease parcel. Sub-lessee shall be defined to mean any individual, business or corporation executing an agreement, as above, with the Lessee. The amount of sublease compensation shall be subject to change at the same time as the lease compensation adjustment discussed above, and whenever the terms or conditions of the agreement between the Lessee and Sub-lessee change. Approval of a sublease shall also be conditioned upon:

(a) submission by Lessee of a signed copy of the agreement(s) which govern the relationship and compensation provisions between Lessee and Sub-lessee; failure of Lessee to provide complete, true and accurate information regarding sublease compensation will, at Lessor's discretion, be grounds for termination of the lease;

(b) submission by Lessee of a complete plan of operations and development for the subleased area and, if necessary, an amended plan of operations and development for the entire lease area; and,

(c) execution by Lessor of a best interest finding and amendments to the lease contract as necessary, if significant changes to the use and development are proposed.

8. Conditional Lease. If all or part of the leasehold has been tentatively approved, or approved, but not yet patented, by the United States to Lessor, then this lease will be conditioned upon receipt by Lessor of such patent. If for any reason Lessor does not receive patent, any compensation paid to Lessor under this lease will not be refunded. Any prepaid compensation for land to which patent is denied Lessor will be refunded to Lessee of record in the amount of the pro-rata portion of the unexpired term. Lessor will have no further liability to Lessee for the termination of the lease.

9. Payment of Taxes and Assessments. Lessee shall pay prior to delinquency all taxes and assessments accruing against the leasehold.

10. Section Line Rights-of-Way. If the leasehold borders on or includes one or more section lines, Lessor hereby expressly reserves unto itself and its successors and assigns a right-of-way or rights-of-way pursuant to AS 19.10.010.

11. Navigable and Public Waters. (a) Pursuant to AS 38.05.127 and 11 AAC 53.330, Lessor reserves a public access easement to and along all public or navigable water bodies that border on or are included in this leasehold. No public access easement may be obstructed or otherwise rendered incapable of reasonable use for the purposes for which it was reserved. No public access easement may be vacated, abandoned, or extinguished without the prior written approval of Lessor.

(b) The Public Trust Doctrine guarantees public access to, and the public right to use, navigable and public waters and the land beneath them for navigation, commerce, fishing, and other purposes. This lease is issued subject to the principles of the Public Trust Doctrine regarding

navigable or public waters. Lessor reserves the right to grant other interests to the leasehold consistent with the Public Trust Doctrine.

12. Condemnation of Leasehold or Improvements. If the whole or any part of the leasehold is taken by any authorized body or person vested with the power of eminent domain, by negotiation, court action, or otherwise, the following provisions control:

(a) Taking of the entire leasehold. If all of the leasehold is taken by condemnation, this lease and all rights of Lessee will immediately terminate, and the compensation will be adjusted so that it is due only until the date Lessee is required to surrender possession of the leasehold. Lessor is entitled to all the condemnation proceeds, except that Lessee will be paid the portion of the proceeds attributable to the fair market value, as determined in the condemnation proceedings, of any buildings or improvements taken that were placed on the condemned leasehold by Lessee in accordance with the approved development plan.

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

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

(ii) If Lessee elects to terminate, the provisions in subsection (1) of this section govern the condemned portion of the leasehold and the covenants and conditions of the lease govern disposal of the remainder of any buildings or improvements made by Lessee in accordance with the approved development plan.

(iii) If Lessee does not elect to terminate, the lease continues and Lessor is entitled to the full condemnation proceeds except the portion attributable to the fair market value, as determined in the condemnation proceedings, of any buildings or improvements taken that were placed on the condemned portion of the leasehold by Lessee in accordance with the approved development plan. Compensation at the existing rate will terminate on the date Lessee is required to surrender possession of the condemned portion of the leasehold. Except as it may be adjusted from time to time under the covenants and conditions of the lease and applicable statutes, compensation for the balance of the term will be adjusted by Lessor to reflect the taking.

(c) Taking of insubstantial part of the leasehold. If the taking by condemnation reduces the ground area of the leasehold by less than 30 percent and Lessor reasonably determines that Lessee's use of the leasehold is not materially affected, Lessee may not elect to terminate the lease and the compensation provisions of subsection 2(C) of this section will govern.

13. Valid Existing Rights. This lease is subject to all valid existing rights, including easements, rights-of-way, reservations, or other interests in land in existence on the date of execution of this lease.

