



DEPARTMENT OF
NATURAL RESOURCES
OFFICE OF THE COMMISSIONER
OF PUBLIC LANDS
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360-902-1000
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December 15, 2017

Innes Weir, General Manager
Cooke Aquaculture Pacific, LLC
4019 21st Ave W
Seattle, WA 98199

CERTIFIED MAIL

Subject: Notice of Default and Termination of Lease No. 22-B02777

Dear Mr. Weir:

This letter provides you with formal notice that Cooke Aquaculture Pacific, LLC (Cooke) is in default of its obligations under Aquatic Lands Lease No. 22-B02777 (Lease), and the Washington Department of Natural Resources (DNR) has elected to terminate the Lease. Specifically, DNR has confirmed that Cooke is not in compliance with Exhibit B, Paragraphs 2.B. and 2.K, and Section 11.2 of the Lease. DNR is exercising its right to terminate under Lease Sections 14.2 and 14.3(a). Termination is effective as of the date of this notice.

Exhibit B, Paragraph 2.B. identified an existing concrete float on the site, and required Cooke to "replace all unencapsulated floatation material on the concrete float by December 1, 2016." In violation of this provision, as of December 9, 2017, the Styrofoam floatation material on the concrete float remained unencapsulated.

Exhibit B, Paragraph 2.K. required, "By October 1, 2016, [Cooke] will ensure that all Improvements are located entirely on the Property." In violation of this provision, as of December 9, 2017, anchors associated with both the primary and secondary net pen arrays at the site were located outside of the leasehold. Section 7.2 of the Lease explicitly defines anchors as "Existing Improvements" at the site.

Section 14.2(a) provides that "A default becomes an 'Event of Default' if Tenant fails to cure the default within the applicable cure following State's written notice of default. Upon an Event of Default, State may seek remedies under Paragraph 14.3." Remedies under Paragraph 14.3 of the Lease include termination. *See* Section 14.3(a).

Section 14.2(b) of the Lease provides Tenant with sixty (60) days to cure a default of the lease, "[u]nless expressly provided elsewhere in this Lease." Exhibit B, Paragraphs 2.B. and 2.K. provide express deadlines that supersede this 60-day cure period.

Innes Weir
December 15, 2017
Page 2 of 2

As the express deadlines have passed, Cooke's failure to comply with Exhibit B, Paragraphs 2.B. and 2.K. cannot be cured, and DNR is exercising its right to terminate under Section 14.3(a) of the Lease.

Furthermore, Section 11.2 of the Lease requires Cooke to "keep and maintain the [leasehold] and all improvements . . . in good order and repair, in a clean, attractive, and safe condition." In violation of this provision, as of December 9, 2017, two net pen anchor chains were disconnected from their anchors, and a third anchor chain had an open link that is vulnerable to complete failure.

Section 14.2(c) of the Lease provides, "State may elect to deem a default by Tenant as an Event of Default if the default occurs within six (6) months after a default by Tenant for which State has provided notice and opportunity to cure and regardless of whether the first and subsequent defaults are of the same nature." On October 20, 2017, DNR notified Cooke that it was in default of the Lease for failing to comply with Section 4.1(a) of the Lease. As additional defaults have occurred within the six-month period following this notification of default, DNR elects to deem Cooke's default under Section 11.2 of the Lease an Event of Default under Section 14.2(c), and to terminate the Lease under Section 14.3(a).

Please contact me to discuss a wind-up period for your operations and your plan to peaceably vacate the site.

Sincerely,



Kristin Swenddal
Acting Deputy Supervisor for Aquatics, Geology & IT
360-902-1124

c: District File; TRO File; 20-B12517
Kevin Bright, Permit Coordinator, Cooke Aquaculture Pacific, LLC
Philip Kurpiewski, DNB Bank, ASA New York Branch