

**PURCHASE AGREEMENT
FOR RAW WATER
IN BULK FOR EXPORT**

BETWEEN:

City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835

AND

Arctic Blue Waters (Canada) Inc.
B-677 Broughton Ave
Quesnel, BC V2J 4V9

1. Term and Documents Comprising this Agreement.

1.1 The initial term of this Agreement shall commence upon Arctic Blue Waters (Canada) Inc. making a non-refundable payment of \$871,795 to the Administrator of the City and Borough of Sitka (hereinafter referred to as Administrator), and shall end at 11:59 p.m. Alaska Standard Time on June 15, 2036. The City and Borough of Sitka (hereinafter referred to as Sitka) hereby grants to Arctic Blue Waters (Canada) Inc. (hereinafter referred to as ARCTIC), the right to purchase raw water in bulk for export, to be delivered to it by Sitka from the Blue Lake reservoir, a water source within Sitka on the terms and conditions set forth herein.

1.2 At the conclusion of the initial term of this Agreement, each of three additional terms of five (5) years each for extension of this Agreement may be exercised upon the consent of both parties. ARCTIC must notify the Administrator in writing no later than four (4) months before the end of the initial Agreement period of its desire to add an additional five-year term, and shall thereafter notify the Administrator no later than four (4) months prior to the expiration of each exercised additional term of its desire to exercise the next five-year time period. If ARCTIC does not timely notify the Administrator in writing, the Agreement shall terminate at the expiration of the then-current contract term. Sitka's bulk raw water price is subject to re-negotiation before the commencement of each additional term. If said price is not agreed, the Agreement shall terminate at the expiration of the then-current contract term. Either party may decide to not implement any additional term for any reason, in its sole discretion.

1.3 The Agreement consists of the 23 sections in this Agreement plus Appendix A (a map), Appendix B (the "Prospective Purchaser Agreement Between the State of Alaska and the City-Borough of Sitka for the Former Alaska Pulp Corporation Pulp Mill Property" dated April 28, 1999, including all attachments, which specifically includes "Memorandum of Understanding between the State of Alaska and the City and Borough of Sitka[:] Management Plan for Sawmill Cove Property (Former APC Property)."), and Appendix C (a map of Block 4, Lot 9a).

2. Definitions.

In this Agreement, the following terms shall have the definitions stated:

- a) "acre-foot" or "af" means 325,851 U.S. gallons.
- b) "annually" means 12 consecutive months.
- c) "beneficial use" means the application of water, purchased by ARCTIC for export or for use at the point of delivery, to a useful purpose, including domestic, commercial, agricultural, wildlife, and recreational uses.
- d) "BG" or "bg" means billions of gallons.
- e) "bulk water" means raw water or potable water sold by Sitka to ARCTIC under this Agreement, and delivered by Sitka to ARCTIC in the measured quantities specified in this Agreement.
- f) "deliver" or "to deliver" or "delivered" means Sitka making a specific quantity of water available to ARCTIC at the point of delivery.
- g) "export" means the transportation by ARCTIC of bulk water to a destination outside the hydrological unit of the Blue Lake drainage.
- h) "gallon" means one US gallon or 3.785 liters.
- i) Loading means transporting the raw bulk water which is the subject of this Agreement from Blue Lake through pipelines and other conveyances into the ARCTIC-chartered ship for export outside Alaskan waters.
- j) "MG" or "mg" means millions of gallons.
- k) "MGD" means millions of gallons per consecutive 24-hour period.
- l) "per day" means calendar day starting at midnight.
- m) "per week" means during a period of seven (7) consecutive days.
- n) "per year" means during a period of 12 consecutive months.
- o) "point of delivery" means that physical location at which the Sitka-owned physical facilities and equipment, employed in the transportation of Sitka's bulk water for delivery to ARCTIC, terminates.
- p) "raw water" means untreated water delivered by Sitka to the point of delivery from Blue Lake via the Blue Lake penstock, a conduit which transports water from Blue Lake to the Blue Lake Powerhouse as shown on Exhibit A.

q) “rule curve” means the relationship between the elevation of the water surface of Blue Lake and the volume of water contained in Blue Lake, which regulates the reservation of water for fish, wildlife, and habitat protection.

r) “Stage” means a time period in this Agreement that starts 12 months after the effective date of this Agreement; a Stage is composed of one or more 12-month periods, with each 12-month period starting on the anniversary of the day the Stage begins.

s) “Stage Anniversary Date” means the day starting a 12-month period in a Stage.

t) "ton" means one US short ton or 2,000 pounds.

u) “unforeseen” means an exceptional event, not contemplated by the parties in negotiating this Agreement. Performance made more difficult or expensive than expected is not “unforeseen.” The burden of proving that an event is unforeseen is on the party that advances it as a reason for non-performance.

v) “water rights” means those rights to the beneficial use of water which are held by Sitka under certificates of appropriation issued by the State of Alaska pursuant to Alaska law.

