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LEASE AGREEMENT

FOR 7596 W. Carmel Road, Wasilla, Alaska 99623

THIS LEASE, made in Anchorage, Alaska, this 10th day of October, 2017, with the commencement date of **October 1, 2017**, between **Charles M. Pasco II**, whose business and post office address is P.O. Box 879084, Wasilla, Alaska 99687, email address: c_pasco@yahoo.com, herein referred to as **"Lessor"** and **KAD, LLC.** whose business and post office address is: 7596 W. Carmel Road, Wasilla, Alaska 99623, P.O. Box 879084, Wasilla, Alaska 99687, email address: amilee@grassfrontierfarms.com, hereinafter referred to as **"Lessee."**

WITNESSETH:

1. **Description of Property.** Lessor hereby leases to Lessee and Lessee leases from Lessor on the rent, terms, covenants and conditions as set forth herein, the Property (hereinafter referred to as the "Property") of approximately 1560 square feet of building space, plus approximately 700 square feet of parking space located at 7596 W. Carmel Road, Wasilla, Alaska, which is located on that property which has as its legal description:

   The Northwest one-quarter of the Northwest one-quarter of the Northeast one-quarter (NW1/4 NW1/4 NE1/4), Section 4, Township 16 North, Range 2 West, Seward Meridian, Palmer Recording District, Third Judicial District, State of Alaska.

2. **Business Purpose.** The Property is to be used for the purpose of a Mat Su Borough and State of Alaska approved licensed facility for a wholesale Marijuana grow operation and manufacturing of marijuana related products and for no other business or purpose, without the written consent of Lessor.

3. **Term & Rent.** The term of this lease shall be from October 1, 2017 to September 30, 2018, One Year.

October 2017 - September 2018 shall be:	$500.00.
Total Annual Base Rent Lease Payments:	$6,000.00

   Lessee covenants and agrees to pay Lessor as rental for said Property as above commencing on **Mutual Execution of this Agreement** in lawful money of the United States, without deduction or offset, in advance on the first day of each calendar month of the lease term. The rent amount shall be prorated if the lease commences on a date other than the first of the month using a 365 calendar day period. The rent shall be considered delinquent if not paid by the fifth (5th) day of each month, payable to Lessor at the address specified above or at such other place as Lessor may hereafter designate. If said rent is not paid by the fifth day of each calendar month Lessor may charge Lessee an additional Five Percent (5%) of minimum monthly rental rate as a late charge. The rent is exclusive of any sales, franchise, business, occupation or other

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taxes based on rents, and should any such taxes apply or be enacted during the term of this lease, the rent shall be increased by such amount. Lessee's failure to pay rent promptly may cause Lessor to incur unanticipated costs. The exact amounts of such costs are impractical or extremely difficult to ascertain. Such costs may include but are not limited to, processing and accounting charges and late charges that may be imposed on Lessor by any ground lease, mortgage or trust deed encumbering the property. The parties agree that such late charges represent a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Any amount owed by Lessee to Lessor, which is not paid when due shall bear interest at the rate, provided in **paragraph 40** herein from the due date of such amount. However, interest shall not be payable on late charges to be paid by Lessee under this lease. The payment of interest on such amounts shall not excuse or cure any default by Lessee under this lease.

If Lessor, for any reason whatsoever, cannot deliver possession of the Property to Lessee at the commencement of the lease term, this lease shall not be void or voidable, (unless such delay shall exceed 30 days) nor shall Lessor be liable to Lessee for any loss or damage resulting there-from, but in that event, there shall be a proportionate reduction of rent covering the period between the commencement of the lease term and the time when Lessor can deliver possession. The lease term shall be extended by such delay for an equal period.

4. **Options.** Lessee shall have Two (2) five (5) year options to extend the Lease beyond the expiration of the Initial Term. To exercise the option, Lessee must not be in default under this Lease and must deliver written notice of its exercise of such option to Lessor not less than six (6) months prior to the expiration of the then current term. If written notice of the election to extend is not given within the required time period, the option shall terminate and be null and void. In addition (1) all of the terms and conditions of this Lease including the rent rate under Section 3 above, shall be negotiated at the time of extension and shall under no circumstances have a lower rental adjustment rate than three percent (3%) per annum, and (2) no additional option to extend shall be created by Lessee's election to extend this Lease. The Initial Term and any subsequent extended term shall be collectively referred to as the "Term" in this Lease.

