SUBLEASE AGREEMENT

This **SUBLEASE AGREEMENT** (this "Sublease") is made and entered into as of April 1, 2016, but is effective April 20, 2016 (the "Effective Date"), by and between **PATRICK M. HICKEY** ("Sublessor") and **KUSH KINGDOM, LLC**, an Alaska limited liability company ("Sublessee").

RECITALS

A. Sublessor, as Lessee, and the Alaska Railroad Corporation ("Master Lessor"), as Lessor, entered into that certain Ground Lease Contract No. 6119 (the "Master Lease"), dated September 26, 1989, for the lease of certain real property and improvements located at 826 Whitney Road, Anchorage, Alaska, and legally described on Exhibit A hereto (the "Property").

B. The Property has been improved with a commercial building consisting of approximately 3,200 rentable square feet (the "Building").

C. Sublessee desires to lease the Property and the Building (collectively, the "Premises") from Sublessor, and Sublessor desires to lease the Premises to Sublessee, on the terms and conditions set forth in this Sublease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Sublessor and Sublessee agree as follows:

1. Recitals. The recitals set forth above are incorporated into this Sublease by this reference.

2. Lease Grant. Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor, under the terms and conditions of this Sublease.

3. Term; Renewal Option.

3.1 Term. The term of this Sublease (the "Term") is twelve (12) months, commencing on the Effective Date, and terminating on April 19, 2017.

3.2 Renewal Terms. Provided Sublessee is not in default under this Sublease, and so long as Sublessee notifies Sublessor in writing not less than ninety (90) days prior to the expiration of the then existing term, Sublessee shall have four (4) options to extend the Term for a period of twelve (12) months each (each, a "Renewal Term"), upon the same terms and conditions of this Sublease, except as set forth in Section 6.4 below.

4. Possession; No Improvements. Sublessee hereby represents and warrants to Sublessor that, as of the Effective Date, Sublessee is in possession of the Premises, Sublessee has inspected the Premises and is familiar with its condition; that Sublessor makes no representations or warranties with respect thereto, except for the express representations and warranties of Sublessor herein; and that Sublessor has made no promise to alter, remodel, repair or improve

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the Premises. Except for the express representations and warranties of Sublessor in this Sublease, Sublessee accepts the Premises AS IS, WHERE IS, WITH ALL FAULTS.

5. Use of Premises; Compliance with Laws; Insurance and Waiver of Subrogation.

5.1 Use of Premises. Sublessee may use the Premises as a Marijuana Cultivation Facility (as defined by Alaska Statute § 17.38.900(8)) for the cultivation, preparation and packaging of marijuana, and to sell marijuana to retail marijuana stores, marijuana product manufacturing facilities and other marijuana cultivation facilities (collectively, the "Permitted Use"), but not for any other purpose, including without limitation for the sale of marijuana to consumers, which Sublessee acknowledges is expressly prohibited. Sublessee shall not use the Premises to operate a retail marijuana dispensary or club or for any other business described in Alaska Statute § 17.38, *et seq.*

Sublessor makes no representation concerning the legality of, or the suitability of the Premises for, the Permitted Use. In addition to the indemnities in Section 9 below, Sublessee agrees to defend, indemnify and hold harmless Sublessor of and from any injury, damages or loss to the Premises occasioned by the use of the same for the farming, processing, packaging, manufacturing or sale of marijuana or related products.

5.2 Compliance with Laws. Throughout the Term, Sublessee shall, at its sole cost and expense, promptly comply in all respects with all present and future laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments, departments, commissions, boards, and officers, including without limitation all orders, rules, and regulations of the State of Alaska authorities regulating marijuana or any other body or bodies exercising similar functions, which may be applicable to Sublessee's business, the Permitted Use, the Premises or any part thereof, or to the use or manner of use of the Premises by Sublessee, Sublessor, Master Lessor, or any tenants or occupants of the Premises. Sublessee acknowledges, warrants and represents that, although Alaska has legalized marijuana and regulations are now established and being established related to such legalization, marijuana is still illegal under the federal Controlled Substances Act and other federal laws and regulations. Sublessee's failure to comply with the terms of this Section 5 shall, in addition to the events of default set forth in Section 10.1 below, immediately constitute an event of default under the terms of this Sublease, and shall be grounds for immediate termination of this Sublease.

For purposes of this Sublease only, Sublessee shall not be deemed in violation of any federal law that prohibits the cultivation, possession, use or sale of marijuana unless and until a specific notice of violation or charge is made related to the Permitted Use, in which event Sublessee may, at Sublessee's sole cost and expense and without any cost to Sublessor, contest the same pursuant to appropriate legal proceedings diligently conducted in good faith, provided that Sublessee is not in default beyond any applicable cure period, and provided further that Sublessee provides Sublessor prior written notice of the same. Notwithstanding the foregoing, any criminal investigation related to Sublessee's business or the Permitted Use shall constitute an event of default under the terms of this Sublease and shall be grounds for immediate termination of this Sublease.

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5.3 Insurance. Notwithstanding anything to the contrary in this Sublease, Sublessee shall, at Sublessee's sole cost and expense, maintain at all times throughout the duration of the Term (and any extension thereof), insurance coverage in the types and amounts set forth on Exhibit B. Sublessee shall provide Sublessor a certificate of insurance evidencing Sublessee's insurance no later than October 15, 2016, and from time to time thereafter within ten (10) days after written request from Sublessor. Sublessor and Master Lessor shall be named as additional insureds. All such insurance shall bear an endorsement that it shall not be canceled or materially altered without at least ten (10) days' prior written notice to the additional insureds.

All insurance required of Sublessee under this Sublease shall (a) be issued by insurance companies authorized to do business in the State of Alaska and otherwise reasonably acceptable to Sublessor; and (b) be issued as a primary policy, or under a blanket policy, not contributing with and not in excess of coverage which Sublessor may carry.

The limits of Sublessee's insurance shall not limit Sublessee's liability under this Sublease. If Sublessee fails to maintain any insurance required of Sublessee under this Sublease, Sublessor may do so, and Sublessee shall reimburse Sublessor for the full expense of such insurance upon demand.

5.4 Waiver of Subrogation. Notwithstanding anything in this Sublease to the contrary, Sublessor and Sublessee shall cause their respective insurance carriers, including without limitation, a carrier providing workers' compensation coverage, to waive any and all rights of recovery, claim, action or causes of action against the other and their respective trustees, principals, beneficiaries, partners, officers, directors, agents and employees, for any loss or damage that may occur to Sublessor or Sublessee or any party claiming by, through or under Sublessor or Sublessee, as the case may be, including without limitation, with respect to Sublessee's personal property, the Building, the Premises, any additions or improvements to the Building, the Premises, or any contents thereof, including all rights of recovery, claims, actions or causes of action arising out of the negligence of Sublessor or any of Sublessor's officers, directors, members, shareholders, partners, lenders, agents or employees, or the negligence of Sublessee or any of Sublessee's officers, directors, members, shareholders, partners, lenders, agents or employees, which loss or damage is (or would have been, had the insurance required by this Sublease been carried) covered by insurance.

6. Rent and Security Deposit; Lease Obligations.

6.1 Rent. As consideration for this Sublease, Sublessee shall pay Sublessor, without setoff or deduction, the total amount of Base Rent and Additional Rent due for the Term. "Additional Rent" means all sums (exclusive of Base Rent) that Sublessee is required to pay Sublessor. Additional Rent and Base Rent are collectively referred to as "Rent." Sublessee's covenant to pay Rent is independent of every other covenant in this Sublease.

For the duration of the Term, Sublessee shall pay Sublessor monthly rent for the Premises ("Base Rent") as follows: **Four Thousand Dollars ($4,000.00) per month**. Base Rent shall be due and payable in advance on the first (1st) day of each calendar month without notice or demand. No payment by Sublessee or receipt or acceptance by Sublessor of a lesser amount than the correct

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Rent shall be deemed to be anything other than a payment on account. Sublessor acknowledges that, as of the date first set out above, Sublessee has paid Base Rent for the Term through and including the month of August 2016, and the parties agree that the next installment of Base Rent shall be for the month of September 2016, which shall be due and payable on or before September 1, 2016. Base Rent shall be increased during the third (3rd) Renewal Term (if applicable) in accordance with Section 6.4 below.

6.2 Late Fee. If Sublessee fails to pay any item of Rent when due, Sublessee shall pay to Sublessor a one-time late fee of five percent (5%) of the past due Rent.

6.3 Security Deposit. Sublessor acknowledges receipt from Sublessee of **Five Thousand Dollars ($5,000.00)** as security for Sublessee's performance of Sublessee's obligations under this Sublease (the "Security Deposit"). The Security Deposit is not an advance payment of Rent or a measure of Sublessee's liability for damages. Sublessor may, from time to time, without prejudice to any other remedy, use all or a portion of the Security Deposit to satisfy past due Rent or to cure any uncured default by Sublessee. Sublessor shall refund any unapplied portion of the Security Deposit to Sublessee within thirty (30) days following the expiration or earlier termination of this Sublease, provided that Sublessee timely vacates and surrenders the Premises to Sublessor, having removed Sublessee's personal property and leaving the Premises broom clean, and in good order, condition and repair, ordinary wear and tear excepted.

6.4 Base Rent Increase During Third Renewal Term. In the event this Sublease is extended for the third (3rd) Renewal Term pursuant to Section 3.2 above, Sublessee agrees that the Base Rent shall increase simultaneous with, and in the same amount as, any increase in rent owed by Sublessor to Master Lessor under the Master Lease; provided, however, that such increase shall be effective only if made in accordance with the terms of the Master Lease and shall not be the result of any amendment to the Master Lease or concession granted by Sublessor to Master Lessor that is not currently included in the Master Lease. The parties acknowledge and agree that the rent increase under the Master Lease is scheduled to become effective July 1, 2019. Notwithstanding anything herein to the contrary, in no event will the increase in Base Rent under this Section 6.4 exceed ten percent (10%) of the Base Rent paid by Sublessee immediately preceding such increase.

6.5 Lease Obligations. Sublessor shall be solely responsible and pay for the following: any insurance required to be kept by Sublessor under the Master Lease; all real property taxes and assessments for the Premises, the Building and the Property; and rent due to Master Lessor under the Master Lease. Sublessee shall be solely responsible and pay for (either directly to the appropriate payee as directed in advance by Sublessor or to Sublessor as Additional Rent, in all cases in Sublessor's discretion) all other costs and expenses, if any, Sublessor is otherwise required to pay or bear under the Master Lease respecting the Premises or that is in any other way related to the Premises, including without limitation all maintenance and repair obligations, improvement obligations (if any), and utilities and other services or systems on or otherwise servicing the Premises.

7. Master Lease. This is a sublease. Sublessor's interest in the Premises is as lessee under the Master Lease. Except as provided in Section 6 of this Sublease, this Sublease is expressly made subject to all the terms and conditions of the Master Lease. Sublessee shall

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use the Premises in accordance with the terms of the Master Lease and shall not do or omit to do anything which will breach any term of the Master Lease. If the Master Lease is terminated, this Sublease shall terminate simultaneously and any unearned, prepaid Rent shall be refunded to Sublessee, provided that such termination is not the result of a breach of this Sublease by Sublessee. Sublessee shall perform, and hereby assumes the obligation to perform, all of Sublessor's obligations under the Master Lease, except the obligation to pay rent to Master Lessor, and Sublessee shall indemnify, defend and hold harmless Sublessor against any and all claims, damages, costs and expenses in respect to the non-performance of any term or condition of the Master Lease. Sublessee acknowledges that it has received a true copy of the Master Lease, that it has reviewed the Master Lease, and that it is familiar with the terms and conditions of the Master Lease.

8. Sublessor's Right to Perform. If, after any applicable grace and/or notice period but without notice or grace in the case of an emergency, Sublessee fails to pay any amount of Rent due and owing in accordance with the provisions of this Sublease or otherwise fails to perform any of its obligations under this Sublease, Sublessor may (but shall be under no obligation to), without waiving any right or remedy available to it, pay or perform the same, and Sublessee shall reimburse Sublessor for all of Sublessor's costs and expenses incurred in connection therewith within thirty (30) days of receipt of an invoice.