3. Water Volumes Contracted by ARCTIC from Sitka.

3.1 Sitka will make available to ARCTIC a total of 20,869 acre-feet of raw bulk water for a period of 36 months after the effective date of this Agreement. At the conclusion of the 36-month period described in the previous sentence, ARCTIC's access to such water will be governed by the stages set out in Subsection 3.2 of this Agreement, provided that ARCTIC has met the minimum export volumes set out in Section 3 (this Section) of this Agreement. During the 36-month period immediately after the effective date of this Agreement, ARCTIC must take delivery of and export at least 50 million gallons of raw bulk water. If ARCTIC does not take delivery of and export at least 50 million gallons of raw bulk water from Sitka pursuant to this Agreement in the first 36 months after the effective date of this Agreement, this Agreement shall, at Sitka’s election, terminate and expire without further action by Sitka on the forty-fifth (45th) day after ARCTIC’s receipt of the Administrator’s notice to ARCTIC by certified mail that ARCTIC has failed to comply with Paragraph 3.1, unless within said 45-day period, ARCTIC cures its failure to take delivery of and export at least 50 million gallons of raw bulk water from Sitka.

3.2 The Stages described in this subsection start 36 months after the effective date of this Agreement. The maximum quantity of raw water in bulk available for export by ARCTIC from Sitka under this Agreement and the minimum export requirements are set forth below as follows:

Contract Increment Stages	Maximum Water Delivery per 24-Hour Period	Acre-Foot Available Annually	Minimum Export Required to Move to Next Stage	Minimum Export Required to Remain at Stage	Required Period of Performance
Stage 1	33.6 MG	1,000 af	230.2 af (75mg)	153.4 af (50mg)	12-month period
Stage 2	33.6 MG	2,000 af	306.9 af (100mg)	230.2 af (75mg)	12-month period

Stage 3	33.6 MG	4,000 af	920.7 af (300mg)	306.9 af (100mg)	12-month period
Stage 4	33.6 MG	10,000 af	3,068.9 af (1bg)	920.7 af (300mg)	12-month period
Stage 5	33.6 MG	() ¹	N/A	3,068.9 af (1bg)	12-month period

Stage 1: Stage 1 begins 36 months after the effective date of this Agreement. Sitka will make available to ARCTIC not less than 1,000 acre-feet (325.8 MG) of raw bulk water in a 12-month period in Stage 1. To remain at Stage 1 for a 12 month-period starting on the Stage Anniversary Date of Stage 1, ARCTIC must have taken delivery of and exported from Sitka a minimum of 153.4 af (50 MG) of raw bulk water within the 12-month period immediately preceding the most recent Stage Anniversary Date of Stage 1. If ARCTIC does not take delivery and export the said minimum, this Agreement shall, at Sitka's election, terminate and expire without further action by Sitka on the forty-fifth (45th) day after the Administrator gives notice to ARCTIC by certified mail that ARCTIC has failed to meet such requirement, unless within the 45-day period ARCTIC cures such failure as determined by Sitka in its sole discretion.

Stage 2: ARCTIC shall take delivery and pay for a minimum of 230.2 acre feet of raw bulk water within a 12-month period during this Stage. If ARCTIC takes delivery of and exports a total of at least 230.2 acre-feet (75 MG) of bulk water in a 12-month period, then the amount of raw bulk water Sitka will make available for delivery to ARCTIC will be increased to 2,000 acre-feet of water in a 12-month period, provided at that time that the Administrator has determined in his/her sole discretion that Sitka still has adequate water quantities available and uncommitted. To remain at Stage 2 for the next 12 months ARCTIC must have taken delivery of and exported from Sitka at least 230.2 af (75 MG) within the 12-month period immediately preceding the most recent Stage 2 Anniversary Date. If ARCTIC does not meet the requirement to remain at Stage 2 set out in the previous sentence, ARCTIC shall revert to Stage 1 thereby establishing a new Stage 1 Anniversary Date.

Stage 3: ARCTIC shall take delivery and pay for a minimum of 306.9 acre feet of raw bulk water in a 12-month period during this Stage. If ARCTIC takes delivery of and exports a total of at least 306.9 acre-feet (100 MG) of bulk water per 12-month period, then the amount of water Sitka will make available for delivery to ARCTIC will be increased to 4,000 acre-feet per year, provided at that time that the Administrator has determined in his/her sole discretion that Sitka still has adequate water quantities available and uncommitted. To remain at Stage 3 for the next 12 months ARCTIC must have taken delivery of and exported from Sitka at least 306.9 af (100 MG) within the 12-month period preceding the most recent Stage 3 Anniversary Date. If ARCTIC does not meet the requirement set out in the previous sentence to remain at Stage 3, ARCTIC shall revert to Stage 2 thereby establishing a new Stage 2 Anniversary Date.