5. **Arbitration.** Except as to matters pertaining to the payment of minimum rent and other charges as provided in the Lease, any controversy or claim arising out of or relating to this Lease shall be resolved by mutual assent between the parties, or failing to reach mutual assent, by arbitration before a single arbitrator chosen by both parties. The arbitration shall be conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association ("AAA"), as amended and in effect at the time.

Either party who desires to submit a controversy or claim to arbitration shall notify the other party by certified mail, return receipt requested, or by facsimile. Said written notice shall identify the controversy or claim and propose a date and place for the parties to meet to agree to the person who would be acceptable as arbitrator and who has agreed to serve in that capacity. The single arbitrator's decision shall be final and binding and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Each party shall bear its own expense of arbitration, including attorney(s)' fees and costs, as well as any

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administrative fees incurred. The cost of the single arbitrator will be paid by the losing party and not by the prevailing party.

6. **Additional Rent.**

A. In addition to all other rents, payments, and charges provided for herein, Lessee agrees to pay to Lessor, as additional rental, commencing in the second year for the increase of any insurance policy and real property taxes against the Property from the first year, and any increase in gas and electric above the base line as set forth in paragraph 9 below.

B. In the event that a sales tax on rental income or an additional tax on real property and improvements is adopted by any governmental agency during the term of this Lease Agreement or any extended period hereof, Lessee agrees to pay to Lessor, as additional rental, the increased amount of said tax.

C. Any additional rental payable under the terms of this Lease Agreement shall be paid by Lessee without any deduction or set-off within ten (10) days after proper evidence thereof has been submitted by Lessor.

D. Any charges assessed against Lessee that have to be prorated shall be prorated on a 365 calendar day period.

6. **Security Deposit.** Lessee shall pay NO security deposit.

7. **Property Operating Costs:** Lessee acknowledges all of the following operating costs and expense to operate and maintain the Property are the responsibility of the Lessee. Such costs may include but not be limited to:

Gas, electric, refuse, security, telephone & internet (and installation of the same), snow removal for Lessee's parking lot, janitorial and any and all repairs and maintenance to the interior of the Property including recharging of fire extinguishers, repairs to lighting fixtures and equipment (including replacement of tubes, ballasts, and bulbs). The water and sewer is not separately metered.

Lessee shall pay for real property taxes as set forth in paragraph 8 below, and standard building insurance, and general maintenance & repair for the heating & electrical systems, roof, structure and other exterior repairs.

8. **Real Property Tax.** During the first year of the lease, Lessor shall pay the property taxes in full and is the responsibility of the Lessor. Commencing January 1, 2018, in the event there is an increase in any general or special real property taxes or assessments levied or imposed upon the Property, Lessee agrees to pay the increase in real property taxes within ten (10) days of receipt of an invoice and the documentation demonstrating the increase in real property taxes

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and the payment shall be shall be in the form of additional rents due, and shall be in excess of the Base Rent set forth above in paragraph 3.

9. **Utilities**. If and when economically feasible, Lessee shall put all separate utilities including gas, electric, telephone, internet, refuse for their spaces, a for the entire building in their name and be responsible for the payment of the same. However, until gas and electric can be separately provided to the building being leased herein, and so long as the gas and electric is connected to the Lessor's gas and electric, meters, then Lessor shall use the last year's monthly average billing to establish a "base line" of gas and electric billing. Lessor shall provide to Lessee the last year's monthly billings that establishing this average monthly base line, and Lessee shall be responsible for any increases in the monthly gas and electric expenses that exceed the base line. Lessor shall present to Lessee the monthly gas and electric billing and invoice Lessee for that monthly amount that exceeds the base line and Lessee shall pay said invoice(s) within ten (10) days of receipt of same. The monthly amounts due for increased gas and electric shall be in the form of additional rents due, and shall be in excess of the Base Rent set forth above in paragraph 3.

11. **Lessee's Renovation Obligations**. Lessee will prepare and submit to Lessor for written approval in accordance with requirements of this Lease herein, design plans and descriptions for construction of the leasehold improvements within the Property. Lessee will complete the renovation in accordance with plans and specifications as approved by Lessor. Approval for any and all improvements of Lessee shall not be unreasonably withheld by Lessor.

    Make any other improvements Lessee deems necessary. Any such improvements must first be provided to Lessor in writing for approval.