9. Indemnification by Sublessee. Sublessee will indemnify, defend and save harmless Sublessor against and from all liabilities, claims of lien, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses (including without limitation attorneys' fees and costs), judgments, asset forfeitures, and causes of action, including without limitation those related to Sublessee's operation of a marijuana business, which may be imposed upon or incurred by or asserted against Sublessor with respect to any person or persons or property on or about the Property or the Building, or to the Property or the Building resulting from any act done or omission by or through Sublessee or Sublessee's directors, officers, employees, agents or invitees, or any person upon the Property by reason of Sublessee's use or occupancy during the Term and any Renewal Term(s).

In case any claim, action, or proceeding is made or brought against Sublessor by reason of any of the foregoing events, then Sublessee, upon written notice from Sublessor will, at Sublessee's sole cost and expense, resist or defend such claim, action or proceeding, in Sublessor's name, if necessary, by counsel approved, in writing, by Sublessor, such approval not to be unreasonably withheld, unless the insured does not have a right of approval or assignment of defense counsel under applicable insurance. Notwithstanding the foregoing, Sublessor may engage its own counsel, at Sublessor's expense, to defend it or to assist in its defense. The provisions of this Section 9 shall survive the expiration or earlier termination of this Sublease.

10. Default and Remedies.

10.1 Default. Sublessee shall be considered to be in default of this Sublease upon the occurrence of any of the following events of default:

(a) Sublessee's failure to pay when due any installment of Rent, provided that Sublessee may cure such default by paying to Sublessor all sums due within five (5) days of written notice to Sublessee.

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(b) Sublessee's failure to comply with any term, provision or covenant of this Sublease, provided that Sublessee may cure such default by bringing performance into compliance with this Sublease within ten (10) days of written notice to Sublessee. However, if Sublessee's failure cannot reasonably be cured within such ten (10)-day period, Sublessee shall be allowed additional time (not to exceed sixty (60) days) as is reasonably necessary to cure the failure so long as Sublessee commences to cure the failure within such ten (10)-day period and diligently prosecutes the same to completion).

(c) Sublessee becomes insolvent, makes a transfer in fraud of creditors or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts when due.

(d) Sublessee's action or failure to act causes or results in a default under the Master Lease.

10.2 Remedies. Upon any default, Sublessor shall have the right without notice or demand (except as provided in Section 10.1) to pursue any of its rights and remedies at law or in equity, including any one or more of the following remedies

(a) Terminate this Sublease, in which case Sublessee shall immediately surrender the Premises to Sublessor. If Sublessee fails to surrender the Premises, Sublessor may, in compliance with applicable law and without prejudice to any other right or remedy, enter upon and take possession of the Premises and expel and remove Sublessee, Sublessee's personal property and any party occupying all or any part of the Premises. Sublessee shall pay Sublessor on demand the amount of all past due Rent and other losses and damages which Sublessor may suffer as a result of Sublessee's default.

(b) Terminate Sublessee's right to possession of the Premises without terminating this Sublease and, in compliance with applicable law, expel and remove Sublessee, Sublessee's personal property and any parties occupying all or any part of the Premises. Sublessor may (but shall not be obligated to) relet all or any part of the Premises, without notice to Sublessee, for a term that may be greater or less than the balance of the Term and on such conditions and for such uses as Sublessor in its sole discretion shall determine. Sublessor may collect and receive all rents and other income from the reletting. Sublessee shall pay Sublessor on demand all past due Rent, and all other losses and damages which Sublessor may suffer as a result of Sublessee's default. Sublessor shall not be responsible or liable for the failure to relet all or any part of the Premises or for the failure to collect any Rent. The re-entry or taking of possession of the Premises shall not be construed as an election by Sublessor to terminate this Lease unless a written notice of termination is given to Sublessee.

10.3 Cumulative Remedies; No Waiver. Unless expressly provided in this Sublease, the repossession or re-entering of all or any part of the Premises shall not relieve Sublessee of its liabilities and obligations under this Sublease. No right or remedy of Sublessor shall be exclusive of any other right or remedy. Each right and remedy shall be cumulative and in addition to any other right and remedy now or subsequently available to Sublessor at law or in

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equity. If Sublessor declares Sublessee to be in default, Sublessor shall be entitled to receive interest on any unpaid item of Rent at the maximum legal rate. Forbearance by Sublessor to enforce one or more remedies shall not constitute a waiver of any default.

11. Mutual Termination. In the event that (a) State or local law changes such that the Premises can no longer be used for the Permitted Use or (b) Sublessee's marijuana business license is permanently suspended or revoked through no fault of Sublessee, either party may terminate this Sublease upon written notice thereof to the other, effective as of the date the Premises can no longer be used or the effective date that Sublessee's license is suspended or revoked, respectively.

12. Notices. Any notice or demand which either party may or must give to other under this Sublease shall be in writing and delivered personally or sent by registered mail addressed, if to Sublessor, as follows:

Patrick M. Hickey
1223 F Street, #C
Anchorage, Alaska 99501

and if to Sublessee, as follows:

Kush Kingdom, LLC
Attn: _____
3501 Mountain View Drive
Anchorage, Alaska 99501

Either Sublessor or Sublessee may, by notice in writing, direct that future notices or demands be sent to a different address.

13. Miscellaneous.

13.1 This Sublease and the exhibits hereto constitute the entire agreement between the parties. All understandings and agreements previously made between Sublessor and Sublessee are replaced and superseded in every respect by this Sublease, including without limitation that certain Commercial Net Lease for Part of Building, dated April 20, 2016, by and between Sublessor and Sublessee for the lease of approximately 1,600 square feet of the Building, and neither party is relying upon any warranty, statement or representation not contained in this Sublease.

13.2 This Sublease shall be governed by and construed in accordance with the laws of the State of Alaska.

13.3 Sublessee and Sublessor each represents and warrants that no broker or finder procured this Sublease. Sublessee shall indemnify Sublessor and Sublessor shall indemnify Sublessee against liability in connection with a breach of Sublessee's representation and warranty in this Article and in connection with any claim for a brokerage or finder's

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commission or fee arising out of any conversations or negotiations had by Sublessee with any broker. This indemnification shall survive the expiration or early termination of this Sublease.

13.4 If any term or provision of this Sublease shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this Sublease shall not be affected thereby, but each term and provision shall be valid and be enforced to the fullest extent permitted by law.

13.5 No waiver of any default shall affect or alter this Sublease, but each and every covenant, agreement, term and condition of this Sublease shall continue in full force and effect with respect to any other then existing or subsequent default thereof.

13.6 Each party agrees at any time, and from time to time, upon not less than ten (10) days' prior written request from the other party, to execute, acknowledge and deliver to the requesting party a statement in writing, certifying that this Sublease is unmodified (except as identified therein) and in full force and effect, and indicating other matters with respect to this Sublease that may reasonably be requested.

13.7 This Sublease may be modified only by a written agreement signed by Sublessor and Sublessee.

13.8 Upon written notice to Sublessee, Sublessor may record a memorandum of this Sublease and any amendments to this Sublease, in commercially reasonable form.

13.9 This Sublease shall be binding upon and inure to the benefit of the parties' respective successors and assigns.

13.10 If either party institutes a suit against the other for violation of or to enforce any covenant or condition of this Sublease, or if either party intervenes in any suit in which the other is a party to enforce or protect its interest or rights, the prevailing party shall be entitled to all of its costs and expenses, including, without limitation, reasonable attorneys' fees.

13.11 This Sublease may be executed in one or more counterparts, so long as the counterparts in a set contain the signatures of all the parties to this Sublease. Counterparts of this Sublease may be delivered and exchanged electronically or by facsimile.

IN WITNESS WHEREOF, Sublessor and Sublessee have executed this Sublease as of the Effective Date.

[SIGNATURE AND CONSENT PAGE FOLLOWS]

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SUBLESSOR: **PATRICK M. HICKEY**

Patrick M. Hickey

SUBLESSEE: **KUSH KINGDOM, LLC**, an Alaska limited liability company

Hye Jin Lee, President

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EXHIBIT A
LEGAL DESCRIPTION OF PROPERTY

A parcel of land located within the Alaska Railroad Terminal Reserve situated in the Anchorage Recording District, Third Judicial District, State of Alaska and more specifically described as follows:

That portion of Lot 91 of the Alaska Railroad's Whitney Road Industrial Lease Lots located in Sections 7 and 8, T13N, R3W, Seward Meridian, Alaska, commencing at the northwest corner of said Lot 91; thence south along the west lot line of Lot 91, 132.75 feet; thence east 100.0 feet, to a point on the east lot line of Lot 91; thence north along the east lot line of Lot 91, 100.0 feet to the northeast corner of Lot 91; thence northwesterly along the northerly lot line of Lot 91, along a curve to the right (D=10° 24', R=155.14, L=174.34, T=87.95) 34.96 feet to the point of tangent of said curve; thence continuing northwesterly along said northerly property line N 78° 01' W 69.36 feet to the northwest corner of Lot 91 as shown on the attached print.

The above described area contains 11,637 square feet or .27 acres more or less.

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EXHIBIT B
INSURANCE

- Commercial general liability insurance applicable to the Premises and its appurtenances providing, on an occurrence basis, a minimum combined single limit of $2,000,000.
- Property insurance upon all improvements and personal property in the Premises owned by Sublessee, in an amount equal to full insurable replacement cost.
- Workers' compensation insurance as required by the State of Alaska and in amounts as may be required by applicable statute.

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GROUND LEASE

BETWEEN

ALASKA RAILROAD CORPORATION

AND

PATRICK HICKEY

CONTRACT NO. 6119

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GROUND LEASE

THIS GROUND LEASE (herein called "this Lease") is made this 26 day of September, 1989, by and between the ALASKA RAILROAD CORPORATION (herein called "Lessor"), a public corporation created pursuant to AS 42.40, whose mailing address is P.O. Box 107500, Anchorage, Alaska 99510-7500, and PATRICK M. HICKEY, a(n) (Check as appropriate)

__X__ Individual
_____ Partnership (____ General or ____ Limited)
_____ Corporation (State of incorporation: _____)
_____ Governmental Entity (Type: _____)

(herein called "Lessee"), whose principal place of business is 826 Whitney Road, Anchorage, Alaska and whose mailing address is 341 West Tudor Road, Suite 101, Anchorage, Alaska 99503.

RECITALS

A. The Lessor has agreed to lease to Lessee a parcel of land commonly known as a portion of Lot 91 of the Alaska Railroad's Whitney Road Industrial Lease Lots located in Sections 7 and 8, T13N, R3W, Seward Meridian, Alaska, 826 Whitney Road, Anchorage, Alaska.

B. Rents are to be determined pursuant to the Lease based upon a current appraisal of the fair market value of the fee simple interest as specified in paragraph 2.02. The Lessee and Lessor have agreed to enter into this Lease prior to completion of an appraisal. Rents initially established in the Lease are good faith estimates, and will be adjusted retroactive to the effective date of the Lease upon completion of an appraisal.

C. The rental rate to be multiplied against the fee simple value as determined in accordance with paragraph 2.02 is EIGHT PERCENT (8.0%) and is to remain constant throughout the original lease term of THIRTY-FIVE (35) years.

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ARTICLE 1

LEASED PREMISES AND TERM

1.01 Leased Premises. Lessor, for and in consideration of the rents, covenants and conditions hereinafter specified to be paid, performed and observed by Lessee, hereby leases to Lessee, and Lessee hereby leases from Lessor, the vacant, unimproved (except as noted in paragraph 1.03 below) land situated in the Anchorage Recording District, Third Judicial District, State of Alaska, more particularly described on Schedule 1 attached to and for all purposes made a part of this Lease, together with all rights, easements, privileges, both subterranean and vertical, and appurtenances attaching or belonging to the described land, but subject to the reservation contained in paragraph 1.02 hereof (herein called the "Leased Premises").