Stage 4: ARCTIC shall take delivery and pay for a minimum of 920.7 acre feet of raw bulk water in a 12-month period during this Stage. If ARCTIC takes delivery of and exports a total of at least 920.7 acre-feet (300 MG) per 12-month period, then the amount of raw bulk water Sitka will make available for delivery to ARCTIC will be increased to 10,000 acre-feet per 12-month period, provided at that time that Sitka's Administrator has determined in his/her sole discretion

¹ Annual acre-feet available and the minimum amount of water available for export per 12-month period will be determined solely by Sitka at that time based on availability.

that Sitka still has adequate water quantities available and uncommitted. To remain at Stage 4 for the next 12 months ARCTIC must have taken delivery of and exported from Sitka at least 920.7 af (300 MG) within the 12-month period immediately preceding the most recent Stage 4 Anniversary Date. If ARCTIC does not meet the requirement set out in the previous sentence to remain at Stage 4, ARCTIC shall revert to Stage 3 thereby establishing a new Stage 3 Anniversary Date.

Stage 5: ARCTIC shall take delivery and pay for a minimum of 3,068.9 acre feet of raw bulk water in a 12-month period during this Stage. If ARCTIC takes delivery of and exports a total of 3,068.9 acre feet (1 billion gallons) of raw bulk water per 12-month period, then ARCTIC may request from Sitka additional raw bulk water in a volume to be determined by the Administrator in his/her sole discretion at that time, provided that the Administrator has determined in his/her sole discretion that Sitka still has adequate water quantities available and uncommitted. To remain at Stage 5 for the next 12 months ARCTIC must have taken delivery of and exported from Sitka at least 3,068.9 af (1 BG) within the 12-month period immediately preceding the most recent Stage 5 Anniversary Date. If ARCTIC does not meet the requirement set out in the previous sentence to remain at Stage 5, ARCTIC shall revert to Stage 4 thereby establishing a new Stage 4 Anniversary Date.

3.3 If ARCTIC fails to take delivery of and export the required minimum volume specified in Stages 2 through 5 within the time periods specified for those Stages as set out in Subsection 3.2, the respective obligations of Sitka to make raw bulk water available, and of ARCTIC to take delivery of and accept and export such volume shall be reduced to the next lower Stage for the next 12-month period. If ARCTIC meets the minimum performance requirement of that lower Stage within the time period specified, then the next higher Stage shall again be in effect during the next 12-month period. The date upon which Sitka moves ARCTIC either up or down from stage to stage will start the 12-month time period anew and create a new Stage Anniversary Date, provided at that time that Sitka still has adequate raw bulk water quantities available and uncommitted for export.

3.4 Notwithstanding any other provision of this Agreement, if raw bulk water delivered by Sitka to ARCTIC and exported by ARCTIC falls below 50 million gallons during any period of 12 consecutive month period after the first 36 months after the effective date of this Agreement, this Agreement shall, at Sitka's election, terminate and expire without further action by Sitka on the forty-fifth (45th) day after to ARCTIC receives notice from the Administrator that ARCTIC has breached or failed to comply with this Paragraph 3.4, unless within the 45-day period, ARCTIC cures its failure to take delivery of and export at least 50 million gallons of water from Sitka.

3.5 At no time may ARCTIC take delivery of raw bulk water at a rate greater than 33.6 MGD or at a rate less than 50 million gallons during the 12-month period after operations have commenced.

4. The Parties' Rights and Obligations Regarding Water Delivered for Export.

4.1. Sitka is entering into this Agreement to sell raw water in bulk pursuant to water to Sitka's water export authority contained in Water Appropriation Certificates LAS 19669 and ADL 43826. Sitka's obligation to deliver water to ARCTIC in the quantities specified in this Agreement is subject to these conditions and limitations:

a) Notwithstanding any other provision of this Agreement, Sitka shall retain first right and priority to water required for its municipal drinking water supply system and its municipal hydroelectric system, and it may suspend or limit raw water deliveries in bulk to ARCTIC to meet the requirements of its municipal drinking water and hydroelectric systems. Whether there is a sufficient volume of raw water available for these purposes shall be decided in the sole discretion of the Administrator.

b) Sitka will abide by the 1992 Blue Lake Watershed Control Plan as approved by the U.S. Environmental Protection Agency and described in City and Borough of Sitka Ordinance No. 92-1091.