12. **Acceptance of Property**. By entry hereunder, Lessee acknowledges that it has examined the Property and accepts the same in their "as is, where is" condition. Lessee has fully investigated the condition of the Property or waived its right to do so and is fully familiar with the physical condition of the Property and every part thereof, and Lessee accepts the same "as is." Lessor made no express representations or warranties and disclaims any implied representations or warranties relating to the condition of the Property, or any part thereof, including, without limitation, the building systems, the IAQ within the building and the environmental condition of the building. Which Lessor represents the building systems are in good working condition and there is no known environmental defect. Thereafter, Lessor shall not be liable for any latent or patent defects therein.

    Lessee shall comply with all current and future federal, state, and local environmental and IAQ laws, regulations, and industry standards, including, without limitation, any restrictions on smoking in the workplace.

    The Property shall not be used for any dangerous, noxious, or offensive trade or business or for any purpose, trade or business that will adversely affect the Property;

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Lessee will take all steps necessary to prevent: inadequate ventilation, emission of chemical contaminants from indoor and/or outdoor sources, emission of biological contaminants;

Lessee will not allow any unsafe levels of chemical or biological contaminants (including volatile organic compounds) in the Property, and will take all steps necessary to prevent the release of such contaminants from adhesives (for example, upholstery, wallpaper, carpet, machinery, supplies, and cleaning agents);

Lessee will not bring, generate, treat, store, or dispose of any chemicals, materials, or other potential pollution sources without Lessor's prior consent. It is the intent of Lessee to operate a marijuana cultivating and product manufacturing facility. Notwithstanding the foregoing, the levels of any necessary chemicals, materials, or other potential pollution sources shall not exceed legal limits.

All materials used in connection with the alteration or refurbishment of the Property, including, without limitation, paint, carpet, wall, or window coverings, carpet glues, and other chemicals, shall be subject to Lessor's prior approval, which shall not be unreasonably withheld. Any such approval shall not be deemed a representation or warranty that the materials so approved are in compliance with laws or that the same do not affect Property.

Lessor shall have the right, but not the obligation, at all times during the Lease Term to inspect the Property and conduct such tests and investigations to evaluate the Property and/or the building. Lessor's entry may be made at any time either during business hours or after Lessee's business hours with forty-eight (48) hours' notice of its intent to inspect.

Lessee will cooperate with Lessor and will, at any time, allow Lessor and Lessor's representative's access to any Lessee's records with respect to the Property for environmental inspection purposes. Lessee will make available its personnel to respond to interview questions posed by Lessor, Lessor's representatives, or an environmental consultant.

Lessee shall cooperate in all respects with rules and regulations promulgated by Lessor regarding the management of Property.

13. **Use.** Lessee shall continuously conduct and carry on in said Property, during each and every business day of the term hereof, the business for which said Property are leased, and that no stock of goods will be carried, or anything done in or about the Property which will increase the present rate of insurance. The rental contained herein is predicated on, among other things, Lessor's existing insurance premiums and in the event that the Lessee's usage shall cause an increase in the insurance rate or rating, in which event, Lessee shall pay for any resulting increase. Lessee agrees that it has determined, to Lessee's satisfaction, that the Property can be used for the purpose for which they are leased. Lessee shall not commit or allow to be committed any waste upon the Property or any public or private nuisance or other act or thing which disturbs the quiet enjoyment of any other Lessees in the adjoining Property. Lessee shall not cause or permit any Hazardous Material to be generated, produced, brought upon, used,

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stored, treated or disposed of in or about the Property by Lessee, its agents, employees, contractors, sub-lessees or invitees without the prior written consent of Lessor. Lessor shall be entitled to take into account such other factors or facts as Lessor may reasonably determine to be relevant in determining whether to grant or withhold consent to Lessee's proposed activity with respect to Hazardous Material; however, in no event shall Lessor be required to consent to such proposed activity.

The term "Hazardous Materials" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "Hazardous Wastes", "Hazardous Materials", or "Toxic Substances" now or subsequently regulated under any applicable federal, state or local laws or regulations, including without limitation petroleum-based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCB's and other similar compounds, and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons. The aforementioned shall not apply to cleansing products and/or repair supplies, and other related products if used and disposed of per the manufacturer's directions.