14. Inspection. Lessor will have reasonable access to the leasehold for purposes of inspection.

15. Mineral Reservations. This lease is subject to the reservations required by AS 38.05.125 and

the rights and obligations imposed by AS 38.05.130.

16. Concurrent Use. This lease is subject to reasonable concurrent uses as provided under Article VIII, Section 8 of the Constitution of the State of Alaska. The concurrent user who is found to be at fault for damage or injury arising from noncompliance with the terms governing the user's concurrent use is liable for damages and the user's interest is subject to forfeiture or termination by Lessor. In this context, the term "concurrent user" includes Lessee and any other person or entity who lawfully uses the land subject to this lease, but does not include the State of Alaska.

17. Surface Resources. Unless otherwise provided by this lease or other written authorization, Lessee may not sell or remove from the leasehold any timber, stone, gravel, peat moss, topsoil, or any other material valuable for building or commercial purposes. Material required for the development of the leasehold may be used only in compliance with the approved development plan.

18. Appropriation or Disturbance of Waters. During the term of this lease, Lessee will have the right to apply for an appropriation of ground or surface water on the leasehold in accordance with AS 46.15 and 11 AAC 93.060.

19. Acquisition of Rights or Interests. Any right or interest acquired during the term of this lease and accruing to the benefit of the leasehold will remain appurtenant to the leasehold, and may not be severed or transferred from the leasehold without the prior written approval of Lessor. In the event of termination or forfeiture of this lease, any such right or interest will vest in Lessor.

20. Land Alterations Due to Natural or Artificial Causes. The interest described in this lease constitutes the entire leasehold. If, through natural or artificial causes, accretion or reliction of land occurs contiguous to the leasehold, Lessee has no right to occupy or use the accreted land unless a separate lease is entered with Lessor with respect to such lands. The rules of law usually applicable to accretion or reliction of land do not apply to this lease or to the interest described in this lease.

21. Waiver or Forbearance. The receipt of compensation by Lessor, with or without knowledge of any default on the part of Lessee, is not a waiver of any provision of this lease. No failure on the part of Lessor to enforce a covenant or condition of this lease, nor the waiver of any right under this lease by Lessor, unless in writing, will discharge or invalidate the application of such covenant or condition. No forbearance or written waiver affects the right of Lessor to enforce any covenant or condition in the event of any subsequent default. The receipt of compensation by Lessor after termination or any notice of termination will not reinstate, continue, or extend this lease, or destroy, or in any manner impair the validity of any notice of termination that may have been given prior to receipt of the compensation, unless specifically stated by Lessor in writing.

22. Default and Remedies. (a) Time is of the essence in this lease. If Lessee defaults on the performance of any of the covenants or conditions of this lease, and the default is not remedied within 60 days after Lessor issues written notice of such default to Lessee and to the holder of a security interest in the leasehold approved by Lessor, or within any additional period Lessor allows for good cause, Lessee will be subject to legal or any other administrative action deemed appropriate by Lessor, including termination of this lease. Lessor may, in the notice of the default or in a separate written notice, state that if the default is not remedied, this lease shall terminate on a date certain, which shall be at least 60 days after issuance of the notice of default. Upon the date specified in such notice, unless the default has been remedied, the lease shall expire automatically without further notice or action by Lessor and this lease and all rights of Lessee under the lease shall terminate. Upon termination of the lease Lessor shall have an immediate right to possession of

the leasehold and any possession by Lessee shall be unlawful. It is specifically agreed that no judicial action shall be necessary to terminate this lease or to allow Lessor to retake possession in the event of default by Lessee. No improvements may be removed from the leasehold while the lease is in default except with Lessor's prior written approval. If this lease is terminated for default, all compensation paid by Lessee is forfeited to Lessor. Lessor is not liable for any expenditures made or undertaken by Lessee under this lease. Any costs or fees, including attorney's fees, reasonably incurred by Lessor for the enforcement of this lease, shall be added to the obligations due and payable by Lessee.

(b) The rights, if any, of third-party security interest holders or lien holders are controlled solely by AS 38.05.103 and 11 AAC 58.590. If Lessee fails to remedy the default within the time allowed in subsection (a) of this section, the holder of an approved security interest who has received notice under subsection (a) of this section may remedy the default. The holder shall act within 60 days from the date of receipt of notice under subsection (a) of this section, or within any additional period Lessor allows for good cause.