c) The Administrator may temporarily suspend raw water deliveries in bulk in order to perform routine maintenance on its municipal drinking water, hydroelectric and/or water delivery systems, provided that the Administrator shall give not less than 60 days prior notice to ARCTIC of any such planned suspension.

d) Sitka shall be relieved of its obligation to deliver raw water in bulk to ARCTIC in the event of an interruption in water supply due to circumstances that require repair to or reconstruction of the municipal drinking water, hydroelectric systems, water delivery system, or other of Sitka's facilities. Delivery of raw water in bulk to ARCTIC may be reduced to the extent necessary to make such repair(s) or reconstruction, and for so long as the Administrator in his/her sole discretion determined is required to make such repairs or reconstruction.

e) The volumes of Sitka's raw water deliveries in bulk to ARCTIC for export are subject to Sitka's overriding obligation to comply with all of the conditions contained in Water Appropriation Certificates ADL 43826, LAS 19669, and LAS 20526, including compliance with the rule curve and the support of spawning, incubation, and rearing of certain species of fish in Sawmill Creek and Blue Lake. Interpretation of applicable requirements and the means used to achieve compliance with such requirements shall be in the Administrator's sole discretion.

f) In the event Sitka is relieved of its obligation to make agreed quantities of water available to ARCTIC for reasons noted in this paragraph or due to Force Majeure or due to unforeseen circumstances, then ARCTIC's obligation to take delivery of and to export water shall be reduced to the volumes actually delivered by Sitka during that period of time and the time within which ARCTIC is authorized to receive raw bulk water shall be extended for a period equal to the period of time that Sitka has been so relieved of its obligation.

4.2 ARCTIC agrees and warrants that the raw bulk water delivered to it by Sitka for export shall be put to one or more beneficial uses by it or by its water purchasers. Breach of this warranty shall be a material breach of this Agreement.

4.3 For that portion of the raw bulk water which is made available for human consumption ARCTIC shall, at ARCTIC's sole cost, promptly comply with all Government Regulations relating to the condition, use or quality of such water for human consumption. ARCTIC shall establish staff and maintain an on-site Water Quality laboratory to perform ARCTIC's obligations under Paragraph 13.3.

5. [This section deliberately left blank.]

6. No Warranty by Sitka of Water Quality or Fitness for a Particular Purpose.

6.1 SITKA DOES NOT WARRANT THE QUALITY OR FITNESS FOR A PARTICULAR PURPOSE OF ANY WATER CONTRACTED BY IT FOR DELIVERY, AND/OR ACTUALLY DELIVERED, TO ARCTIC UNDER THIS AGREEMENT. ARCTIC ACKNOWLEDGES AND AGREES THAT BEFORE ENTERING INTO THIS AGREEMENT, IT HAS EXAMINED SITKA'S WATER SOURCE, SITKA'S METHODS OF DIVERSION, AND SITKA'S MEANS OF DELIVERY TO ARCTIC OF THE QUANTITIES OF WATER WHICH ARE CONTRACTED UNDER THIS AGREEMENT, AND THAT IT HAS FOUND ALL SUCH ITEMS ADEQUATE AND SATISFACTORY FOR ARCTIC'S PURPOSES, INCLUDING HUMAN CONSUMPTION.

6.2 ARCTIC acknowledges and agrees that Sitka's routine alterations in its hydroelectric operations may produce temporary changes in water quality due to turbidity, and that the occurrence of such events shall not alter or affect ARCTIC's obligations under this Agreement.

6.3 ARCTIC acknowledges and agrees that the quality of raw water contracted by Sitka to be delivered in bulk to ARCTIC for export may vary due to natural events over which Sitka has no control, which include, without limitation, rainfall, drought, snowfall, avalanches and landslides, and that the occurrence of such events shall not alter or affect ARCTIC's contractual obligations under this Agreement, except that the quantity of water ARCTIC is obligated to take delivery of and to export shall be reduced to the quantity Sitka can and does make available for delivery to ARCTIC, as a consequence of an occurrence of any of such natural events.

6.4 ARCTIC SHALL BE SOLELY RESPONSIBLE AND LIABLE FOR THE QUALITY AND USEFULNESS FOR ANY PARTICULAR PURPOSE, INCLUDING HUMAN CONSUMPTION, OF ALL WATER EXPORTED BY, TRANSPORTED BY, USED BY, OR SOLD BY, OR DELIVERED BY ARCTIC.

7. Purchase Price for Raw Bulk Water.

7.1 ARCTIC shall pay the following prices for raw bulk water for export from Sitka:

a. Raw water delivered in bulk to ARCTIC for export shall be priced at U.S. \$0.01 (one cent) per gallon. The purchase price includes Sitka cargo wharfage charges for bulk water delivered to ARCTIC's vessel.

b. Raw water delivered by Sitka to ARCTIC for vessel wash-down, washout and any other non-export application shall be priced at US \$0.005 (one-half of a cent) per gallon. Such quantities shall be separately metered, and shall not be included in the total quantities of raw water delivered to ARCTIC for export.