14. **Liens and Insolvency.** Lessee shall keep the Property and building, free from any liens arising out of any work performed, materials furnished or obligations incurred by Lessee. In the event Lessee becomes insolvent, voluntary or involuntary bankrupt, or if a receiver, assignee or other liquidating officer is appointed for the business of the Lessee, then the Lessor may cancel this lease at Lessor's option.

15. **Assignment.** Lessee shall not assign this lease or any part thereof and shall not let or sublet the whole or any portion of the Property without the written consent of Lessor. This lease shall not be assignable by operation of law. If Lessee is a corporation, then any transfer of this lease from Lessee by merger, consolidation or liquidation and any change in the ownership of, or power to vote, the majority of its outstanding voting stock shall constitute an assignment for the purposes of this paragraph. If the Lessee is a partnership or other entity, a withdrawal or change, voluntary, involuntary, or by operation of law, of the partner or partners, or members owning more than sixty-six 66/100 percent (66 66/100%) of the partnership or other entity, or the dissolution of the partnership or other entity, shall be deemed a voluntary assignment. Any assignment of this lease shall not extinguish or diminish the liability of Lessee herein. If consent is once given by Lessor to the assignment of this lease, or any interest therein, Lessor shall not be barred from afterwards refusing to consent to any further assignment.

Lessee shall be permitted to assign this lease to an affiliated company of the Lessee with the following stipulations. Lessee shall submit financial reports of the affiliated company to the Lessor for approval and review. Approval by the Lessor shall not be unreasonably withheld. Lessor to advise the Lessee of their approval or disapproval within fourteen (14) days after receipt of the affiliated company's financial reports.

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16. **Access.** Lessee will allow Lessor or Lessor's agent free access at all reasonable times in and to said Property for the purpose of inspection, or of making repairs, additions or alterations to the Property or any property owned by or under the control of Lessor, but this right shall not be construed as an agreement on the part of Lessor to make any repairs. Lessor shall have the right to place and maintain "For Rent," "For Lease," or "For Sale" signs in a conspicuous place in front of the building within the last six (6) months of this Lease term if the building is full or at any time if there is a vacancy. The Lessee will promptly make good any defects for which the Lessee may be responsible hereunder within thirty (30) days after written notice thereof, or sooner if the nature of such condition or the delay in its repair would cause, or create the risk of further damages to the Property. If the Lessee refuses or neglects to commence such repairs and complete the same within said period, the Lessor may, but shall not be obligated to make or cause such repairs to be made and shall not be responsible to the Lessee for any loss or damage that may accrue to the property, profession, occupation or business of the Lessee or of any third party by reason thereof, and if the Lessor make or cause such repairs to be made, the Lessee hereby agrees to pay forthwith on demand to the Lessor as additional rent the costs thereof, plus twenty percent (20%) of such costs to cover overhead and administrative expenses, with interest at the rate described in **paragraph 41** herein calculated from the date of completion of repairs by Lessor until fully paid by Lessee.

Lessee shall allow Lessor and the agents of Lessor to enter said Property after hours without the presence of Lessee only in the event of an emergency where such emergency necessitates the safety and protection of the building by Lessor. Lessor shall make every reasonable attempt to contact Lessee or any of its authorized agents based upon an emergency contact list provided by Lessee, to be present when Lessor enters the Property after hours. Lessee agrees to hold Lessor harmless and release Lessor from any liability in such event if Lessor is unable to reach Lessee or any of its authorized agents and Lessor must enter the Property without the presence of Lessee and or its authorized agents. If Lessor enters the Property without the presence of Lessee and or its authorized agents, Lessor shall on the following business day, notify Lessee that Lessor entered Lessee's Property, the time it entered and exited the Property and the reasons for entering Lessee's Property.

No Lessee will alter, change, replace or re-key any lock or install a new lock on any door of the demised Property. Lessor, its agents or employees, will retain a pass (master) key to all door locks on the demised Property. Any new door locks required by Lessee or any change in keying of existing locks will be installed or changed by Lessor following Lessee's written request to Lessor and will be at Lessee's expense. All new locks and re-keyed locks will remain operable by Lessor's pass (master) key. Lessor will furnish Lessee, free of charge, with two (2) keys to each door lock on the demised Property. Lessor shall have the right to collect a reasonable charge for additional keys requested by Lessee. Lessee, upon termination of its tenancy, will deliver to Lessor all keys for the demised Property and building which have been furnished. Should Lessee change any locks or re-key any locks on its own and are not the keys issued or reissued by Lessor, Lessor shall have the right to collect a reasonable charge for re-keying the locks after the termination of Lessee's tenancy.