1.02 Reservation of Minerals. All oil, gas, coal, geothermal resources and minerals of whatever nature in or under the above-described land are excluded from the Leased Premises and reserved to Lessor; provided, however, (1) Lessee shall have the unencumbered right, subject to the terms of this Lease, to use all earth materials on or in the above-described land to a depth not to exceed 100 feet below the surface, and to move and recontour such materials on the Leased Premises; (2) during the term of this Lease, Lessor shall not have the right to enter on the surface of the Leased Premises for the purpose of mining and/or extracting such oil, gas, coal, geothermal resources, or other minerals and shall not mine and/or extract the same by any means at a depth less than 500 feet below the surface of the Leased Premises; and (3) if Lessor mines and/or extracts such oil, gas, coal, geothermal resources, or other minerals, the mining and/or extraction shall not interfere with Lessee's business and activities on the Leased Premises, parking or access to the Leased Premises.

1.03 Improvements Owned by Lessor. The following described improvements ("Lessor's Improvements") are situated on and are a part of the Leased Premises and are and shall remain throughout the term of this Lease the property of the Lessor:

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All fill, drains, retaining walls, berms, earth contours, and all other below-surface improvements situated on the Leased Premises on the date of this Lease; excepting however, any utility service connections and any underground storage tank(s) on the Leased Premises or appurtenances to such tank(s).

Any subsurface improvements to the Leased Premises during the Lease Term shall become the property of Lessor (and included within the term "Lessor's Improvements") immediately upon installation, except underground storage tank(s) (and their appurtenances) and utility service connections, which shall be and remain the sole property of Lessee.

1.04 Improvements Owned by Lessee. The following described improvements ("Lessee's Improvements") are situated on and are a part of the Leased Premises and are and shall remain throughout the term of this Lease the property of the Lessee:

Property is improved with a one-story steel frame metal-clad building which is utilized as a tire store.

Lessee's Improvements shall also include any additional above surface improvement constructed or placed on the Leased Premises by Lessee during the term of this Lease.

1.05 Lease Term. This Lease shall be and continue in full force and effect for a term of THIRTY-FIVE (35) Years (the "Lease Term") commencing on July 1, 1989, and terminating on June 30, 2024, unless earlier terminated as provided in this Lease.

ARTICLE 2

RENTS

2.01 Rents.

A. Basic Rents. Lessee shall pay the following rents (herein called "Basic Rents") to Lessor in legal tender of the United States of America, without deduction and without notice or demand, net of all real property taxes, assessments, and other charges required to be paid by Lessee under this Lease with respect to the Leased Premises, and in equal monthly installments in advance on or before the first day of each month during the Lease Term, with partial periods prorated on a daily basis.

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	Annual	Monthly	
1. Lease years 1- 5 inclusive,	$2,820	$235	89-94

2. Lease years 6 - 10 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, this annual rent is not to exceed 125.0% of the rent as determined for lease years 1 - 5 inclusive, or at a minimum drop below the rent determined in lease years 1 - 5 inclusive. 94-99

3. Lease years 11 - 15 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, this annual rent is not to exceed 130.0% of the rent as determined for lease years 6 - 10 inclusive, or at a minimum drop below the rent determined in lease years 6 - 10 inclusive. 99-04

4. Lease years 16 - 20 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, this annual rent is not to exceed 135.0% of the rent as determined for lease years 11 - 15 inclusive, or at a minimum drop below the rent determined in lease years 11 - 15 inclusive. 04-09

5. Lease years 21 - 25 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, this annual rent is not to exceed 135.0% of the rent as determined for lease years 16 - 20 inclusive, or at a minimum drop below the rent determined in lease years 16 - 20 inclusive. 09-14

6. Lease years 26 - 30 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, this annual rent is not to exceed 135.0% of the rent as determined for lease years 21 - 25 inclusive, or at a minimum drop below the rent determined in lease years 21 - 25 inclusive. 14-19

7. Lease years 31 - 35 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, this annual rent is not to exceed 135.0% of the rent as determined for lease years 26 - 30 inclusive, or at a minimum drop below the rent determined in lease years 26 - 30 inclusive. 19-24

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B. Rent Adjustment. Rents are to be determined based upon a current appraisal of the fair market value of the fee simple interest as specified in paragraph 2.02. Due to the business exigencies, Lessee and Lessor have agreed to enter into this Lease prior to completion of an appraisal, and the rents established in paragraph 2.01.A.1 are therefore estimated. Rents will be adjusted retroactive to the effective date of this Lease upon completion of an appraisal, which Lessor shall obtain expeditiously. Lessee shall pay any deficit within 30 days of billing therefor. Any excess prepaid rent shall be applied to the next due installment of rent.

C. Trackage Fee. Lessee agrees to pay as additional rents a fee determined by Lessor and adjusted from time to time to cover the costs of track maintenance and snow removal for N/A feet of industry track that serves the Leased Premises and is owned by Lessor. The current rate is $N/A per lineal foot of track and the current fee is $N/A per year. The annual fee will be apportioned and paid in the same installments as Basic Rents provided in subparagraph A above.

2.02 Determination of Fair Market Value Rent. The fair market value rent upon which Lessee's obligation to pay Basic Rent under paragraph 2.01 above is based, shall be determined as follows:

A. Appraisal of Fair Market Value of Fee Simple Interest. Lessor shall select an appraiser from a list of qualified appraisers compiled by Lessor and kept available for public inspection at Lessor's office. The appraiser shall determine, as of a date within one hundred eighty (180) days before or after the beginning of the applicable rent period, the fair market value of the fee simple interest in the Leased Premises, unencumbered by this Lease, and including improvements owned by Lessor (identified in paragraph 1.03 of this Lease), and excluding improvements owned by Lessee (identified in paragraph 1.04 of this Lease). A copy of the appraisal report shall be provided by Lessor to Lessee at Lessee's request.

B. Fair Market Value Rent. The fair market value rent shall be the product derived from multiplying the fair market value of the Leased Premises (established in accordance with subparagraph 2.02.A) by EIGHT PERCENT (8.0%).

C. Appeal and Arbitration of Rent Increases. In the event Lessee disagrees with an appraisal of fee simple value made by Lessor pursuant to subparagraph 2.02.A of this Lease, Lessee may appeal the value determined in such appraisal by notifying Lessor in writing of its demand for appeal within ten (10) days of receiving Lessor's notice of change in rent. Lessee's failure to give said notice will constitute a waiver of Lessee's right to appeal a change in rent based on such appraisal, and Lessee shall be bound by Lessor's determination of the fair market value rent.

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In the event Lessee so appeals a change in rent, Lessee shall, at its own expense, obtain an appraisal of the fair market value of the fee simple interest in the Leased Premises, unencumbered by this Lease, and including Lessor's Improvements and excluding Lessee's Improvements, and provide the same to Lessor no later than sixty (60) days after receiving Lessor's notice of change in rent. Said appraisal shall be performed in accordance with Lessor's Standard Appraisal Instructions in effect at the time of appraisal. If within fifteen (15) days after Lessor receives Lessee's appraisal, the parties are unable to agree as to the fair market value of the fee simple interest, Lessee may, at its option, refer the matter to arbitration in accordance with the procedures contained in Article 8 of this Lease by notifying Lessor in writing of its demand for arbitration within ten (10) days after expiration of the 15-day period provided above. Otherwise, Lessee shall have no right to refer a rent dispute to arbitration and shall be bound by Lessor's determination of rent under this Lease.

Notwithstanding the foregoing, Lessee shall pay all rent at the new rate provided in Lessor's notice of change in rent until the issue of fair market value of the Leased Premises is resolved.

D. Retroactive Rent. Until a change in Basic Rent is determined, Lessee shall pay the same Basic Rent as in the previous year. When the adjusted Basic Rent has been determined, and Lessee notified, such Basic Rent as so determined shall be due and payable to Lessor retroactive to the commencement of the lease year for which such rent adjustment is made, and any deficiency resulting from such rent adjustment shall be payable within thirty (30) days after the giving of such notice to Lessee. However, at no time will the Lessee be responsible for more than ninety (90) days of unbilled retroactive rent at the increased level.

2.03 Absolutely Net Rent. When a Basic Rent becomes effective under this Lease, such rent shall not thereafter be reduced for any reason, except in the event of condemnation. It is the purpose and intent of Lessor and Lessee that the Basic Rents established under this Lease shall be absolutely net to Lessor so that this Lease shall yield, net to Lessor, the rent specified herein during the term of this Lease, and that all costs, expenses and obligations of every kind and nature whatsoever relating to the Leased Premises, which may arise or become due during the Lease Term, except as otherwise expressly provided in this Lease, and except costs, expenses, and obligations (other than those to be borne by Lessee as herein provided) incurred by Lessor in connection with the sale or mortgaging of the Leased Premises, shall be paid by Lessee, and that Lessor shall be indemnified and held harmless by Lessee from and against the same.

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ARTICLE 3

QUIET ENJOYMENT

Upon timely payment by Lessee of all of such rents and other payments required to be paid by Lessee under this Lease, and upon full and faithful observance and performance by Lessee of all of its covenants contained in this Lease, and so long as such observance and performance continues, Lessee shall peaceably hold and enjoy the Leased Premises during the Lease Term without hindrance or interruption by Lessor or anyone lawfully claiming by, through, or under Lessor.

ARTICLE 4

LESSEE'S COVENANTS

4.01 Taxes, Assessments and Charges.

A. Lessee shall pay, not less than ten (10) days before they become delinquent, all real property taxes, assessments, special assessments or other charges of every description for which the Leased Premises, or any improvement thereon or any use thereof, are now or during the Lease Term may be assessed or become liable, whether made by governmental authority or by any public utility or community service company, and whether assessed to or payable by Lessor or Lessee, subject to Lessee's option to pay in installments hereinafter provided. Such taxes and assessments include, but are not limited to, any increased real property tax resulting from any classification of the Leased Premises during the Lease Term to a higher use (other than a classification occurring at the initiative of Lessor or its agents), for which classification Lessee shall be deemed to be the petitioner and upon request by Lessor shall so notify the appropriate governmental authorities. Payments of real property taxes and assessments due during the first and last years of the Lease Term shall be prorated as of the dates the Lease Term begins and ends. Upon request by Lessor, Lessee shall promptly deposit with Lessor true and complete copies of receipts for such real property taxes and assessments evidencing their timely payment.

B. If at any time during the Lease Term any new or additional taxes (other than federal or state net income taxes or any other taxes existing on the effective date hereof) are assessed against the Leased Premises, or any improvement thereon, or any rents payable to Lessor under this Lease, or against Lessor with respect thereto, Lessee shall pay to the taxing authority or Lessor, not less than ten (10) days before they become delinquent and as additional rents, all of such new taxes.

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C. Nothing contained in this Lease shall prevent Lessee from contesting in good faith the validity or the amount of such real property taxes or assessments by appropriate proceedings commenced before such real property taxes or assessments become delinquent; provided, however, that (1) Lessee shall not commence such proceedings without first giving written notice to Lessor of Lessee's intention to do so not less than ten (10) days before such real property taxes or assessments become delinquent; (2) concurrently with such written notice, Lessee shall provide and continue to provide Lessor with security approved by Lessor as to quality and quantity to assure full payment of all of such real property taxes or assessments and all interest and penalties which may accrue or be assessed thereon or with respect to such taxes; and (3) Lessor, as long as Lessee so provides Lessor with such security, shall not be entitled to pay such real property taxes or assessments for the account and at the expense of Lessee. Lessee shall not be deemed in default under this Lease because of its failure to pay any property taxes or assessments subject to a pending appeal of such taxes or assessments.

D. If there is an option given to pay assessments or special assessments in installments, Lessee may elect to pay for such installments as shall accrue during the term of this Lease and during any extended term. As to permitted installment payments for which at lease the first installment fell due before commencement of the Lease Term, Lessee shall pay all installments falling due during the Lease Term.