7.2 ARCTIC shall pay for each volume of water loaded no later than fifteen (15) days after the presentation of an invoice by the Administrator to ARCTIC for such water. Failure by ARCTIC to make timely payment shall be a material breach of this Agreement and be cause for the Administrator to suspend water delivery to ARCTIC.

7.3 Beginning July 1, 2021 and every calendar year thereafter, the prices charged by Sitka for raw water delivered in bulk to ARCTIC under this Agreement will be adjusted by the Administrator based on the "All Items" figure for Seattle, Washington as published in the "Consumer Price Index for All Urban Consumers" (CPI) published the most immediately before January 1 of the calendar year for

which prices are being calculated. Notwithstanding the previous sentence, in no event will the CPI adjustment described in the previous sentence exceed + 3.0% nor the adjustment be made if the result of such adjustment would be a decrease in any price charged under this Agreement.

7.4 ARCTIC shall pay Sitka for the volume of water delivered to ARCTIC as measured by flow meters owned, operated, and documented by Sitka at or near the point of delivery. One year after the first delivery of water the Administrator shall arrange for an independent third party to calibrate the flow meters after which they will be calibrated every other year during the term of this Agreement.

8. Conditions for Maintaining ARCTIC's Purchase Right and Obligation; Termination.

8.1 Notwithstanding any other provision of this Agreement, this Agreement shall, at Sitka's Administrator's election, terminate and expire without further action by Sitka on the forty-fifth (45th) day after the Administrator mails notice to ARCTIC by certified mail that ARCTIC has breached or failed to comply with one or more of the conditions or requirements of this Agreement, or become insolvent, or abandoned the project unless within said 45-day period, ARCTIC cures the specified default or defaults to Sitka's satisfaction, as determined by Sitka in its sole discretion.

8.2 Upon termination, all legal rights and obligations as between Sitka and ARCTIC under this Agreement shall cease, except that ARCTIC's obligations to Sitka under Sections 13, 14, 15, 16, and 17 of this Agreement shall survive termination.

9. Sitka's Permitting Actions.

The Administrator shall take any and all actions which she/he determines, in the exercise of her/his sole discretion, to be reasonable, necessary, and economically feasible to maintain in good standing any permit, license, certificate, allocation, appropriation or other authorization required for Sitka to fulfill its obligations under this Agreement.

10. Delivery, Loading, and Transportation of Water in Bulk.

10.1 The parties agree that ARCTIC shall be solely responsible for the costs of acquisition, construction and installation, maintenance and repair of any structure, facility or vessel downstream of the point of delivery which it determines to be required or convenient for the loading and transportation of bulk water delivered to it by Sitka, and for initiating and completing such acquisition, construction and installation. All structures and facilities must comply with all Federal, State, and local law, including zoning requirements.

10.3 Sitka shall retain the right to own, and operate a raw bulk water delivery pipeline that serves the Gary Paxton Industrial Park. In such event, Sitka may require ARCTIC to use Sitka's facilities and may change the point of delivery to the point at which Sitka's facilities end. Unless and until Sitka provides such new facilities ARCTIC shall be fully responsible, at its own cost and expense, for arranging and accomplishing transport of raw bulk water from the point of delivery established by Sitka.

10.4 ARCTIC shall pay such port vessel dockage fees established by Sitka. SITKA DOES NOT WARRANT THE QUALITY OR FITNESS FOR A PARTICULAR PURPOSE OF ANY DOCK OR WHARF AT SUCH WATERFRONT, AND ARCTIC MUST ASSURE THE ADMINISTRATOR OF THE FEASIBILITY OF A PARTICULAR USE BEFORE ENGAGING IN SUCH USE.

10.5 ARCTIC shall be solely responsible for arranging the transportation of all water delivered to it by

Sitka for export.

10.6 No later than 30 days before the first delivery of water takes place under this Agreement, ARCTIC will designate in a writing to the Administrator a local representative as ARCTIC's continuing personal contact with the Administrator and its subordinate departments, agencies and authorities.

10.7 Sitka's flow meter which is used to calculate the quantities of water delivered to ARCTIC shall be located near the point of delivery.

11. Ballast Water and Wash Water Discharges.

11.1 ARCTIC shall comply with all applicable international, federal, state, and local requirements regarding the discharge of any ballast water (including bilge water) or any wastes at all times and as to all vessels traveling to and from Silver Bay and/or Sawmill Cove for the purpose of receiving any raw bulk water from Sitka under this Agreement. Such requirements described in this Section include, but are not limited to, those in Section IV of the Sawmill Cove Management Plan, which is included in Appendix B.