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17. **Signs.** All signs or symbols placed in the windows or doors of the Property or upon any exterior part of the building, by Lessee, shall be subject to the prior written approval of Lessor. Any signs so placed on the Building shall be so placed upon the understanding and agreement that Lessee will remove same at the termination of the tenancy herein created and repair any damage or injury to the Building caused thereby, and if not so removed by Lessee, then Lessor may have same removed at Lessee's expense. All signage must be incompliance with the Municipality of Anchorages sign ordinance.

18. **Indemnification.** Lessee shall defend and indemnify Lessor and save it harmless from and against any and all liability, damages, costs, or expenses, including attorney's fees, arising from any act, omission, or negligence of Lessee, or of the officers, contractors, licensees, agents, servants, employees, guests, invitees, or visitors of Lessee in the Property provided that the foregoing provisions shall not be construed to make Lessee responsible for loss, damage, liability or expense resulting from injuries to third parties caused by the sole negligence of Lessor, or of any officer, contractor, licensee, agent, servant, employee, guest, invitee, or visitor of Lessor.

19. **Damage or Destruction.** In the event the Property are damaged to such an extent as to render the same un-leasable in whole or in a substantial part thereof, or are destroyed, it shall be optional with Lessor to repair or rebuild the same; and after the happening of any such event, Lessee shall give Lessor or Lessor's agent immediate written notice thereof. Lessor shall have not more than thirty (30) days after the date of such notification to notify Lessee in writing of Lessor's intention to repair or rebuild said Property, or the part so damaged as aforesaid, and if Lessor elects to repair or rebuild said Property, Lessor shall prosecute the work of such repairing or rebuilding without unnecessary delay, and during such period, the rent shall be abated in the same ratio that the portion of the Property rendered for the time being unfit for occupancy shall bear to the whole of the lease Property. Lessee shall have the right to terminate lease if Property becomes un-leasable for more than sixty (60) days or if Lessor shall fail to give the notice as aforesaid, Lessee shall have the right to declare this lease terminated by written notice served upon Lessor or Lessor's agent.

20. **Liability Insurance.** Lessee agrees to carry liability insurance naming Lessor as an additional insured, in an amount not less than ONE MILLION ($1,000,000.00) for injury or death to any one person, ONE MILLION DOLLLARS ($1,000,000.00) for injury or death per any number of persons in any one accident, and ONE HUNDRED THOUSAND DOLLARS ($100,000.00)

    for property damage or destruction. Insurance binder shall be provided to the Lessor prior to Lessee taking possession.

21. **Fire Insurance**. Lessor will during said term keep all improvements now or hereafter erected on real estate insured against loss or damage by fire and any hazards, casualty, or contingency for which insurance is procurable which Lessor may be able to insure with an insurance company or companies, in the name of the Lessor in an amount equal to the full replacement

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cost of said improvements, and will pay all premiums thereon at the time and place the same are payable. Annually, Lessor shall review the amount of insurance coverage to assure the improvements are insured for the full replacement cost. Every policy shall be made payable in case of loss or damage to the parties as their interest may appear, and all compensation, indemnity or other monies paid on account of any loss or damage, other than rental value insurance, shall with all convenient speed be laid out in rebuilding, repairing, or otherwise reinstating the same improvements in a good and substantial manner according to the plan and elevation of the improvements so destroyed or damaged, or according to such modified plan as shall be previously approved by the Lessor in writing. In the event such insurance proceeds are inadequate to accomplish the foregoing, Lessor has the option to cancel the Lease by giving Lessee written notice within thirty (30) days of the casualty and Lessee will assign any interest in said insurance proceeds to the Lessor and such proceeds shall be applied by the Lessor, at its sole option, to rebuilding or repairing of loss, destruction or damage, over the reduction of any indebtedness by Lessee to Lessor, or may be retained by Lessor as payment for damages incurred to the leasehold.