E. Lessor may elect, in its sole discretion and after giving written notice to Lessee and any Qualified Mortgagee (as defined in subparagraph 7.06.B, below), to pay any delinquent tax, assessment or charge for which Lessee is liable under this paragraph 4.01 for the account and at the expense of Lessee, and may further elect, upon such payment: (1) to terminate this Lease under Article 9, after giving thirty (30) days' written notice and allowing an opportunity for cure as provided therein, and bring an appropriate action against Lessee for recovery of the sum paid; (2) to continue this Lease in force and charge the Lessee with the payment as additional rent; or (3) to continue this Lease in force and bring an appropriate action against Lessee for recovery of the sum paid. The above-enumerated elections are not in derogation of, and do not limit, any other rights or remedies Lessor may have under this Lease or applicable law. Nothing in this subparagraph 4.01.E requires Lessor to pay any delinquent tax, assessment, or charge for which Lessee is liable.

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4.02 Improvements Required by Law. Lessee, at Lessee's own expense, during the Lease Term and subject to the requirements of paragraph 4.05 of this Lease, shall make, build, maintain and repair all fences, sewers, drains, roads, road widening, driveways, sidewalks, water, underground electric and telephone lines, curbs, gutters and other installations which may be required by law to be made, built, maintained, or repaired upon, or adjoining and in connection with, or for use of the Leased Premises or any part of it, and regardless of whether the same were erected by Lessor or in existence at the inception of this Lease. In case any such installations required by law shall be made, built, maintained or repaired by Lessor, Lessee shall reimburse Lessor for the reasonable cost thereof plus fifteen percent (15%) to cover Lessor's overhead, upon presentation of a bill therefor, as additional rent.

4.03 Construction or Removal of Improvements, Additions and Alterations.

A. "Significant Work," as used in this paragraph 4.03, means all work on the Leased Premises costing more than $25,000.00, or which will occur or have an effect within twenty (20) feet of the centerline of Lessor's railroad track, which (1) involves the excavation, filling, or other alteration of the grade or drainage of the Leased Premises, or (2) involves the construction, demolition, or removal on or from the Leased Premises of any improvement, any addition or alteration, or (3) if the fees or other charges therefor are not timely paid, will subject the Leased Premises or the interest of Lessor or Lessee therein to any lien or other encumbrance.

B. Lessee shall not begin any Significant Work without first obtaining the prior written approval of Lessor with respect to such work and to the preliminary plans for such work, if any, and to the final plans and specifications for such work. The preliminary plans and the final plans and specifications shall be prepared by a licensed architect or engineer and shall include, but not be limited to, a detailed plot plan, a landscaping plan, appropriate cross sections, elevations, and floor plans indicating building heights, bulk, density, functions, materials, and utility systems, an itemized estimate of the total cost of such work, and a timetable for completion. No approval by Lessor or by its architects or engineers of such preliminary plans or final plans and specifications shall be deemed a warranty or other representation by any of them that the improvements, additions, alterations, or other work contemplated thereby are legal, safe, or sound or constitute the highest and best use of the Leased Premises. All of such work by Lessee on the Leased

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Premises shall be supervised by a licensed architect or engineer. Lessee hereby acknowledges that, except as provided in paragraph 4.02 with respect to improvements required by law and paragraph 11.02 with respect to removal of improvements upon expiration of the Lease Term or earlier termination of this Lease, Lessor has not authorized or required and does not authorize or require Lessee to improve the Leased Premises in any manner that permits Lessor's interest in and title to the Leased Premises to become subject to the liens of Lessee's mechanics and materialmen.

4.04 Repair and Maintenance. Lessee shall, at Lessee's expense and without notice from Lessor at all times during the Lease Term, keep all improvements now or hereafter built on the Leased Premises (including but not limited to exterior building walls, windows, doors, fences, signs, landscaping and yard areas, refuse disposal equipment and facilities, pavement, curbs, gutters, exterior lighting, and drainage facilities), in good order, condition, maintenance, operability, and repair and of a neat, clean, and pleasing appearance satisfactory to Lessor.

4.05 Observance of Laws.

A. Lessee, at all times during the Lease Term, at its own expense, and with all due diligence, shall observe and comply with all laws, ordinances, rules, and regulations which are now in effect or may later be adopted by any governmental authority, and which may be applicable to the Leased Premises or any improvement on it or any use of it, and shall promptly furnish such evidence of compliance with such laws, ordinances, rules and regulations as Lessor may request from time to time.

B. In furtherance, and not in limitation, of the foregoing subparagraph 4.05.A, Lessee must, at its own expense, comply with all laws, ordinances, regulations and administrative agency or court orders relating to health, safety, noise, environmental protection, waste disposal, hazardous or toxic materials, and water and air quality. In the event any discharge, leakage, spillage, emission or pollution of any type occurs upon or from the Leased Premises during the Lease Term or any holdover thereafter, Lessee, at its own expense, must clean and restore the Leased Premises to the satisfaction of Lessor and any governmental body or court having jurisdiction of the matter.

C. Lessee agrees to indemnify, hold harmless and defend Lessor against all liability, cost and expense (including, without limitation, any fines, penalties, clean-up costs, judgments, litigation costs and attorneys' fees)

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incurred by or levied against Lessor as a result of Lessee's breach of this paragraph 4.05, or as a result of any discharge, leakage, spillage, emission or pollution on or discharged from the Leased Premises, without regard to whether such liability, cost or expense arises during or after the Lease Term; provided, however, that Lessee shall not be required to indemnify Lessor under this subparagraph 4.05.C if the parties agree or a court of competent jurisdiction determines that such liability, cost or expense is caused solely by the negligence of Lessor. Lessee shall pay all amounts owed Lessor under this paragraph 4.05 within ten (10) days after any such amount becomes due.

4.06 Inspection and Repair by Lessor. Lessee shall repair, maintain and make good all conditions required under the provisions of this Lease to be repaired or maintained within (1) three (3) days from the date of written notice from Lessor with regard to removal of trash or debris, landscape or yard maintenance, pavement or sidewalk sweeping, snow removal or cleaning, or parking lot lighting replacement and repair, and (2) thirty (30) days from the date of written notice from Lessor with regard to all other matters. If Lessee refuses or neglects to repair or maintain the Leased Premises as required under the terms of this Lease to the reasonable satisfaction of Lessor after written demand, then Lessor, without prejudice to any other right or remedy it has under this Lease or otherwise, may perform such maintenance work or make such repairs without liability to Lessee for any loss or damage that may accrue to Lessee's merchandise or other property or Lessee's business by reason thereof. Upon completion of any such repair or maintenance, and no later than ten (10) days after presentation of a bill therefor, Lessee shall pay as additional rent Lessor's costs for making such repairs or performing such maintenance plus fifteen percent (15%) to cover its overhead.

4.07 Waste and Wrongful Use. Lessee shall not commit or suffer any strip or waste of the Leased Premises or any unlawful, unsafe, improper, or offensive use thereof or any public or private nuisance thereon.

4.08 Setback. Lessee shall observe all setback lines applicable to the Leased Premises and shall not construct or maintain any building or other structure whatever between any street boundary of the Leased Premises and any setback along such boundary, except for fences or walls approved by Lessor.

4.09 Liens. Lessee shall not commit or suffer any act or neglect whereby the Leased Premises or the interest of Lessor or Lessee therein at any time during the Lease Term may become subject to any attachment, execution, lien, charge, or other

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encumbrance, other than a statutory lien for nondelinquent real property taxes or assessments or a mortgage approved by Lessor, and shall indemnify and hold Lessor harmless against all losses, costs, and expenses, including reasonable attorneys' fees, paid or incurred by Lessor in connection therewith. Lessee shall not incur any cost or expense with respect to the Leased Premises which, if not timely paid, may subject the Leased Premises or the interest of Lessor or Lessee therein to any lien or other encumbrance, without first complying with the requirements of paragraph 7.06 of this Lease.

4.10 Indemnification.

A. Lessee shall indemnify and hold Lessor harmless from and against any and all claims arising from (1) Lessee's use of the Leased Premises, or from the conduct of Lessee's business, or from any activity, work or things done, permitted or suffered by Lessee in or about the Leased Premises or elsewhere; (2) any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease; (3) any negligence of Lessee, or any of Lessee's agents, contractors, customers, employees, or any person claiming by, through or under Lessee; and (4) any accident on or in connection with the Leased Premises, or any fire thereon, or any nuisance made or suffered thereon. Lessee shall further indemnify and hold Lessor harmless from and against all costs, attorneys' fees, expenses and liabilities incurred in the defense of any proceeding brought against Lessor by reason of any such claim. Lessee, upon notice from Lessor, shall defend any of the above-described claims at Lessee's expense by counsel satisfactory to Lessor. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Leased Premises, arising from any cause and Lessee hereby waives all claims in respect thereof against Lessor. The provisions of this paragraph 4.10.A shall not apply if the parties agree or a court of competent jurisdiction determines that such claims or liabilities are caused by the sole negligence of Lessor.

B. Lessee acknowledges that, before entering this Lease, it has fully inspected or been provided with an opportunity to fully inspect the Leased Premises and all documents in the possession of Lessor relating to the condition of the Leased Premises, and to test or examine all conditions of or on the Leased Premises. Lessee further acknowledges that, at the time this Lease is entered into and on the basis of the foregoing inspection or opportunity to inspect, Lessee is as knowledgeable about the physical condition of the Leased Premises as Lessor and, on that basis, assumes all risks relating to the condition of the Leased Premises, including but

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not limited to latent defects that may be unknown both to Lessee and Lessor at the time this Lease is entered into. Lessor represents and warrants that it has provided Lessee with an opportunity to inspect all documentation maintained by Lessor in its records concerning the condition of the Leased Premises.

4.11 Costs and Expenses of Lessor. Lessee shall forthwith pay to Lessor all costs and expenses, including reasonable attorneys' fees, which are (1) paid or incurred by Lessor but are required to be paid by Lessee under any provision of this Lease; (2) paid or incurred by Lessor in enforcing any covenant of Lessee contained in this Lease, in protecting itself against or remedying any breach thereof, in recovering possession of the Leased Premises or any part thereof, or in collecting or causing to be paid any delinquent rents, real property taxes, assessments, or rates; (3) incurred by Lessor in reviewing any matter for which Lessor's approval is sought and in processing such approval; or (4) incurred by Lessor in connection with any action in any respect related to this Lease, the Leased Premises, or Lessee's actions or omissions on the Leased Premises, other than a condemnation action filed by or against Lessee, to and in which Lessor is made a party but not adjudicated to be at fault. The term "costs and expenses" as used in this Lease shall include but not be limited to all of Lessor's out-of-pocket expenditures attributable to the matter involved. Except as otherwise expressly provided herein, all costs and expenses of Lessor shall be payable by Lessee to Lessor forthwith after mailing or personal delivery of statements therefor to Lessee and shall bear interest from the date which is ten (10) days after the date of such mailing or personal delivery at the rate of ten and one-half percent (10 1/2%) per annum. Such obligations and interest shall constitute additional rents.

4.12 Holdover. If Lessee remains in possession of the Leased Premises after expiration of the Lease Term without the execution of a new lease or of an extension of this Lease, and in such a manner as to create a valid holdover tenancy, and if no notice of termination has been delivered by Lessor to Lessee, Lessee shall be deemed to occupy the Leased Premises only as a tenant at will from month-to-month, upon and subject to all of the provisions of this Lease which may be applicable to a month-to-month tenancy, including but not limited to the provisions of Article 2 and of paragraph 11.02 of this Lease.

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4.13 Lessee's Improvements as Security for Obligations to Lessor. Lessor and Lessee covenant and agree that all of Lessee's Improvements, as identified in paragraph 1.04 of this Lease, in any way affixed or attached to the Leased Premises or to a structure thereon (including, but not limited to, buildings, fill, drains, walls, fences, pavement, roadways, signs, and machinery) are real property. Lessee hereby grants to Lessor a security interest in all improvements and fixtures owned by Lessee and in any way affixed or attached, whether now or later, to the Leased Premises. Such security interest is granted and made as security for the payment of rent and all other payments of whatever nature for which Lessee may be or become obligated to Lessor under the terms of this Lease, without regard to whether such obligation arises before or after the termination of this Lease. The security interest shall expire and be released only (1) upon recordation of Lessor's release of such interest to Lessee or a person claiming under Lessee, or (2) removal of such improvements and fixtures from the Leased Premises upon termination of the Lease with the prior consent of Lessor.