11.2 ARCTIC shall comply with all applicable federal, state and local requirements regarding the use and disposal of any raw or treated water delivered to ARCTIC by Sitka for the purposes of vessel wash-down or washout, or any other non-export application.

12. Water Loading Plan Requirements.

12.1 Before ARCTIC loads any bulk water delivered to it by Sitka, ARCTIC shall submit to the Administrator a written Water Loading Plan. This Plan shall be deemed approved by the Administrator unless no later than seven days after its submission the Administrator in his or her sole discretion rejects—or requires ARCTIC to resubmit—any portion of the Plan. Such action by the Administrator shall be in a writing to ARCTIC that states the deficiency. Sitka shall deliver no bulk water to ARCTIC and ARCTIC shall not load any bulk water delivered to it by Sitka as long as any portion of the Plan has been rejected and not approved after re-submittal. ARCTIC shall submit a separate Water Loading Plan at least ten (10) days before each loading of bulk water under this Agreement.

12.2 The Water Loading Plans required by this section shall address administrative, environmental, and logistical matters related to the loading of water. The issues and items to be addressed in each Water Loading Plan shall include, without limitation, each of the following:

- a) identify and provide information requested by the Administrator regarding any vessel to be used by ARCTIC in the loading or transport of raw bulk water;
- b) steps to be taken to insure the safety of persons in any way involved in the loading of bulk water;
- c) certification that ARCTIC has a Contingency Plan that meets all of the requirements of State law applicable to the vessel that is being loaded;
- d) steps to be taken to insure the safety of the public before, during, and after loading of raw bulk water;
- e) steps to be taken to address the effects of wind and tidal conditions on the loading;

- f) steps to be taken concerning moorage and access to vessels during loading;
- g) steps to assure communication before, during, and after loading between those loading and the Administrator or his/her designee;
- h) details about the precise location and proposed use of any structure, facility, pipe, pipeline, or other infrastructure to be used in the loading of raw bulk water and details describing how ARCTIC intends to address the risks associated with a catastrophic event arising from ARCTIC's loading activities or ARCTIC's failure to adhere to the proposed Water Loading Plan;
- i) steps to be taken to avoid conflicts with other vessel traffic and industrial park users;
- j) details on proposed handling of any ballast water in any vessel to be used in the loading of raw bulk water, including plans to respond to the unauthorized discharge of such water;
- k) details on proposed handling of any residual and/or wash water, or other materials in the tanks of any vessel to be used in the loading;
- l) the days and the periods of time within each day that raw bulk water is proposed to be loaded;
- m) details describing how the proposed Water Loading Plan shall be made consistent with Appendix B, which includes the "Prospective Purchaser Agreement Between the State of Alaska and the City-Borough of Sitka for the Former Alaska Pulp Corporation Pulp Mill Property" dated April 28, 1999, including all attachments, which specifically includes "Memorandum of Understanding between the State of Alaska and the City and Borough of Sitka[:] Management Plan for Sawmill Cove Property (Former APC Property)." The details describing such consistency must include any and all specific steps to be taken to avoid anchoring in prohibited areas and in any way disturbing the sea bottom in the "No Disturbance" zone described in the last-referenced documents; and

12.3 ARCTIC shall comply with all provisions of each Water Loading Plan after all of such provisions have been approved either upon submittal or re-submittal under Subsection 12.1 above, as to the water loading operation for which the Water Loading Plan was submitted.

12.4 APPROVAL BY SITKA'S ADMINISTRATOR OF ANY WATER LOADING PLAN SHALL NOT IMPOSE UPON SITKA THE STATUS OF GUARANTOR OF THE FEASIBILITY, PROPRIETY, OR SAFETY OF ANY ASPECT OF AN APPROVED WATER LOADING PLAN, NOR SHALL SUCH APPROVAL CREATE OR CONFER BENEFITS ON ANY THIRD PARTY.

13. Indemnification of Sitka.

13.1 Notwithstanding anything to the contrary in this Agreement, ARCTIC shall defend, indemnify, and hold Sitka harmless from any liability, claim, demand, action, obligation, or proceeding of any kind or nature, based upon, arising out of, or related to:

- a. any defect or flaw in the quality of raw bulk water supplied under this Agreement;

- b. any delays on the part of Sitka in the delivery of raw bulk water under this Agreement as the result of the mechanical or physical breakdown of equipment or facilities owned or operated by the Sitka or other unforeseen event;
- c. claims arising from the transportation or shipment of raw bulk water after such water has left Sitka's water delivery system and the point of delivery;
- d. injuries to employees of ARCTIC or any of its contractors or their employees;
- e. damages resulting from accidents involving mooring, unmooring, navigation of vessels, or cargo loading operations, including but not limited to claims for personal injury, property damage, and pollution; and
- f. violations and claims of violations related to the water loading plan described in Paragraph 12.2;
- g. harm, including illness and death, to persons who consume the raw bulk water caused by the failure of ARCTIC to comply with Paragraph 4.3 of this Agreement.