22. **Insurance Rating & Certificates of Insurance**. Lessee, at its own cost and expense, shall obtain the insurance coverage's from an insurance company or companies qualified to do business in the State of Alaska and having a general policy holder's rating of not less than "A" and a financial rating of "XV" or better, as rated in the most current available "Best's Insurance Reports", and shall deposit with Lessor current certificates of insurance together with every receipt for premiums or evidence thereof. All such certificates shall state that such insurance has been endorsed to provide that such insurance cannot be modified or terminated without at least thirty (30) days' prior written notice to Lessor and any mortgagee. If Lessee shall fail to provide any insurance required by this Lease, Lessor may, at its option, procure such insurance and pay the premiums therefore and Lessee shall be obligated to repay every such premium upon demand, plus interest thereon calculated from the date of such payment by Lessor at the rate provided in **paragraph 41** of this Lease.

23. **Condemnation.** If all of the Property or such portion of any building wherein the Property may be located as may be required for the reasonable use of the Property, is taken by eminent domain, this lease shall automatically terminate as of the date Lessee is required to vacate the Property and all rentals shall be paid to that date. In case of taking of a part of the Property, or a portion of any building wherein the leased Property may be located which is not required for the reasonable use of the Property, then this lease shall continue in full force and effect and the rental shall be equitably reduced, based on the proportion by which the floor area of the Property is reduced, such rent deduction to be effective as of the date possession of such portion is delivered to the condemning authority. Lessor reserves all rights to damages to the Property for any taking by eminent domain, and Lessee hereby assigns to Lessor any right Lessee may have to such damages or award, and Lessee shall make no claim against Lessor for damages for termination of the leasehold interest or interference with Lessee's business. Lessee shall have the right, however, to claim and recover from the condemning authority compensation for any loss to which Lessee may be put for Lessee's moving expenses and for interruption of or damage to Lessee's business, provided that such damages may be claimed only if they are

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awarded separately in the eminent domain proceeding and not as a part of the damages recoverable by Lessor.

24. **Notices.** All notices to be given by the parties hereto shall be in writing and may either be served personally or email, with receipt confirmed; and if to be given Lessor, to be addressed to Lessor at the email address specified above. Notice shall be deemed to be delivered when received by the Lessor or, if to be given Lessee, may be addressed to Lessee at the Lessee's email address, receipt confirmed, specified above. Notice shall be deemed to be delivered when received by the Lessee.

25. **Default by Lessee.** If Lessee shall fail to pay any installment of rent or any additional rent or other charges as and when the same shall become due and payable, and if such default shall continue for a period of ten (10) days after payment shall be due (and within five (5) days of notification by Lessor) or if Lessee shall default in the performance of any of the other items, covenants and conditions of this lease, and if such default shall continue for a period of thirty (30) days after notice in writing specifying the matter claimed to be in default is given by Lessor to Lessee; Lessor shall have the right, at Lessor's option, to terminate this lease and the term hereof, as well as the right, title and interest of Lessee hereunder, unless (except for a default of nonpayment of rent) Lessee shall then diligently be engaged in prosecuting the work necessary to remove said cause or taking the steps necessary to remedy said default, and Lessor may re-enter the Property, using such force as may be necessary, and repossess itself thereof and remove all persons and property from the Property. If Lessor exercises its right of re-entry, Lessor may change the locks to the demised Property without having to provide Lessee with a copy of such key. Notwithstanding any such re-entry, the liability of Lessee for the full rental provided for herein shall not be extinguished for the balance of this lease, and Lessee shall make good such deficiency arising from any re-letting of the Property and reasonable attorney's fees. Lessor will also have the rights of Lessor distraint.

Each of the following events shall constitute a default:

A. Lessee's failure to make payment of any rent or other payments required of Lessee or any part thereof, if said failure shall continue for a period of ten (10) days after the payment shall be due and within five (5) days of notification by Lessor.

B. A default in the performance of any other covenant or condition on the part of Lessee for a period of thirty (30) days after being served with a notice spelling out the specific default or defaults.

C. The filing of a petition by or against Lessee for adjudication as a bankrupt, appointment of a receiver or trustee of any substantial part of the assets of Lessee or the institution of any proceeding involving Lessee under any reorganization or arrangement, insolvency, dissolution, liquidation, or other similar statutes of the federal government or any state government heretofore or hereinafter enacted.

D. The execution, attachment, or levy upon the leasehold interests or any part of the Leased Property.

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E. Lessee's desertion, vacation, abandonment, or suspension of business operation on the Leased Property for a period of five (5) or more days. Notwithstanding the Lessee may upon written notice to Lessor, suspend business activity during low season for a period of time. Such period of time shall be no longer than ten (10) days.