(c) Lessor may, at Lessor's option, following Lessee's default and failure to remedy, or after termination of this lease due to such default and failure to remedy, accelerate the unpaid compensation for the remainder of the term of this lease. Lessee's obligation to pay such accelerated rent to Lessor survives termination of this lease.

(d) If this lease is terminated, or all or any portion of the leasehold is abandoned by Lessee, Lessor may immediately enter, or re-enter and take possession of the leasehold, and without liability for any damage, remove all persons and property from the leasehold and may, if necessary, use summary proceedings or an action at law. The words "enter" and "re-enter" as used are not restricted to their technical legal meaning. Any entry, re-entry, possession, repossession, or dispossession by Lessor, whether taken with or without judicial action, does not absolve, relieve, release, or discharge Lessee, either in whole or part, of any liability under the lease.

(e) Lessor, upon or at any time after giving written notice of any default, may enter or re-enter the leasehold to remedy any default by Lessee or exercise any right given under this lease, all without the intervention of any court being required. The curing of such default shall not be deemed for any purpose to be for the benefit of Lessee.

(f) At any time after termination of this lease, Lessor may re-let the leasehold, or any part thereof, in the name of Lessor for such term and on such conditions as Lessor may determine, and may collect and receive the compensation therefore. Lessor shall not be responsible or liable for failure to re-let the leasehold or for any failure to collect any compensation due upon such re-letting, nor shall Lessor be required to account for or pay to Lessee any excess compensation received as a result of such re-letting. Lessee shall be liable for any deficiency, and for all costs, expenses, and fees incurred by Lessor arising out of the default, including Lessor's efforts to re-let the leasehold.

(g) No right or remedy conferred upon or reserved to Lessor in this lease or by statute, or existing in law or equity, is intended to be exclusive of any other right or remedy, and each and every right shall be cumulative.

23. Disposition of Improvements and Chattels After Termination. AS 38.05.090 will govern disposition of any Lessor-approved chattels or improvements left on the leasehold after termination.

At Lessor's sole option, improvements not approved by Lessor shall be removed from the leasehold and the site restored to its original condition at Lessee's sole expense, or be forfeited to Lessor.

Lessee shall be liable to Lessor for any costs, expenses, or damages arising out of the disposition of improvements not approved by Lessor, and may be required to pay rent on any improvements or chattels left on the parcel in accordance with 11 AAC 58.680.

24. Indemnity to Lessor. Lessee shall indemnify, defend, and hold Lessor harmless from and against all claims, demands, judgments, damages, liabilities, penalties, and costs, including attorney's fees, for loss or damage, including but not limited to property damage, personal injury, wrongful death, and wage, employment, or worker's compensation claims, arising out of or in connection with the use or occupancy of the leasehold by Lessee or by any other person holding under Lessee, or at Lessee's sufferance or invitation; and from any accident or fire on the leasehold; and from any nuisance made or suffered on the leasehold; and from any failure by Lessee to keep the leasehold in a safe and lawful condition consistent with applicable laws, regulations, ordinances, or orders; and from any assignment, sublease, or conveyance, attempted or successful, by Lessee of all or any portion of the leasehold or interest therein contrary to the covenants and conditions of this lease. Lessee holds all goods, materials, furniture, fixtures, equipment, machinery, and other property whatsoever on the parcel at the sole risk of Lessee, and shall defend, indemnify and hold Lessor harmless from any claim of loss or damage by any cause whatsoever, including claims by third parties.

25. Insurance. If required by Lessor, Lessee shall obtain insurance in an amount determined by Lessor to be sufficient. Lessor shall be named as an additional insured party of any such insurance. The types and amount of insurance shall be specified in the attached stipulations made a part of this lease agreement and may be adjusted periodically. Lessee shall maintain that insurance as long as required by Lessor. Any insurance acquired by Lessee for the purpose of providing insurance coverage under this lease must be issued by an insurer authorized to do business in the State of Alaska under the provisions of AS 21.09.010 and AS 21.27.010 for the type of policy being written.