4.14 Permits from Corps of Engineers and Others. Lessee shall obtain all necessary permits from the Corps of Engineers and any other governmental entity with authority over the occupancy or construction of improvements on or adjacent to navigable waters and tidelands or wetlands. Lessee shall give Lessor notice of its proposed application for any such permit thirty (30) days before submission of the application to the governmental entity and obtain Lessor's approval of the proposed work as provided in paragraph 4.03 of this Lease. If Lessor fails to respond to the notice of proposed application given by Lessee within the thirty (30) day period, it shall be deemed to have approved the proposed work.

4.15 Responsibility Upon Damage to or Destruction of Property. In the event a building or improvement situated on the Leased Premises is destroyed or damaged by fire or other casualty, Lessee shall comply in full with one of the following conditions within ninety (90) days of such destruction or damage (or within such other time period as is mutually agreed to in writing):

A. Lessee may repair, rebuild, or otherwise reinstate the damaged improvement(s) in a good and substantial manner and in substantially the same form as it previously existed. In such event, the Lease shall continue in full force and effect without abatement of rental.

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B. Lessee may repair, rebuild or otherwise reinstate the damaged improvement(s) in a manner and style different from the previously existing improvement, so long as the plans therefor are previously approved by Lessor if required under paragraph 4.03 of this Lease. In such event, the Lease shall continue in full force and effect without abatement of rental.

C. Lessee may remove the damaged improvement(s) in which event Lessee must also restore the Leased Premises to the condition specified in Article 11 of this Lease. In such event, the Lease shall continue in full force and effect without abatement of rental.

D. Lessee may elect to terminate the Lease by performing each of the following:

1. Giving written notice to Lessor of its intention to terminate, and

2. Removing the damaged improvement(s) and restoring the Leased Premises to the condition specified in Article 11,

3. Tendering to Lessor the total amount of rents to come due during the remaining term of the Lease, applying the rental rate then in effect to the remainder of the Lease Term, and discounting the total at the Federal discount rate in effect on the date of notice.

ARTICLE 5

INSURANCE

5.01 Liability Insurance. During the entire Lease Term, and during any holdover thereafter, whether or not authorized by Lessor, Lessee shall keep in full force and effect a policy or policies of general liability insurance which includes bodily injury, property damage, and personal injury acceptable to Lessor with respect to the Leased Premises and the business operated by Lessee in which the limits for each shall be not less than ONE MILLION DOLLARS per occurrence or such higher limits as Lessor may specify from time to time consistent with prudent business practice then prevailing in the State of Alaska; provided, however, that no such limit shall in any way limit Lessee's liability or be construed as a representation of sufficiency to fully protect Lessee or Lessor. The policy or policies purchased pursuant to this paragraph shall name both Lessor and Lessee as insureds, with respect to the Leased Premises and the business operated by Lessee on the Leased Premises.

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5.02 Property Insurance. During the Lease Term and any holdover thereafter, whether or not authorized by Lessor, Lessee shall keep all improvements now or hereafter erected or placed on the Leased Premises insured against loss or damage on an all risk basis in an amount equal to the full replacement cost of all such improvements and shall pay all premiums thereon at the time and place the same are payable. Every policy shall be made payable in case of loss or damage to the Lessee and Lessor jointly and shall be distributed according to their interests in the improvements unless otherwise specified by this paragraph. All compensation, indemnity or other monies paid on account of any loss or damage, other than rental value insurance, shall with all convenient speed by paid out in rebuilding, repairing or otherwise reinstating the same improvements or in constructing different improvements unless Lessee exercises its option not to rebuild under paragraph 4.15 of this Lease.

5.03 Policy Provisions. Each policy of comprehensive general liability or property insurance described in paragraphs 5.01 and 5.02 of this Lease shall:

A. Provide that the liability of the insurer thereunder shall not be affected by, and that the insurer shall not claim, any right of setoff, counterclaim, apportionment, proration, or contribution by reason of any other insurance obtained by or for Lessor, Lessee, or any person claiming by, through, or under any of them;

B. Provide that such policy requires thirty (30) days notice to Lessor of any proposed cancellation, expiration, or change in material terms thereof and that such policy may not be cancelled, whether or not requested by Lessee, unless the insurer first gives not less than thirty (30) days' prior written notice thereof to Lessor; and

C. Contain a waiver by the insurer of any right of subrogation to proceed against Lessor or against any person claiming by, through, or under Lessor.

5.04 Proof of Insurance. Lessee shall deliver to Lessor certificates of insurance on or before the effective date of this Lease or at another date as agreed to in writing by Lessor. Additionally, Lessee shall deliver to Lessor photocopies of the policy or policies of insurance, certificates of insurance, or copies of endorsements as requested by the Lessor from time to time.

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ARTICLE 6

EMINENT DOMAIN

6.01 Effect of Eminent Domain on Lease.

A. The terms "taking" and "to take" (in any of its forms) as used in this paragraph refer to any competent authority's acquisition by the power of eminent domain, including inverse condemnation, of all or any part of the Leased Premises or an interest therein, at any time during the Lease Term. The transfer of title effecting the taking may be either a transfer resulting from the recording of a final order in condemnation or a voluntary transfer or conveyance to the condemning agency or entity under threat of condemnation in avoidance of an exercise of eminent domain, made before or while condemnation proceedings are pending. The time of taking shall be determined by application of the law of the State of Alaska.

B. In the event of a taking of all or materially all of the Leased Premises, this Lease shall terminate on the earlier of vesting of title in, or the taking of possession by, the condemner.

C. If less than materially all of the Leased Premises are taken (herein called a "partial taking"), this Lease shall continue in effect except as to the portion so taken or condemned, but the rent to be paid by Lessee shall thereafter be reduced by the same ratio as the value of the portion of the Leased Premises so taken bears to the value of the Leased Premises before taking. If no portion of the net usable area of the Leased Premises is taken, or if the portion thereof so taken is subterranean or aerial and does not interfere with the use of the surface, then Lessee shall not be entitled to any adjustment of rent hereunder. If Lessor and Lessee disagree as to whether a taking is a partial taking, either of them may submit the matter to arbitration under Article 8.

D. If a partial taking renders the remaining Leased Premises unsuitable for the purposes for which Lessee's improvements were designed or occurs during the last five (5) years of the term of this Lease or any extension thereof, then Lessee, upon sixty (60) days' written notice to Lessor and compliance with Article 11 of this Lease, and subject to the rights of any Qualified Mortgagee, may terminate this Lease after vesting of title in the condemnor or taking of possession by the condemner. If Lessee does so, the rent and other charges under this Lease shall be apportioned as of the date of termination.

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6.02 Disposition of Proceeds.

A. Total Taking. In the event of a total taking, the rights of Lessor and Lessee to share in the net proceeds of any and all awards for land, building, improvements and damages shall be in the following order of priority:

1. To Lessor, a sum equal to the fair market value of the fee simple interest in the Leased Premises unencumbered by this Lease or any sublease, and including Lessor's Improvements and excluding Lessee's Improvements.

2. To Lessee, a sum representing the fair market value of Lessee's Improvements. In no event shall Lessee be entitled to any claim for its leasehold interest, and any compensation therefor is hereby assigned to Lessor.

3. To Lessor, the balance of the award, excluding interest.

Interest shall be allocated between the parties in proportion to their respective shares of the total award provided above. If the value of such respective interests of Lessor and Lessee have been separately determined in such condemnation proceeding, the values so determined shall be conclusive upon Lessor and Lessee. If such values have not been so determined, they may be fixed by agreement between Lessor and Lessee, or if the parties cannot agree, then by arbitration under Article 8 of this Lease.

B. Partial Taking. In the event of a partial taking, rental shall be abated as provided in subparagraph 6.01.C, and the net proceeds of the award shall be divided between Lessor and Lessee as follows:

1. To Lessor, a sum representing the fair market value of the fee simple interest of the part or parts of the Leased Premises so taken, unencumbered by this Lease, including Lessor's Improvements and excluding Lessee's Improvements; plus an amount representing consequential damages to the part or parts of the land remaining after such taking, considered as if vacant and unimproved.

2. To Lessee, the balance of the award, which shall be applied by Lessee first to restoration of Lessee's Improvements as nearly as reasonably possible to their condition before such taking, unless Lessee terminates this Lease as provided in subparagraph 6.01.D above.

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C. Rights on Termination. Notwithstanding anything in this Lease to the contrary, if Lessee exercises its right to terminate the Lease under subparagraph 6.01.D, above, the award balance attributable to Lessee's Improvements other than the principal balance, if any, and other proper charges of a Qualified Mortgagee shall belong to Lessor free of any claim of Lessee. In no event shall Lessee be entitled to any compensation for its improvements if the taking occurs after expiration of the Lease Term or termination of this Lease.

6.03 Temporary Taking. If the whole or any part of the Leased Premises, or of Lessee's interest under this Lease, is taken by any competent authority for its temporary use or occupancy, this Lease shall not terminate by reason thereof and Lessee shall continue to pay all rental payments and other charges payable by Lessee hereunder, and to perform all other terms, covenants, and conditions contained herein, except to the extent Lessee is prevented from so doing by the terms of the order of the taking authority. In the event of a temporary taking, Lessee shall be entitled to receive the entire amount of the award and shall be obligated, at its sole expense, to restore the Leased Premises as nearly as may be reasonably possible to the condition in which they existed immediately prior to such taking; provided, however, that if the period of temporary use or occupancy extends beyond the expiration of the Lease Term, the award shall be apportioned between Lessor and Lessee as of said date of expiration, after Lessor shall have received the entire portion of the award attributable to physical damage to the Leased Premises (excluding Lessee's Improvements) and to the restoration thereof to the condition existing immediately prior to the taking or condemnation. Upon expiration of the temporary taking, Lessee shall have the rights and obligations provided in Article 11, including but not limited to removal of Lessee's Improvements within a reasonable time to be negotiated by Lessor and Lessee.

ARTICLE 7

ASSIGNMENTS, MORTGAGES, SUBLEASES AND SUBDIVISION

7.01 Limitations on Assignment. Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in this Lease or in the Leased Premises, except in strict compliance with this Article 7. Any attempted assignment, transfer, mortgage, encumbrance or subletting without such compliance shall be void, and shall constitute a breach of this Lease.

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7.02 Lessee's Right to Assign. Lessee shall have the right to assign or otherwise transfer Lessee's interest in this Lease and the estate created by this Lease to a Qualified Assignee, upon compliance with the provisions of paragraph 7.03 below.

A Qualified Assignee is any person or entity, including a corporate successor of Lessee, whose net worth on the date of assignment is equal to or greater than the Lessee's net worth at the commencement of this Lease or who can otherwise demonstrate to Lessor, in the exercise of prudent business judgment, that he or it is financially capable of meeting Lessee's obligations under this Lease. Net worth shall mean the amount by which the total of all assets of the person or entity exceeds the total of all his or its liabilities as determined by an independent, certified public accountant, in accordance with generally accepted accounting principles. For the purposes of this paragraph, the sale, assignment, transfer, or other disposition of any of the issued and outstanding capital stock of the Lessee, or of the interest of a general partner or joint venturer or syndicate member or co-tenant, if Lessee is a partnership or joint venture or syndicate or co-tenancy, which shall result in changing the control of Lessee, shall be construed as an assignment of this Lease. Control, in the provisions of this Lease relating to assignment, means fifty percent (50%) or more of the voting power of the entity.