26. **Disposal of Lessee's Property**. In the event of a default or abandonment or otherwise, Lessor shall not take possession of or remove marijuana from the Property, and Lessor shall contact the Alcohol Marijuana Control Office (AMCO) enforcement to facilitate disposal of any left behind marijuana. For each and every case where Lessor has removed and stored Lessee's property, other than marijuana, in accordance with one or more provisions of this Lease, in the event that Lessee fails to claim said property by taking actual possession of said property and paying immediately to Lessor any and all sums due as a result of Lessee's obligations under this Lease, including all costs incurred in the removal and storage of said property, within forty-five (45) days from the date of Lessor's removal of said property from demised Property, then said property shall become immediately and indefeasibly vested in the Lessor who shall be at liberty to dispose of such property as it sees fit and Lessee covenants with Lessor that in such event it shall make no claim against Lessor in respect of said property and will pay to Lessor all costs incurred by Lessor in the removal, storage, and disposal of said property. Lessor agrees that any and all proceeds from the disposition of said property shall first be applied to removal, storage, and disposal costs incurred by Lessor, then to any outstanding balance on Lessee's account owed to Lessor, and the balance, if any, shall be the sole property of Lessor.

27. **Right to Re-let**. Should Lessor elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Lease, or it may from time to time without terminating this Lease, make such alterations and repairs as may be necessary in order to re-let the Property, and re-let said Property or a part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as Lessor in its sole discretion may deem advisable; upon each such re-letting, all rentals received by the Lessor from such re-letting shall be applied first to the payment of any indebtedness other than rent hereunder from Lessee to Lessor; second, to the payment of any costs and expenses of such re-letting, including brokerage fees and attorney's fees and costs of such alterations and repairs; third, to the payment of rent due and unpaid hereunder, and the residue, if any, shall be held by Lessor and applied to payment of future rent as the same shall become due and payable hereunder. If such rentals received from such re-letting during any month are less than that required to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor before the end of such month. Lessor shall make reasonable effort to re-let said Property at no less than current fair market rent. Termination may, but need not necessarily, be made effective by the giving of written notice to the Lessee of intention to end the term of this lease, specifying a day not earlier than five days thereafter, and upon the giving of such notice, the term of this lease and all rights, title and interest of the Lessee hereunder shall expire as fully and completely on the day so specified as if that day

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were the date herein specifically fixed for the expiration of the term. No such re-entry or taking possession of said Property by Lessor shall be construed as an election on its part to terminate this Lease unless a written notice of such intention is given to Lessee or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any such re-letting without termination, Lessor may at any time thereafter elect to terminate this Lease for such previous breach.

28. **Damages on Termination**. Should Lessor at any time terminate this Lease for any default, breach or failure of Lessee hereunder, then, in addition to any other rights or remedies available to Lessor hereunder or by law provided, Lessor may have and recover from Lessee, all damages Lessor may incur by reason of such default, breach or failure including, without limitation, court costs and reasonable attorney's fees for services in recovering possession, all costs and expenses of any re-letting including, without limitation, all costs of alterations and repairs, dividing and subdividing, of the Property in connection therewith, all brokerage commissions or other similar expenses of Lessor in connection with such re-letting, or, at the option of Lessor, Lessor may have and recover from Lessee the worth at the time of termination of this Lease, of the excess, if any, of the total minimum rental and percentage rental and other charges reserved in this Lease for the remainder of the term hereof, over the then reasonable rental value of the Property for the same period, all of which amounts, including attorney's fees of Lessor, shall be immediately due and payable by Lessee to Lessor.

29. **Lessor's Consent.** Whenever Lessor's consent is required under the terms hereof, such consent shall be in writing, and shall not unreasonably be withheld.

30. **Non-Waiver of Breach.** The failure of Lessor to insist upon strict performance of any of the covenants and agreements of this lease, or to exercise any option herein offered in any one or more instances, shall not be construed to be a waiver or relinquishment of such, or of any other covenants or agreements, but the same shall be and remain in full force and effect.