13.2 ARCTIC shall at all times during this Agreement maintain insurance policies providing umbrella coverage against matters including but not limited to those covered by this Agreement in an amount not less than U.S. \$5,000,000, with the City and Borough of Sitka named as an additional insured, and with a waiver of subrogation against Sitka. ARCTIC shall provide a copy of the certificate insurance ARCTIC to Sitka within 60 days after the effective date of this Agreement.

13.3 ARCTIC shall be responsible for ensuring that each of its contractors is qualified to do business in Alaska and refrains from activities for which insurance cannot be obtained. ARCTIC shall assure that any contractor for ARCTIC which is to perform any task or work within the territorial jurisdiction of Sitka has insurance appropriate to any task to be performed by that contractor, and ARCTIC shall deliver a certificate of such insurance to the Administrator within 30 days of such hiring.

13.3 ARCTIC shall ensure that its customers take full responsibility for water product quality that they receive subsequent to ARCTIC's on-site Quality Control laboratory tests. ARCTIC's Quality control staff shall securely store a reasonable quantity of water sampled from each bulk water shipment for 24 months for re-analysis, if required for any reason by the Administrator. At ARCTIC's expense the Administrator shall hire an independent third party Quality Control laboratory to monitor the security of ARCTIC's Water Quality Control staff's water sample storage and ARCTIC's staff's adherence to nationally recognized storage protocols.

14. Assignment.

This Agreement, which is in the nature of a personal services contract, may not be assigned by either party without the prior written consent of the other party, which shall have full discretion to grant or withhold such approval, in its sole and absolute discretion except as provided below.

Should Sitka form a Port Authority, or similar entity, this Agreement shall be completely transferable to said Port Authority. A transfer of the Agreement to any such entity shall not create any restrictions upon ARCTIC to purchase water other than those restrictions set out in this Agreement.

15. Waiver and Integration.

This Agreement integrates the entire Agreement between the parties regarding the sale and purchase of raw water in bulk. This Agreement supersedes all previous agreements, discussions, and negotiations, whether written or oral. Each party specifically acknowledges and represents that it has had ample opportunity to consult with legal counsel regarding this Agreement, and that any rule that an agreement should be construed against its drafter shall not apply to this Agreement.

16. Force Majeure.

Neither party shall be in breach of this Agreement as the result of any failure or delay in performing any of the obligations in this Agreement if such failure to perform or delay in performing is directly and proximately caused by storm, flood, avalanche, landslide, earthquake, tsunami, act of the public enemy, war, rebellion, insurrection, sabotage, epidemic, quarantine restriction, or act of God. Sitka shall not be in breach of this Agreement as the result of any failure or delay in performing any of its obligations in this Agreement if such failure to perform or delay in performing is directly and proximately caused by any order of any United States court of competent jurisdiction, or by any act, rule, regulation, order or directive of any superior governmental unit or any agency thereof, or by any termination, modification, suspension, or revocation of any permit, license, allocation, appropriation, or certificate held by Sitka. In the event Sitka or ARCTIC is relieved of an obligation under this Agreement due to Force Majeure, time periods under this Agreement shall be adjusted accordingly. The party asserting a Force Majeure event must demonstrate by clear and convincing evidence that the failure or delay in performance is directly and proximately caused by a Force Majeure event.

17. Applicable Law.

ARCTIC shall comply with all provisions of law applicable to its obligations under this Agreement. This Agreement shall be construed in accordance with the laws and procedures of the State of Alaska.

18. Dispute Resolution.

18.1 GOOD FAITH EFFORTS OF THE PARTIES. Upon notice by either party to the other party of any dispute or claim arising out of or related to this Agreement the parties shall first make a good-faith endeavor to resolve the dispute or claim by meeting informally "face-to-face" within 15 days of such notice to mediate the dispute or claim in good faith without a third-party mediator.

18.2 JURISDICTION AND VENUE. Should any party hereto institute any action or proceeding to enforce any provision hereof or for damages by reason of any alleged breach of any section of this Agreement or for any other remedy, such an action shall be brought in the Superior Court for the State of Alaska. Venue for any such action or lawsuit shall lie exclusively in Sitka, Alaska. The parties specifically agree not to remove jurisdiction to federal courts on the grounds of diversity of citizenship.