7.03 Conditions Precedent to Assignment. The following are conditions precedent to Lessee's right of assignment:

A. Lessee shall give Lessor reasonable notice of the proposed assignment with appropriate documentation as evidence that the proposed assignee qualifies as a Qualified Assignee. Such documentation shall include, at the request of Lessor, a certified financial statement prepared independently and in accordance with generally accepted accounting principles fairly representing the existing financial condition of the proposed assignee. Prior years' income tax returns may be an acceptable substitute for the certified financial statement.

B. The proposed assignee shall, in recordable form, expressly assume all the covenants and conditions of this Lease.

C. Lessee shall pay Lessor the sum of Two Hundred Dollars ($200.00) to enable Lessor adequately to investigate the proposed assignee's qualifications as a Qualified Assignee. Lessor shall not be required to account for the use of the sum paid.

D. Lessee shall not be in default on any obligation owed to Lessor under this Lease.

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7.04 Lessee's Nonliability after Assignment. Upon an assignment made in accordance with the provisions and conditions of this Lease, Lessee shall have no further obligation under this Lease and, as between Lessor and Lessee, shall be considered to have assigned to the Qualified Assignee all claims against Lessor arising under this Lease; provided, however, that an assignment does not release Lessee of any obligations that may have arisen or accrued or be based on events which occurred before the assignment, including but not limited to an obligation to pay delinquent rent, unless Lessor expressly releases Lessee from the same in writing. Upon assignment, the Qualified Assignee shall assume all rights and obligations of Lessee under this Lease, including unsatisfied obligations to cure any delinquency in rent or other charges under this Lease or to perform any repairs or other work or action required by Lessor before the assignment. The Qualified Assignee's satisfaction of any of Lessee's obligations to Lessor that accrued prior to assignment shall subrogate the Qualified Assignee to Lessor's cause of action against Lessee with respect to such satisfied obligation.

7.05 Arbitration of Lessor's Disapproval of Assignment. The effective date of the assignment shall be sixty (60) days after Lessee's notice of the proposed assignment, unless, within that time, Lessor gives notice of a valid objection that a proposed assignee is not a Qualified Assignee. Lessor's failure to give notice within that time shall constitute a waiver of objection to the assignment. Promptly after Lessor gives notice of objection, unless Lessee yields to Lessor's objection, the issue shall be arbitrated pursuant to Article 8 of this Lease. If the arbitration award is in favor of Lessee, the assignment shall be effective as if the Lessor had not objected. If the award is in favor of Lessor, the assignment shall not be permitted (or any attempted assignment shall be a nullity) and Lessee shall remain bound by and liable under this Lease.

7.06 Mortgage of Leasehold Interest. Lessee shall have the right at any time, and from time to time, to subject the leasehold estate and any or all of Lessee's Improvements situated on the Leased Premises to one or more mortgages or assignments as security for a loan or loans or other obligation of Lessee (each of which instruments is herein called a "Leasehold Mortgage"), provided that:

A. The Leasehold Mortgage and all rights acquired under it shall be subject and subordinate to each and all the covenants, conditions, and restrictions stated in this Lease, and to all rights and interests of Lessor except as otherwise provided in this Lease.

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B. Lessee shall give Lessor prior notice of any such Leasehold Mortgage, and shall accompany the notice with a true copy of the note and the Leasehold Mortgage as proposed for execution. Upon Lessor's written consent to the Leasehold Mortgage and upon execution of the Leasehold Mortgage by all parties, the mortgagee shall become a Qualified Mortgagee as that term is used in this Lease.

C. In the event the Qualified Mortgagee forecloses the Leasehold Mortgage, any subsequent assignee or transferee of the leasehold estate proposed by the Qualified Mortgagee must be approved by Lessor, whose discretion in the matter shall be complete.

7.07 Right to Sublet. Lessee shall have the right during the Lease Term to sublet all or any part or parts of the premises or the improvements, or both, and to assign, encumber, extend, or renew any sublease, providing the following provisions are complied with:

A. Each sublease shall contain a provision satisfactory to Lessor requiring the sublessee to attorn to Lessor if Lessee defaults under this Lease and if the sublessee is notified of Lessee's default and is instructed to make sublessee's rental payments to Lessor.

B. Prior to execution of each sublease, Lessee shall notify Lessor of the name and mailing addresses of the proposed sublessee and provide Lessor with photocopies of the proposed sublease. Lessee shall not execute any such sublease until it has received the written consent of Lessor, which shall not be unreasonably withheld. Promptly after execution, Lessee shall provide Lessor with a photocopy of the executed sublease.

C. Lessee shall not accept, directly or indirectly, more than three (3) months' prepaid rent from any sublessee.

D. A Qualified Subtenant is a subtenant in possession under an existing sublease as to which the foregoing conditions have been met and as to which Lessor has given its written consent.

No sublease shall relieve Lessee of any of its covenants or obligations under this Lease, and any provision of a sublease purporting to do so shall be deemed a nullity as between Lessor and Lessee notwithstanding Lessor's failure to object to the sublease.

7.08 Subdivision of Leased Premises. Lessee shall not, under any circumstances whatsoever, subdivide the Leased Premises or any part thereof.

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ARTICLE 8

ARBITRATION AND APPRAISAL PROCESS

8.01 Appointment of Arbitrators and Conduct of Arbitration. If Lessor and Lessee fail to agree upon (1) the appraisal of a fee simple interest under Article 2; or (2) whether the remainder of the Leased Premises after condemnation can be restored as an economic unit, whether a partial taking has occurred, or the value of the respective interests of Lessor and Lessee in a condemnation action under Article 6; the matter of disagreement, upon the election of either of them, shall be submitted to and determined by a single arbitrator, mutually appointed by them, whose decision and award shall be final, conclusive, and binding upon both of them. If Lessor and Lessee fail to mutually appoint a single arbitrator, the matter shall be submitted to and determined by three (3) arbitrators, in which event either Lessor or Lessee may give to the other written notice of election to have the matter of disagreement so arbitrated and shall appoint therein one of the arbitrators. The other party shall, within twenty (20) days after the receipt of such written notice, appoint a second arbitrator. If he fails to do so, the party who has already appointed an arbitrator may have the second arbitrator appointed by any judge of the Superior Court of Alaska resident in the district where the Leased Premises are situated. The two arbitrators so appointed in either manner shall appoint the third arbitrator, and if the first two arbitrators fail to appoint a third arbitrator within twenty (20) days after the appointment of the second arbitrator, either Lessor or Lessee may have the third arbitrator appointed by any judge of the Superior Court of Alaska resident in the district where the Leased Premises are situated. Each of the arbitrators appointed under this paragraph shall possess the professional qualifications provided in paragraph 8.02 hereof.

The three arbitrators so appointed shall thereupon proceed to arbitrate the matter of disagreement, upon such rules of procedure as they may adopt, and shall render a written decision containing their findings and conclusions. The Lessor and Lessee shall share equally the costs associated with the arbitration.

8.02 Special Qualifications of Arbitrators. Each arbitrator appointed pursuant to paragraph 8.01 shall be a person who (1) has not less than five (5) years appraisal experience in the State of Alaska prior to his appointment; (2) has appraised similar classes of property throughout the State

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of Alaska; and (3) is a member (MAI [but not RM]) of the American Institute of Real Estate Appraisers, a Senior Real Estate Analyst (SREA), or a Senior Real Property Appraiser (SRPA) of the Society of Real Estate Appraisers. It is understood and agreed that if any of such institutes or societies is merged or otherwise consolidated with another duly qualified appraisal or counseling organization, and thereby loses its name or designation, the arbitrator may be appointed from among the members of such other organization.

8.03 Judicial Review of Arbitration Decision. The decision of the arbitrator or arbitrators shall be final and unreviewable by any court, except to the extent authorized by Alaska Statutes 09.43.110, .120 and .130. If the court determines that the arbitration decision should be set aside on one of the grounds enumerated in such statutes, it may proceed to decide the merits of the matter at the instance of either party to the Lease and neither party shall be required to submit to rearbitration of the matter.

ARTICLE 9

DEFAULT AND DEFEASANCE

9.01 Events of Default. Each of the following events shall be a default by Lessee and breach of this Lease:

A. Failure to Perform Lease Covenants. Lessee's abandonment or surrender of the Leased Premises or of the leasehold estate, or failure or refusal to pay when due any installment of rent or any other sum required by this Lease to be paid by Lessee, or to perform as required by any other covenant or condition of this Lease.

B. Appointment of Receiver. The appointment of a receiver or trustee to take possession of the Leased Premises or improvements or of the Lessee's interest in the leasehold estate or of Lessee's operations on the Leased Premises for any reason.

C. Insolvency, Bankruptcy. An assignment by Lessee for the benefit of creditors or the filing of a voluntary or involuntary petition by or against Lessee under any provision of the U. S. Bankruptcy Code.

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9.02 Notice and Right to Cure.

A. Notices. As a precondition to pursuing any remedy for an alleged default by Lessee, Lessor shall, before pursuing any remedy, give notice of default to Lessee. Each notice of default shall state the alleged event of default and the intended remedy, but the identification of the intended remedy shall not limit Lessor's right to seek or use any other available remedy not identified in the notice.

B. Method of Giving Notice. Lessor shall give notice of default in accordance with subparagraph 9.02.A by: (1) mailing by certified mail (return receipt requested), a copy of the notice to each party required to receive it at the last address provided by that party to Lessor; and (2) mailing by first class mail, a copy of the same notice to each such party at the same address.

C. Lessee's Right to Cure Defaults. If the alleged default is nonpayment of rent, taxes, or other sums to be paid by Lessee as provided in Articles 2 and 4 or elsewhere in this Lease directed to be paid as rent, Lessee shall have thirty (30) days after the notice is given to cure the default. For the cure of any other default, Lessee shall promptly and diligently after the notice commence curing the default and shall have sixty (60) days after notice is given to complete the cure.

9.03 Nonwaiver. Acceptance by Lessor or its agents of any rents, whether basic or additional, shall not be deemed to be a waiver by it of any breach by Lessee of any of its covenants contained in this Lease or of the right of Lessor to reenter the Leased Premises or to declare a forfeiture for any such breach. Waiver by Lessor of any breach by Lessee shall not operate to extinguish the covenant the breach of which is so waived, nor be deemed to be a waiver of the right of Lessor to declare a forfeiture for any other breach thereof or of any other covenant.

9.04 Right of Lessor to Protect Against Default. If Lessee fails to observe or perform any of its covenants contained herein, Lessor, at any time thereafter and without notice, shall have the right but not the obligation to observe or perform such covenant for the account and at the expense of Lessee, and shall not be liable to Lessee or anyone claiming by, through, or under it for any loss or damage by reason thereof to the occupancy, business, or property of any of them. All costs and expenses paid or incurred by Lessor in observing or performing such covenant shall constitute additional rents, which Lessee shall forthwith pay to Lessor upon statements therefor.

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9.05 Lessor's Remedies. If any default by Lessee shall continue uncured, following notice of default as required by this Lease, for the period applicable to the default under paragraph 9.02 of this Lease, Lessor has the following remedies in addition to all other rights and remedies provided by law or equity or other provisions of this Lease, to which Lessor may resort cumulatively or in the alternative. The election of one remedy for any one default shall not foreclose an election of any other remedy for another default or for the same default at a later time.

A. Termination. Lessor may, at Lessor's election, terminate this Lease by giving Lessee notice of termination in accordance with the procedures specified in paragraph 9.02 of this Lease. On the giving of the notice, all Lessee's rights in the Leased Premises and in all improvements thereon shall terminate, unless Lessor expressly and in writing requires Lessee to remove specified improvements (in which event Lessee's rights shall continue in the improvements required to be removed). Promptly after notice of termination, Lessee shall surrender and vacate the Leased Premises and all improvements not required to be removed in a broom-clean condition, and Lessor may reenter and take possession of the Leased Premises and all remaining improvements and eject all parties in possession, or eject some and not others, or eject none. Termination under this paragraph shall not relieve Lessee, or any of its guarantors, insurers, or sureties, from the payment of any sum then due to Lessor or from any claim for damages previously accrued or then accruing against Lessee.