26. Performance Guaranty. Lessee shall provide a surety bond or other form of security acceptable to the Division in the amount of \$XXXXX payable to the State of Alaska. Such performance guaranty shall remain in effect for the term of this Lease and shall secure performance of Lessee's obligations hereunder. The amount of the performance guaranty may be adjusted by the Authorized Officer upon approval of amendments to this Lease, changes in the development plan, upon any change in the activities conducted or performance of operations conducted on the premises. If Lessee fails to perform the obligations under this Lease within a reasonable time, the State may perform Lessee's obligations at Assignee's expense. Assignee agrees to pay within 20 days following demand, all costs and expenses reasonably incurred by the State of Alaska as a result of the failure of Lessee to comply with the terms of this Lease. The provisions of this Lease shall not prejudice the State's right to obtain a remedy under any law or regulation. **Failure by Lessee to provide replacement security, upon notice of non-renewal of an existing form of security, shall be grounds for Lessor to make a claim upon the existing security to protect Lessor's interests.** If the authorized officer determines that Lessee has satisfied the terms and conditions of this Lease the performance guaranty may be released. The performance guaranty may only be released in writing signed by Lessor.

27. Environmental Compliance. (a) The Lessee shall, at Lessee's own expense, comply with all existing and hereafter enacted environmental responsibility laws ("Environmental Laws"). The Lessee shall, at Lessee's own expense, make all submissions to, provide all information to, and comply with all requirements of the appropriate governmental authority (the "Authority") under the Environmental Laws.

(b) Should the Authority require that a remedial action plan be prepared and that a remedial action be undertaken because of the presence of, or any disposal, release, spill, or discharge, or threatened disposal, release, spill, or discharge of or contamination by hazardous substances (AS 46.03.826 (5)) at the leasehold that occurs during the term of this lease and arises out of or in connection with Lessee's use or occupancy of the land described in section 1 of this lease, then Lessee shall, at Lessee's own expense, prepare and submit the required plans and financial assurances and carry out the approved plans. The Lessee's obligations under this section shall arise if there is any event or occurrence at the leasehold during the term of this lease, or arising out of or in connection with the Lessee's use or occupancy of the land described in section 1 of this lease, that requires compliance with the Environmental Laws.

(c) At no expense to the Lessor, the Lessee shall promptly provide all information requested by the Lessor for preparation of affidavits or other documents required by the Lessor to determine the applicability of the Environmental Laws to the leasehold, and shall sign the affidavits promptly when requested to do so by the Lessor.

(d) The Lessee shall indemnify, defend, and hold harmless the Lessor from all fines, penalties, suits, judgments, procedures, claims, demands, liabilities, settlements, and actions of any kind arising out of or in any way connected with the presence of or any disposal, release, spill, or discharge or any threatened disposal, release, spill, or discharge of or contamination by hazardous materials at the leasehold that occurs during the term of the lease or arises out of or in connection with the Lessee's use or occupancy of the land described in section 1 of this lease; and from all fines, penalties, suits, judgments, procedures, claims, demands, liabilities, settlements, and actions of any kind arising out of the Lessee's failure to provide all information, make all submissions, and take all steps required by the Authority under the Environmental Laws or any other law concerning any spill, discharge, or contamination that occurs during the term of this lease or arises out of or in connection with the Lessee's use or occupancy of the land described in section 1 of this lease.

(e) The Lessee agrees that it will not discharge or dispose of or suffer the discharge or disposal of any petroleum products, gasoline, hazardous chemicals, or hazardous materials into the atmosphere, ground, wastewater disposal system, sewer system, or any body of water.

(f) In any court action or administrative proceeding, in addition to all other applicable presumptions, it shall be refutably presumed that any environmental contamination of the leasehold (i) has been released on the leasehold; (ii) has resulted from acts or omissions of Lessee or its agents; and (iii) has occurred during the term of this lease. The Lessee has the burden of rebutting the presumptions by clear and convincing evidence.

(g) This section of this lease does not in any way alter the State of Alaska's powers and rights or the Lessee's duties and liabilities under Title 46 (or its successor) of the Alaska Statutes or other state, federal, or municipal statutes, regulations, or ordinances. For example, notwithstanding the provisions of this lease, the State of Alaska shall not be precluded from claiming under AS 46.03.822 that the Lessee is strictly liable, jointly and severally, for damages and costs incurred by the state for clean up of contamination on the leasehold. The obligations and provisions of this section shall survive the termination of this lease.

(h) As used in this lease, the term "hazardous materials" means any hazardous or toxic substance, material, or waste that is or becomes regulated by any municipal governmental authority, the State of Alaska, or the United States government.

28. Surrender of Leasehold. Upon the expiration, termination, or cancellation of this lease, Lessee

shall peacefully leave and deliver up all of the leasehold in good, sanitary, and marketable condition, order, and repair.