18.3 ATTORNEY'S FEES AND LEGAL EXPENSES. Should any party hereto institute any action or proceeding to enforce any provision hereof or for damages by reason of any alleged breach of any section of this Agreement or for any other remedy, the party that is successful in such action shall be entitled to receive from the losing party all of its reasonable legal costs and expenses, including without limitation,

reasonable attorneys' fees and all arbitration costs.

19. Effective Date.

This Agreement shall become effective upon ARCTIC making a non-refundable payment of \$871,795 to Sitka, no later than June 30, 2016. The date on which ARCTIC makes such a payment will be the "effective date" for the purpose of any time period which incorporates that term in this Agreement. Should ARCTIC fail to make such a payment by June 30, 2016 this Agreement is null and void.

20. Authority.

The parties represent and warrant to each other that they have the full, complete, and absolute authority to enter into this Agreement; that this Agreement has been duly authorized by the governing body of each party; that the person executing this Agreement on its behalf has the full power and authority to do so; and that this Agreement is binding and enforceable against it in accordance with its terms. ARCTIC acknowledges that this Agreement is only effective against Sitka if the City and Borough of Sitka Assembly votes to authorize the Administrator to execute this Agreement on behalf of Sitka. By affixing his signature to this Agreement the Administrator represents and warrants that the Assembly has so voted.

21. Amendment and Severability.

This Agreement may not be amended except by written agreement of both parties. If any provision of this Agreement or any application thereof to any person, entity, or circumstance is held invalid, the remainder of this Agreement and application thereof to any person, entity, or circumstances shall not be affected thereby.

22. Time of Essence.

Time is of the essence in this Agreement.

23. Notices.

Any notices required or authorized to be given by this Agreement shall be in writing and shall be sent by **email** and by either commercial courier, facsimile, or by certified U.S. mail, postage prepaid and return receipt requested, addressed to the proper party at the address stated below or such address as the party shall have designated to the other parties in accordance with this Section. Such notice shall be effective on the date of receipt through the mails or by courier by the addressee party, except that any facsimiles received after 5:00 p.m. of the addressee's local time shall be deemed delivered the next day.

If to ARCTIC: Fred Paley, CEO
Arctic Blue Waters (Canada) Inc.
B-677 Broughton Ave
Quesnel, BC V2J 4V9

If to Sitka: Administrator
City and Borough of Sitka
100 Lincoln St
Sitka, Alaska, 99835

IN WITNESS THEREOF, the parties have executed this Agreement as of the dates shown below.

ARCTIC BLUE WATERS INC.

THE CITY AND BOROUGH OF SITKA

DATE _____
FRED PALEY, CEO
ARCTIC BLUE WATERS (CANADA) INC.

DATE _____
MARK GORMAN, Administrator
THE CITY AND BOROUGH OF SITKA

ATTEST:

DATE _____
SARA PETERSON CMC
Municipal Clerk
THE CITY AND BOROUGH OF SITKA

STATE OF ALASKA)
FIRST JUDICIAL DISTRICT) ss. *ACKNOWLEDGMENT*

THIS CERTIFIES that on this _____ day of _____, 2016, before me, a Notary Public in and for the State of Alaska personally appeared **FRED PALEY** to me known and known to me to be the person whose name is subscribed to the foregoing **PURCHASE AGREEMENT FOR BLUE LAKE RAW BULK WATER** and after being first duly sworn according to law, he stated to me under oath that he is the **CEO of ARCTIC BLUE WATERS (CANADA) INC.**, that he has been authorized by said company to execute the foregoing **PURCHASE AGREEMENT FOR BLUE LAKE RAW BULK WATER** on its behalf and he executed the same freely and voluntarily as the free act and deed of said corporation.

Notary Public
My Commission Expires:

STATE OF ALASKA)
FIRST JUDICIAL DISTRICT) ss. *MUNICIPAL ACKNOWLEDGMENT*

THIS CERTIFIES that on this ____ day of _____, 2016 before me, a Notary Public in and for the State of Alaska, personally appeared **MARK GORMAN** to me known and known to me to be the person whose name is subscribed to the foregoing **PURCHASE AGREEMENT FOR BLUE LAKE RAW BULK WATER**, and after being first duly sworn according to law, he stated to me under oath that he is the **ADMINISTRATOR** of the City and Borough of Sitka, Alaska, a municipality organized under the laws of the State of Alaska, that he has been authorized by said municipality to execute the foregoing **PURCHASE AGREEMENT FOR BLUE LAKE RAW BULK WATER** on its behalf and he executed the same freely and voluntarily as the free act and deed of said corporation.

WITNESS my hand and official seal the day and year in this certificate first above written.

Notary Public for Alaska
My Commission Expires:
Residing at Sitka, Alaska