B. Re-entry Without Termination. Lessor may, at Lessor's election, reenter the Leased Premises, and, without terminating this Lease, at any time and from time to time relet the Leased Premises and improvements, or any part or parts of them, for the account and in the name of Lessee or otherwise. Lessor may, at Lessor's election, eject all persons or eject some and not others or eject none. Any reletting may be for the remainder of the Lease Term or for a longer or shorter term. Lessor may execute any leases made under this provision either in Lessor's name or in Lessee's name, and shall be entitled to all rents from the use, operation, or occupancy of the Leased Premises or improvements or both. Lessor shall apply all rents from reletting as provided in paragraph 9.07 of this Lease. Lessee shall nevertheless pay to Lessor on the due dates specified in this Lease, the equivalent of all sums required of Lessee under this Lease, plus Lessor's expenses, less the proceeds of any reletting. No act by or on behalf of Lessor under this provision shall constitute a termination of this Lease unless Lessor gives Lessee notice of termination.

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C. Recovery of Rent. Lessor shall be entitled, at Lessor's election, to each installment of rent or to any combination of installments for any period before termination, plus interest at the rate of ten and one-half percent (10 1/2%) per annum from the due date of each installment. If Lessor elects to relet the Leased Premises without terminating this Lease, the proceeds of such reletting shall be applied, when received, as provided in paragraph 9.07 of this Lease.

D. Lessee's Personal Property. Lessor may, at Lessor's election, use Lessee's personal property and trade fixtures on the Leased Premises, or any of such property and fixtures, without compensation and without liability for use or damage, or store them for the account and at the cost of Lessee.

E. Damages. Lessor shall also be entitled, at Lessor's election, to damages in the following sums: (1) all amounts that would have fallen due as rent between the time of termination and the time the property is relet; provided that Lessor shall exert reasonable efforts to relet the property at prevailing market value; and (2) the amount, if any, by which the Basic Rents under this Lease exceed the rents under any subsequent lease upon reletting calculated over the Lease Term; and (3) all administrative, marketing, brokerage, repair, cleaning and similar costs incurred by Lessor and necessary or useful to reletting the Leased Premises or placing it in good and marketable condition.

9.06 Assignment of Subrents. Lessee assigns to Lessor all subrents and other sums falling due from subtenants, licensees and concessionaires (referred to as "Subtenants" in this paragraph 9.06) during any period in which Lessor has the right under this Lease, whether exercised or not, to reenter the Leased Premises for Lessee's default, and Lessee shall not have any right to such sums during that period. Lessor may at Lessor's election reenter the premises and improvements with or without process of law, without terminating this Lease, and either, or both, collect these sums or bring action for the recovery of the sums directly from Subtenants. Lessor shall apply all such collected subrents as provided in paragraph 9.07. Lessee shall nevertheless pay to Lessor on the due dates specified in this Lease the equivalent of all sums required of Lessee under this Lease, plus Lessor's expenses, less the avails of the sums assigned and actually collected under this paragraph 9.06. Lessor may proceed to collect either the assigned sums or Lessee's balances, or both, or any installment or installments of them, either before or after expiration of the Lease Term, but the period of limitations shall not begin to run on Lessee's payments until the due date of the final installment to which Lessor is entitled under this Lease, nor shall it begin to run on the payments of the sums assigned under this paragraph 9.06 until the due date of the final installment due from the respective Subtenants.

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9.07 Application of Sums Collected by Lessor. Lessor shall apply all subrents and proceeds of reletting as follows: first, to the payment of reasonable expenses (including attorneys' fees and brokers' commissions or both) paid or incurred by or on behalf of Lessor in recovering possession, placing the premises and improvements in good condition, and preparing or altering the premises or improvements for reletting; second, to the reasonable expense of securing new lessees; third, to the fulfillment of Lessee's covenants to the end of the Lease Term; and fourth, to Lessee's uses and purposes.

ARTICLE 10

GENERAL PROVISIONS

10.01 Lessor's Right to Entry, Inspection and Repair. Lessor may enter and inspect the Leased Premises at any time during regular business hours, with or without the presence of Lessee or its authorized representative, after giving twenty-four (24) hours' advance notice to Lessee of such inspection. In the event of an emergency, Lessor may enter and inspect the Leased Premises on reasonable notice (including no notice to Lessee if the circumstances warrant) and make such repairs or institute such measures, on the account and at the expense of Lessee, as may be necessary to avert or terminate the emergency. An emergency is any action, event, or condition, either extant or imminent, that threatens significant damage to property or injury to persons on or near the Leased Premises, and includes but is not limited to flood, fire, explosion, avalanche, earthquake, uncontrolled or dangerous discharge or release of water or other fluids, unauthorized or illegal placement of hazardous or toxic materials on the Leased Premises, and shifting, settling or loss of earth or support on the Leased Premises.

10.02 Notices. Any notice, other than notice of default under subparagraphs 9.02.A and 9.02.B of this Lease, or demand to Lessor or Lessee provided for in this Lease may be given sufficiently for all purposes in writing, mailed by registered or certified mail, return receipt requested, and addressed to such party or its agent at its mailing address specified herein or at the last such address specified by such party in writing to the other, or may be delivered personally within the State of Alaska to such party or its agent. Except as otherwise expressly provided herein, such notice shall be conclusively deemed to have been given on the date of such mailing or personal delivery. If at any time during the Lease Term Lessee

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is more than one person or entity, any notice given by Lessor to any of them shall constitute notice to all of them, and any agreement or approval with or in favor of Lessor made or given by any of them shall bind all of them.

10.03 Covenants and Conditions. Every provision in this Lease which imposes an obligation upon Lessee or invests an option, power, or right in Lessor shall be deemed to be a covenant of Lessee in favor of Lessor, and the time of observance and performance by Lessee of each such covenant shall be of the essence. Full and faithful observance and performance by Lessee of each of its covenants contained in this Lease shall be a condition hereof.

10.04 Integration and Amendments. Except as otherwise expressly provided in this Lease and except for the provisions of the Memorandum of Lease, this Lease is a complete integration of every agreement and representation made by or on behalf of Lessor and Lessee with respect to the Leased Premises, and no implied covenant or prior oral or written agreement shall be held to vary the provisions of this Lease, any law or custom to the contrary notwithstanding. In the event of any conflict between this Lease and the Memorandum of Lease, the provisions of the Memorandum of Lease shall control. No amendment or other modification of the provisions of this Lease shall be effective unless incorporated in a written instrument duly executed and acknowledged by Lessor and Lessee.

10.05 Approvals of Lessor. Except as otherwise expressly provided in this Lease and except for amendments or modifications of this Lease, Lessor shall neither unreasonably, capriciously, nor arbitrarily withhold any approval required to be obtained by Lessee hereunder, nor require any consideration therefor as a condition thereof other than payment forthwith by Lessee to Lessor of all costs and expenses paid or incurred by Lessor in connection with the review of the matter for which such approval is sought and the processing of such approval.

10.06 Survival and Severability. The rights and obligations of Lessor and Lessee provided in paragraphs 4.05.C, and 4.10 through 4.14 of this Lease, and in the Memorandum of Lease, except to the extent expressly varied or superseded by a subsequent instrument executed by Lessor and Lessee, shall survive the expiration or earlier termination of this Lease. If any provision of this Lease is held to be void or otherwise unenforceable by any court or other tribunal of competent jurisdiction, other than at the initiative or with the support of Lessor, within thirty (30) days after receipt of written notice of such holding Lessor shall have the right and option,

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exercisable by written notice thereof to Lessee, to terminate this Lease effective as of the date of such written notice of exercise. It is understood and agreed that otherwise this Lease, except for such provision so held to be void or otherwise unenforceable, shall remain in full force and effect.

10.07 Binding Effect. This Lease shall be binding upon and shall inure to the benefit of Lessor and Lessee and their respective successors and assigns. The designations "Lessor" and "Lessee" include their respective successors and assigns and shall be so construed that the use of the singular number includes the plural number, and vice versa, and the use of any gender includes the other genders. If at any time during the Lease Term Lessee is more than one person or entity, including persons who are partners and operate Lessee as a partnership, their liability hereunder shall be joint and several.

10.08 Lessor's Authority to Convey Fee Title. Lessor retains the absolute and unconditional right to convey fee title in the Leased Premises, or an interest or estate therein, subject to this Lease and the interest of any Qualified Mortgagee or Subtenant under this Lease.

10.09 Powers of Lessor as Public Corporation. Nothing in this Lease restricts or limits the authority of Lessor, the Alaska Railroad Corporation, in the exercise of governmental authority delegated to it by the Alaska Railroad Corporation Act, AS 42.40, or by any other applicable law or regulation.

10.10 Captions. The captions of the articles and paragraphs hereof are for convenience only, are not an operative part hereof, and neither limit nor amplify in any way the provisions hereof.

ARTICLE 11

DUTIES UPON TERMINATION OR EXPIRATION

11.01 Surrender of Leased Premises. Upon expiration or early termination of this Lease, Lessee shall surrender to Lessor the possession of the Leased Premises. Lessee shall leave the surrendered Leased Premises and any improvements in a broom-clean condition, as noted in paragraph 11.02. If Lessee fails to surrender the Leased Premises at expiration or termination, Lessee shall defend and indemnify Lessor from all liability and expense resulting from the delay or failure to surrender, including but not limited to claims made by any succeeding tenant founded on or resulting from Lessee's failure to surrender. In the event of failure or refusal of Lessee to

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surrender possession of the Leased Premises, Lessor shall have the right to reenter the Leased Premises and remove therefrom Lessee or any person, firm or corporation claiming by, through or under Lessee and to obtain damages for trespass from Lessee.

11.02 Removal of Improvements upon Termination.

A. Upon the expiration or termination of this Lease or any extension thereof, including termination resulting from Lessee's breach ("termination"), Lessee shall leave the Leased Premises in a broom-clean and leasable condition, which shall include removal of all improvements, buildings, foundations and footings to buildings, personal property, trash, vehicles, and equipment, except as noted in subparagraphs 11.02.B, .C and .D below. Any excavation on the property, including excavation to remove Lessee's Improvements, shall be filled and compacted with material approved by Lessor.

B. Lessor may, at its option, allow Lessee to leave some or all of Lessee's Improvements on the Leased Premises upon termination. If Lessor so elects, such improvements shall become the property of Lessor upon termination.

C. Pursuant to the security interest granted under paragraph 4.13 of this Lease, Lessor may, at its option, require Lessee to leave some or all of Lessee's Improvements on the Leased Premises upon termination, with Lessor becoming the owner of such improvements, when at the time of termination, Lessee has failed to make all payments to Lessor required under this Lease.

D. Any improvements owned by Lessor and identified in paragraph 1.03, or added to the Leased Premises by Lessor after execution of this Lease, shall not be removed by Lessee.

11.03 Abandonment of Lessee's Property. All property that Lessee is not required or allowed to leave on the Leased Premises shall, on the tenth (10th) day following termination, be conclusively deemed abandoned. Abandoned property shall, at the election of Lessor, become the property of Lessor or be destroyed or removed by Lessor.

11.04 Liability for Cleanup Expenses. Lessee shall be liable for all costs and expenses incurred by Lessor to remove or destroy abandoned property and improvements not required or allowed to be left on the Leased Premises, and for the removal of trash or other debris left thereon. In addition, nothing in this Lease shall relieve Lessee of any obligation or liability for removal of hazardous substances (including wastes) or inappropriate fill material placed on the Leased Premises

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during the term of the Lease, regardless of when such hazardous substance (including waste) or inappropriate fill material is discovered.

ARTICLE 12

EXECUTION AND MEMORANDUM OF LEASE

12.01 Execution and Counterparts. This Lease is executed in two or more counterparts, each of which shall be an original, and all of which shall constitute one and the same instrument.

12.02 Recordation of Memorandum of Lease. This Lease shall not be recorded. The parties shall execute in suitable form for recordation a memorandum of this Lease ("Memorandum of Lease"), which shall be recorded. The Memorandum of Lease shall be the Lessor's standard form Memorandum of Lease or, with the agreement of Lessor, a Memorandum of Lease in a form proposed by a title insurance company insuring Lessee's leasehold interest or the interest of any Qualified Mortgagee sufficient to give constructive notice of this Lease to subsequent purchasers and mortgagees.