29. Change of Address. Any change of address must be submitted in writing to the lessor.

30. Notices. (a) Any notice or demand by Lessee will be made by hand delivery to the Director, Division of Mining, Land and Water, by certified mail, postage prepaid, or by a reputable overnight carrier, addressed as follows (or to a new address that Lessor designates in writing), with delivery occurring upon receipt by Lessor:

To Lessor:

Division of Mining, Land and Water
3700 Airport Way
Fairbanks, AK 99709-4299

(b) Any notice or demand by Lessor will be issued as provided in 11 AAC 02.040(c). If issuance is by mail, the notice or demand will be addressed as follows (or to a new address that Lessee or its successor in interest designates in writing):

To Lessee:

XXXXX

Lessor will issue a copy of any such notice or demand to each holder of a security interest in the leasehold whose assignment has been approved by Lessor under section 6 of this lease. Any security interest not approved as provided in section 6 is insufficient to require notice by Lessor under AS 38.05.103.

(c) Any notice or demand regarding the lease must be in writing and will be complete if given as set out above.

31. Penalty Charges. Lessee shall pay a fee for any late payment or returned check issued by Lessee as follows:

(a) Late Payment Penalty: The greater of either the fee specified in 11 AAC 05.010 or interest at the rate set by AS 45.45.010(a) will be assessed on a past-due account until payment is received by Lessor. Acceptance of a late payment or of a service charge for a late payment is subject to Lessor's rights under sections 20 and 21 of this lease.

(b) Returned Check Penalty: A returned check fee as provided in 11 AAC 05.010 will be assessed for any check on which the bank refuses payment. If the bank refuses payment, the default termination date remains the same. Late penalties under subsection (1) of this section shall continue to accumulate.

32. Modification. This lease may be modified or amended only by a document signed by both parties. Any purported amendment or modification has no legal effect until placed in writing and signed by both parties.

33. Choice of Law. This lease shall be construed under the laws of the State of Alaska. Lessee confers personal jurisdiction on the courts of the State of Alaska for any litigation under this lease.

34. Relinquishment. The lease may be relinquished if it is in good standing (rental payments are current and lessee is in compliance with all other conditions and stipulations), the lessee files a written relinquishment form certifying the condition of the parcel, and the Lessor accepts the relinquishment. Lessor may require lessee to contract a third party consultant to complete a phase II environmental Audit to verify that the property is free from contamination. Provided that the lease is in good standing and free of contamination, Lessor's acceptance of the relinquishment shall not be unreasonably withheld. Lease rental payments are non-refundable regardless of whether the lease is relinquished or terminated for cause.

35. Severability of Clauses of Lease Agreement. If any clause or provision of this lease is, in a final judicial proceeding, determined illegal, invalid, or unenforceable under present or future laws, then Lessor and Lessee agree that the remainder of this lease will not be affected, and in lieu of each clause or provision of this lease that is illegal, invalid, or unenforceable, there will be added as a part of this lease a clause or provision as similar in terms to the illegal, invalid, or unenforceable clause or provision as may be possible, legal, valid, and enforceable.

36. Notification. Lessee shall notify Lessor of all spills that must be reported under 18 AAC 75.300 under timelines of 18.AAC 75.300. All fires and explosions must be reported to Lessor immediately. Lessor's 24 hour spill report number is (907) 451-2678; the fax number is (907) 451-2751. The DEC oil spill report number is (800) 478-9300. Lessor and DEC shall be supplied with all follow-up incident reports.

By signing this lease, Lessor and Lessee agree to be bound by its provisions.

LESSEE:

XXX

LESSOR:

Director, Division of Mining, Land and Water

APPROVED:

Commissioner,
Department of Natural Resources

STATE OF ALASKA)
) ss.
_____) Judicial District)

THIS IS TO CERTIFY THAT ON THIS _____ day of _____, _____, before me personally appeared _____, known to me to be the person named and who signed the foregoing lease and acknowledged voluntarily signing the same.

Notary Public in and for the State of Alaska

My commission expires: _____

STATE OF ALASKA)
) ss.
_____) Judicial District)

THIS IS TO CERTIFY THAT ON THIS _____ day of _____, _____, before me personally appeared _____, of the **Division of Mining, Land and Water of the Department of Natural Resources of the State of Alaska**, who executed the foregoing lease on behalf of the State of Alaska, and who is fully authorized by the State to do so.

