KS

N C MACHINERY CO.

CAT

June 23, 1993

Mr. Robert C. Irwin
Irwin & Smith
1400 West Benson Blvd., Suite 575
Anchorage, AK 99503-3690

RE: Fourth Avenue Gambell - A Limited Partnership
Paul L. Maney, General Partner

Dear Mr. Irwin:

N C Machinery Company has received and considered your letters dated March 12, 1993 and May 7, 1993, and I am writing to advise you of N C's response. First, I believe it is important to review the history of N C's relationship with The Fourth Avenue Gambell limited partnership and Paul Maney, its general partner (collectively "Maney").

On May 24, 1979, Maney signed a Promissory Note in N C's favor, in the amount of $375,000.00. This Note is secured by a Deed of Trust on the Fourth Avenue Gambell property. Since May 24, 1985, Maney has been in default on his obligation under the Note, although he has made periodic payments of interest only since that time. There is currently an outstanding principal balance on the Note of $316,176.97. Beginning last fall, N C initiated discussions with Maney to address the indebtedness and to determine whether there were alternatives to foreclosing N C's interest in the property.

On March 12, 1993, N C was advised for the first time of potential environmental problems on the property. You have indicated that the question of environmental contamination first surfaced in connection with Maney's efforts to obtain third party financing for the property in order to pay off the indebtedness to N C. Because N C shares Maney's interest in satisfying his obligations to N C, N C is willing to assist in the environmental assessment of the property on the terms outlined in this letter.

Before setting out the details of N C's proposals, it is important for you to understand that N C is not admitting and expressly denies responsibility for any environmental problems existing on the property. Maney has had exclusive ownership, possession and control of the property since March 9, 1979, and is solely responsible for any releases of hazardous substances or other environmental problems which now exist or which occurred during Maney's ownership of the

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property. N C's willingness to participate in resolving potential environmental problems is expressly conditioned on Maney's agreement to the conditions outlined in this letter. With that understanding, N C proposes the following alternatives for Maney's consideration:

1. Payment in Full. It is unclear to N C whether Maney has obtained either a conditional offer to purchase the property from a third party or conditional approval for third party financing to pay off the indebtedness to N C. Your correspondence suggests that Maney has been pursuing these options, but that environmental assessment and cleanup may be conditions precedent to closing of a sale or loan. If there is a conditional sales contract in existence and if its terms are acceptable to N C, N C proposes that Maney assign all rights to the contract to N C. In exchange, N C would agree to pay the full costs of a Level II environmental assessment by an environmental consultant of N C's choosing and necessary cleanup costs for releases or contamination occurring during N C's ownership of the property. If the assessment indicated that environmental contamination or releases were caused by Maney or occurred during his ownership of the property, Maney would remain responsible for cleanup costs relating to such events.

Alternatively, if Maney has obtained loan approval from a third party lender, conditioned only upon environmental assessment and cleanup, and N C obtains a written commitment from the lender that the proceeds from such loan are sufficient to and would in fact be applied to pay Maney's obligations to N C in full at closing, N C would similarly be willing to pay for a Level II assessment and cleanup on the terms as outlined above.

2. Reconveyance of Property. If Option 1 is not feasible, N C proposes alternatively that Maney simply deed the property back to N C in full satisfaction of the outstanding indebtedness. N C would then proceed to have a Level II assessment performed at N C's expense, and each party would be responsible for cleanup costs attributable to environmental problems occurring during their respective ownership periods.

After you and your client have had a chance to review N C's proposals, we suggest that a conference call might be the best way to review outstanding issues and determine how to proceed. If we are able to reach an agreement, we will draft a final agreement to outline the parties' respective rights and obligations. This letter is intended only as a general outline of N C's proposals and not as a binding offer. N C's willingness to proceed with any of the alternatives outlined above is expressly contingent upon execution of a final written agreement

satisfactory to both parties. You should also understand that, by entering into these discussions, N C is not waiving its rights to proceed with an action to enforce the note and foreclose on the property if it determines at any time that Maney is either unwilling or unable to meet N C's requirements.

We look forward to hearing from you.

Very truly yours,

N C Machinery Co.

Kyle R. Samuels
Attorney

cc: John Medina
Tom Sparks
Lynn Du Bey

bc: Richard Du Bey