IN WITNESS WHEREOF, Lessor and Lessee have duly executed and acknowledged this Ground Lease.

ALASKA RAILROAD CORPORATION

Dated: 9/26/89 By: _____
F. G. Turpin
President and Chief Executive Officer

Dated: 9-26-89 By: _____
Larry J. Houle
Director, Real Estate

Dated: July 27, 1989 _____
Patrick Hickey

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STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 26 day of September, 1989, by F. G. Turpin, President and Chief Executive Officer, of the Alaska Railroad Corporation, a public corporation created by Alaska Statute 42.40, on behalf of the corporation.

Cheryl A Santil
Notary Public in and for Alaska
My Commission expires: 7-18-93

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 26 day of September, 1989, by Larry J. Houle, Director of Real Estate, of the Alaska Railroad Corporation, a public corporation created by Alaska Statute 42.40, on behalf of the corporation.

Cheryl A Santil
Notary Public in and for Alaska
My Commission expires: 7-18-93

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 27th day of July, 1989, by Patrick Hickey.

Kathleen A. Lewis
Notary Public in and for Alaska
My Commission expires: 1-27-93

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Post-It® Fax Note 7671	Date 10/25/06	# of pages ▶ 2
To Ken Ayers	From Patrick Hickey	
Co./Dept. Lounsbury Inc.	Co. ARRC	
Phone #	Phone #	
Fax # 272-9065	Fax #	

SCHEDULE 1

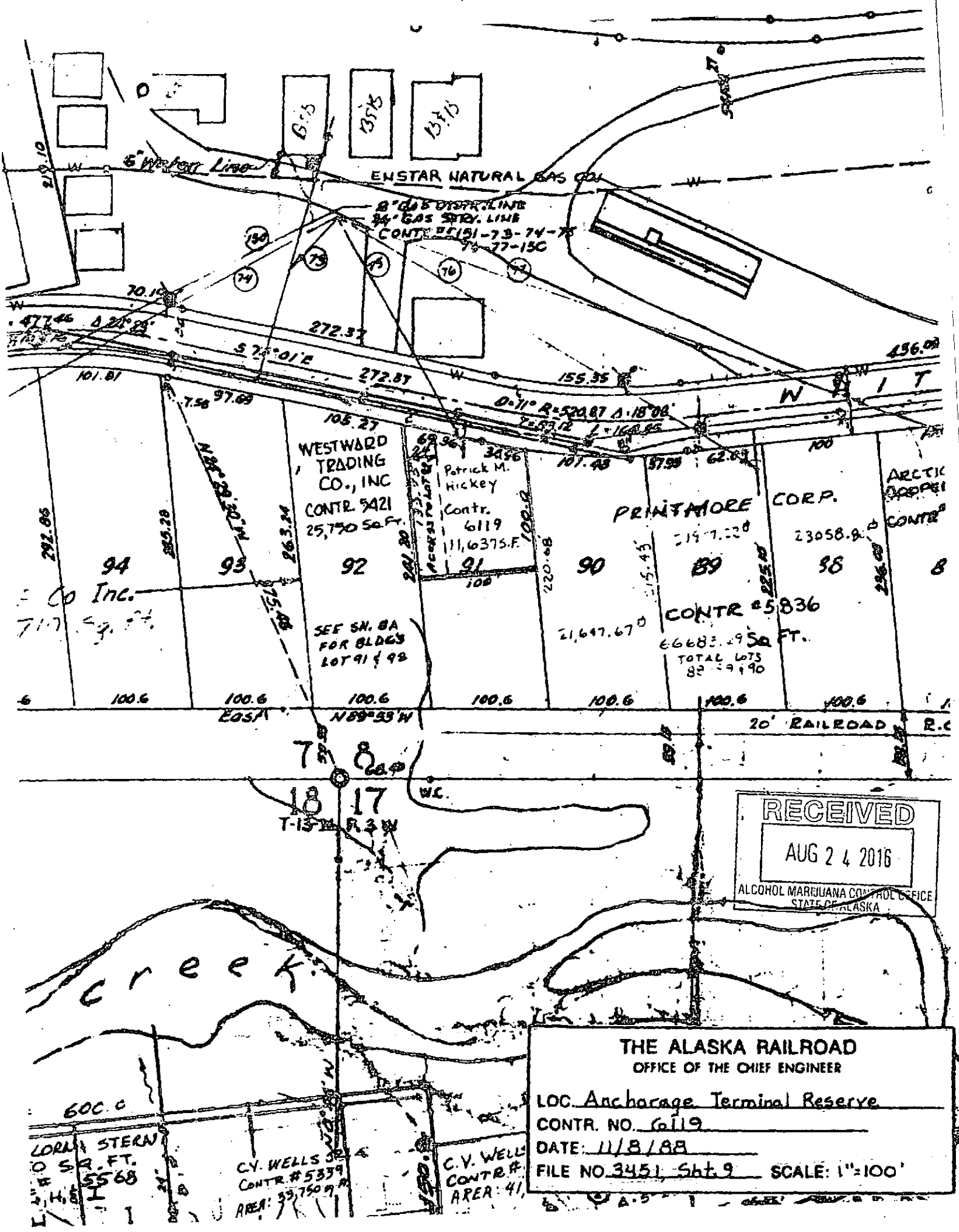
LEGAL DESCRIPTION

A parcel of land located within the Alaska Railroad Terminal Reserve situated in the Anchorage Recording District, Third Judicial District, State of Alaska and more specifically described as follows:

That portion of Lot 91 of the Alaska Railroad's Whitney Road Industrial Lease Lots located in Sections 7 and 8, T13N, R3W, Seward Meridian, Alaska, commencing at the northwest corner of said Lot 91; thence south along the west lot line of Lot 91, 132.75 feet; thence east 100.0 feet, to a point on the east lot line of Lot 91; thence north along the east lot line of Lot 91, 100.0 feet to the northeast corner of Lot 91; thence northwesterly along the northerly lot line of Lot 91, along a curve to the right (D=10° 24', R=155.14, L=174.34, T=87.95) 34.96 feet to the point of tangent of said curve; thence continuing northwesterly along said northerly property line N 78° 01' W 69.36 feet to the northwest corner of Lot 91 as shown on the attached print.

The above described area contains 11,637 square feet or .27 acres more or less.

In the event of any inconsistency between the attached print and the foregoing legal description, the latter shall govern for purposes of this Lease.


6" Water Line
ENSTAR NATURAL GAS CO.
8" GAS DISTR. LINE
24" GAS STRY. LINE
CONTR. #5151-73-74-75
76-77-15C
272.37
S 72°01'E
272.87
155.35
D=71° R=520.87 Δ=18°08'
L=164.85
WESTWARD TRADING CO., INC
CONTR. 5421
25,790 Sq. Ft.
Patrick M. Hickey
Contr. 6119
11,6375 F.
PRINTMORE CORP.
23058.8
CONTR #5836
66683.49 Sq. Ft.
TOTAL LOTS 89 & 90
21,647.67
SEE SH. 8A FOR BLDGS LOT 91 & 92
94
93
92
91
90
89
88
100.6
EOSA
N89°53'W
20' RAILROAD
T-13N R.3W
creek
C.V. WELLS
CONTR. #5339
AREA: 33,750
C.V. WELLS
CONTR. #
AREA: 41,
LORNA STERN
5568
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STATE OF ALASKA
THE ALASKA RAILROAD
OFFICE OF THE CHIEF ENGINEER
LOC. Anchorage Terminal Reserve
CONTR. NO. 6119
DATE: 11/8/88
FILE NO. 3451, Sht. 9
SCALE: 1"=100'

ALASKA
RAILROAD

Real Estate Department
Telephone: (907)265-2325
Fax Number: (907)265-2450
Email: galunie@akrr.com

November 7, 2016

Patrick Hickey
1223 F Street
Anchorage, AK 99501

Re: Alaska Railroad Corporation (ARRC) Ground Lease, Contract No. 6119
Patrick Hickey
Non-objection to Sublease Agreement

Dear Mr. Hickey:

The Alaska Railroad Corporation ("ARRC") received information indicating your intention to enter into a proposed Sublease Agreement between Patrick M. Hickey, an individual ("Lessee") and Kush Kingdom, LLC, an Alaska limited liability company ("Subtenant"). Please accept this letter of non-objection to the Sublease Agreement, subject to the conditions listed below.

- The Sublease Agreement is subject to and subordinate to all the terms and provisions of that certain lease dated September 26, 1989 between the Alaska Railroad Corporation as lessor and Patrick M. Hickey as lessee, and designated as ARRC Contract No. 6119 (the "Ground Lease"). In the event of any inconsistency between the provisions of the Ground Lease and the Sublease Agreement, the Ground Lease shall control.

- The allowed uses of the premises under the Sublease Agreement shall be limited to any uses allowed under both the Ground Lease and Section 5.1 of the Sublease Agreement. Without limiting the generality of the foregoing, said allowed uses shall include the cultivation, preparation and packaging of marijuana and wholesale sales of marijuana, but shall not include retail sales, all as more specifically described in Section 5.1 of the Sublease Agreement.

- If the Ground Lease is terminated by reason of a default by Lessee under the Ground Lease, or for any other reason, Subtenant, upon notice of such termination, shall then attorn to ARRC and shall recognize ARRC as its direct contracting party under the Sublease Agreement; provided, however, that ARRC may elect upon such termination of the Ground Lease to terminate the Sublease Agreement and Subtenant's right to possession of the property. Subtenant shall execute and deliver, at any time after termination of the Ground Lease and upon the request of ARRC, any instrument necessary or appropriate to evidence such attornment.

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- ARRC's non-objection is conditioned on Subtenant conforming to the terms and conditions of the Ground Lease, which terms and conditions ARRC shall enforce upon Lessee. No agreement entered by Lessee with Subtenant, including but not limited to the proposed Sublease Agreement, shall be binding upon ARRC and in no event will ARRC be liable for any obligations of Lessee under any such agreement.

- Subtenant shall indemnify, defend and hold harmless ARRC and its employees, agents and contractors from any and all claims an/or judgments for monetary damages, injunctive relief, employment liens, materialmen's liens, and costs and attorney fees, which may be asserted against ARRC in any administrative or judicial forum and which are alleged to have arisen out of Subtenant's occupancy under the Sublease Agreement, which shall include any claim for property damage, bodily injury or death, emotional or other non-physical injury, or violation of employment, environmental, or public safety laws, ordinances or codes by Subtenant or by any of its contractors or subcontractors using the premises for any activity, whether within or outside the scope of activities authorized by Lessee. The provisions contained in this paragraph shall not be given effect if the active negligence of ARRC or its employees is the sole proximate cause of any injury or damage done to the party asserting the claim.

- Subtenant shall maintain insurance in an amount satisfactory to Alaska Railroad, naming Alaska Railroad Corporation as additional insured on any insurance coverage provided to Lessee by Subtenant. Such insurance coverage shall include liability insurance protecting against liability for property damage and personal injury with respect to the subleased premises and the activities of Subtenant conducted thereon or elsewhere on ARRC property under the Sublease Agreement, including but not limited to the cultivation and wholesale sales of marijuana.

Occupants authorized by this letter are:

KUSH KINGDOM, LLC

Please have KUSH KINGDOM, LLC indicate its understanding of and commitment to adhere to the above-stated conditions by signing a copy of this letter where indicated below and returning it to the undersigned.

If you have any questions, please call me at 907.265.2325.

Sincerely,

Erin E. Ealum

Erin E. Ealum
Leasing Manager, Real Estate

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Agreement to be Bound:

By authorized signature hereto, the undersigned acknowledges the above-listed conditions are binding upon KUSH KINGDOM, LLC.

KUSH KINGDOM, LLC

Dated: 11\08\2016

By: _____

Its: member / manager

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