Notary Public in and for the State of Alaska

My commission expires: _____

**Recorder's Office: Return the recorded document to: Department of Natural Resources
Attn: XXXX
3700 Airport Way
Fairbanks, AK 99709**

**ATTACHMENT A
ADL 418573
SPECIAL STIPULATIONS**

1. **Placement of Development Materials.** When placed on the Premises by the Lessee, fill material, gravel, and pavement, including building pads, parking areas, driveways, and similar structures:
 - a. Become a part of the realty and property of the state;
 - b. Must be maintained by the lessee;
 - c. May not be removed from the Premises by the Lessee without the prior written approval of the Lessor.
2. **Insurance.** The lessee shall secure or purchase at its own expense, and maintain in force at all times during the term of this lease, the following policies of insurance to protect both the lessee and the lessor (the State, its officers, agents and employees). Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the lessee's policy contains higher limits, the State shall be entitled to coverage to the extent of such higher limits. Certificates of Insurance must be furnished to the lessor prior to occupancy. The certificate must provide for a 60-day prior notice to the State in the event of cancellation, nonrenewal or material change of conditions. Failure to furnish satisfactory evidence of insurance or lapse of the policy are material breaches of this permit and shall be grounds, at the option of the State, for termination of the lease. All insurance policies shall comply with, and be issued by, insurers licensed to transact the business of insurance under Alaska Statute, Title 21.

Commercial General Liability Insurance: Such policy shall have minimum coverage limits of \$1,000,000 single limit per occurrence and \$2,000,000 general aggregate. The policy shall be written on an "occurrence" form and shall not be written as a "claims-made" form unless specifically reviewed and agreed to by the Division of Risk Management, Department of Administration. The State must be named as an additional named insured on the policy with respect to the operations of the lessee on or in conjunction with the leased premises.

3. **Alaska Historic Preservation Act.** The lessee shall consult the Alaska Heritage Resources Survey (907) 269-8721 so that known historic, archaeological and paleontological sites may be avoided.

The Alaska Historic Preservation Act (AS 41.35.200) prohibits the appropriation, excavation, removal, injury, or destruction of any state-owned historic, prehistoric (paleontological) or archaeological site without a permit from the commissioner. Should any sites be discovered during the course of field operations, activities that may damage the site will cease and the Office of History and Archaeology in the Division of Parks and Outdoor Recreation (907) 269-8721 and shall be notified immediately.

4. **Site Restoration.**
 - a. Upon expiration, completion, or termination of this lease, the site shall be vacated and all improvements, personal property, and other chattels shall be removed, or they will become the property of the state.

- b. The site shall be left in a clean, safe condition acceptable to the lessor. All solid waste debris and any hazardous wastes that are used and stored on the site shall be removed and backhauled to an ADEC approved solid waste facility.
- c. A Restoration Plan must be approved by the lessor at least 30 days prior to expiration, completion, or termination of this lease, whichever is sooner.

5. Inspection.

- a. Authorized representatives of the State of Alaska shall have reasonable access to the subject parcel for purposes of inspection.
- b. The lessee may be charged fees under 11 AAC 05.010(a)(7)(M) for routine inspections of the subject parcel, inspections concerning non-compliance, and a final close-out inspection.

6. Compliance with Governmental Requirements; Recovery of Costs. Lessee shall, at its expense, comply with all applicable laws, regulations, rules and orders, and the requirements and stipulations included in this lease. Lessee shall ensure compliance by its employees, agents, contractors, subcontractors, licensees, or invitees.

7. Destruction of Markers. All survey monuments, witness corners, reference monuments, mining claim posts, bearing trees, and unsurveyed lease corner posts shall be protected against damage, destruction, or obliteration. The lessee shall notify the lessor of any damaged, destroyed, or obliterated markers and shall reestablish the markers at the lessee's expense in accordance with accepted survey practices of the Division of Land.

8. Fuel and Hazardous Substances. Secondary containment shall be provided for fuel or hazardous substances.

- a. **Container marking.** All independent fuel and hazardous substance containers shall be marked with the contents and the lessee's name using paint or a permanent label.
- b. **Fuel or hazardous substance transfers.** Secondary containment or a surface liner must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or hazardous substance transfers. Appropriate spill response equipment must be on hand during any transfer or handling of fuel or hazardous substances to respond to a spill of up to five gallons. Transfer operations shall be attended by trained personnel at all times.

Vehicle refueling shall not occur within the annual floodplain or tidelands. This restriction does not apply to water-borne vessels provided no more than 30 gallons of fuel are transferred at any given time.

- c. **Storing containers within 100 feet of waterbodies.** Containers with a total capacity larger than 55 gallons which contain fuel or hazardous substances shall not be stored within 100 feet of a waterbody.
- d. **Exceptions.** The lessor may under unique or special circumstances grant exceptions to this stipulation on a case-by-case basis. Requests for exceptions should be made to the lessor.

e. Definitions.

"Containers" means any item which is used to hold fuel or hazardous substances. This includes tanks, drums, double-walled tanks, portable testing facilities, fuel tanks on small equipment such as light plants and generators, flow test holding tanks, slop oil tanks, bladders, and bags. Manifolder tanks or any tanks in a series must be considered as single independent containers. Vehicles, including mobile seismic tanks, are not intended to be included under this definition.

"Hazardous substances" are defined under AS 46.03.826(5) as (a) an element or compound which, when it enters the atmosphere, water, or land, presents an imminent and substantial danger to the public health or welfare, including fish, animals, or vegetation; (b) oil; or (c) a substance defined as a hazardous substance under 42 U.S.C. 9601(14).

"Secondary containment" means an impermeable diked area or portable impermeable containment structure capable of containing 110 percent of the volume of the largest independent container. Double-walled tanks do not qualify as secondary containment unless an exception is granted for a particular tank.

"Surface liner" means any safe, non-permeable container (e.g., drips pans, fold-a-tanks, etc.) designed to catch and hold fluids for the purpose of preventing spills. Surface liners should be of adequate size and volume based on worst-case spill risk.

9. **Impermeable Revetments.** The lessee is responsible for ensuring that the impermeability of the revetments is maintained at all times. Prior to July 1 of each year, the lessee shall inspect all revetments located on the pad for the purpose of determining the revetments' impermeability. If a revetment is in need of repair or replacement, lessee shall identify the corrective measures to be taken. The lessee shall complete all corrective measures by July 31 of each year. Impermeable revetments that allow or may allow release of collected liquids or solids shall not be used until repaired or replaced.

10. **Environmental Compliance.**

a. **Audits.** At all reasonable times, without notice, the lessor may perform inspections of the parcel, the improvements, and activities conducted thereon. The lessor may obtain samples of soil, water, gravel, or other solids or liquids on the parcel, including from within buildings, as long as the taking of such samples does not unreasonably disrupt the activities of lessee on the parcel. If the inspection reveals hazardous substances in excess of that permitted by applicable law, the lessee, at its expense, shall promptly commence and diligently prosecute the appropriate assessment and remedial action, including, without limitation, the preparation of sampling and cleanup plans and implementing and completing cleanup, if any. The assessment and remedial action plans shall be provided to and approved by the lessor.

b. **Disclosure.** At any time upon lessor's written request, lessee shall promptly make all documents and other information available to lessor for copying and inspection as reasonably needed by lessor to determine lessee's compliance with applicable state and federal environmental laws.

11. **Bear Protection.** All food, food containers, garbage, and any other bear attractants shall be maintained in appropriate bear proof containers or structures. The lessee is responsible for

ensuring that all such materials placed or discarded on the premises are immediately removed to appropriate storage.

12. **Separation Distance.** The lessee shall maintain a minimum distance of 100 feet from all North Slope oil production facilities. The placement of buildings shall meet the intent of 49 CFR 192 Subpart O Pipeline Integrity Management.
13. **Building Setback.** Development plans for new building construction and when built shall reflect a setback of a minimum distance of 50 feet from the road frontage lot line and 100 feet from the Ordinary High Water of the unnamed lake.
14. **Hazardous Materials and Potential Contaminants.** The lessee is expected to and has been given the opportunity to inspect the lease parcel and become familiar with the condition and quality of the land. The state makes no representations and no warranties, express or implied, concerning the existence or absence of any hazardous substances, hazardous wastes, contaminants, or pollutants on the land here proposed for lease. The State of Alaska does not assume any liability for the removal of hazardous substances, hazardous wastes, contaminants, or pollutants, nor for the remediation of the site should such substances be found.
15. **Oil & Gas.** This lease is made subject to the provisions of Oil and Gas Lease ADL 28329 and/or 28330 and all platted easements.

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