31. **Removal of Property.** In the event of any entry in or taking possession of the Property as aforesaid, Lessor shall have the right, but not the obligation to remove from the Property all personal property located therein, except for marijuana as referenced above, and may store the same in any place selected by Lessor, including but not limited to, a public warehouse, at the expense and risk of the owners thereof, with the right to sell such stored property, without, with notice to Lessee, after it has been stored for a period of thirty (30) days or more, the proceeds of such sale to be applied first to the cost of such sales, second to the payment of charges for storage, if any, and third to the payment of any other sums of money which may then be due from Lessee to Lessor under any of the terms hereof, the balance, if any, to be paid to Lessee.
Lessee hereby waives all claims for damages that may be caused by Lessor's re-entering and taking possession of the Property or removing and storing the property of Lessee as provided in this lease, and will save Lessor harmless from loss, costs or damages occasioned by Lessor thereby, and such re-entry shall not be considered or construed to be forcible entry.

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32. **Surrender Of Property.**
At the termination of this Lease, by lapse of time or otherwise, Lessee will peaceably deliver up to Lessor, possession of the demised Property. At the option of Lessor, (at Lessor's sole discretion), with reasonable notice given in writing to Lessee prior to the earlier termination or expiration of the Lease, Lessee shall either a) remove at Lessee's expense those existing alterations or improvements, made by the Lessee requested by Lessor to be removed, by whomsoever made or installed to said demised Property, flush to the wall or floor and Lessee shall make good any damage caused to the Property in the removal of said alterations or improvements, in accordance with Lessee's covenants herein contained to maintain and repair said Property or b) shall peaceably deliver up to Lessor, possession of the demised Property together with all improvements, additions, fixtures, permanently attached or otherwise, and alterations thereon, by whomsoever made or installed, and shall keep thereto, in the same condition of cleanliness, repair, sightliness, order and condition as the demised Property was in upon the commencement of business under the lease, reasonable wear and tear excepted, in accordance with Lessee's covenants herein contained to maintain and repair said Property, without disturbance, molestation or injury, and without credit to Lessee, its sub-lessees, concessionaires or licensees. If no written notice is given to Lessee, Lessee shall at the termination of the lease remove all improvements, additions, fixtures, trade or otherwise and alterations thereon, made by the Lessee.

Lessee shall surrender all keys for the demised Property to Lessor at the place then fixed for the payment of rent.

The Lessee will allow the Lessor during the last month of the term hereof, or during any holdover period, to affix to keep on said demised Property "To Let" notice, and will allow the Lessor to show the Property during Lessor's business hours to prospective Lessees with 24 hours' notice.

33. **Use of Premises**. The leased Premises shall be used for the operation of a "marijuana cultivation facility" and/or a "marijuana product manufacturing facility" as those terms are defined in AS 17.38.900; but for no other purpose without the prior written consent of the Lessee. The Lessor makes no representation as to the suitability of the location or zoning for the uses intended by Lessee and this Lease is not subject to approval of any marijuana establishment license by any regulatory entity. It is the obligation of the Lessee to confirm that its intended use is acceptable with the current zoning and location of the Property.

33a. **Disturbance**. The lawful manufacturing and sale of marijuana shall not in and of itself be considered a disturbance or nuisance; however, such activities must be conducted in a responsible manner in compliance with all regulatory laws. Lessee shall not use the Prpoerty in a manner that presents a safety or other liability risk or detracts from the neighborhood or the value of the leased Property. Lessee shall not commit or allow to be committed any waste upon the Property, or any public or private nuisance or other act or thing which disturbs the quiet enjoyment of any other Lessee or neighbor. If any of Lessee's machines or equipment disturb any or neighbor, then Lessee shall provide adequate insulation, or take such other action

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as may be necessary to eliminate the noise, odors or other disturbance, at Lessee's sole cost. Lessee shall not, without Lessor's prior written consent, use, operate or install any electrical or mechanical equipment, machinery or mechanical devices in the Property, except in compliance with the highest standards applicable to the use, operation or installation of such equipment, machinery or devices, generally recognized by the profession or industry in which Lessee is engaged, nor shall Lessee use the Property, or any machinery or equipment therein, in such a manner as to cause substantial noise or vibration or unreasonable disturbance to others. Lessee agrees that Lessee, together with all other persons entering and/or occupying the Property at Lessee's request or with Lessee's permission, will abide by, keep and observe all reasonable rules and regulations which Lessor may make from time to time for the management, safety, care and cleanliness of the Property, and the preservation of good order therein, and for the use of any parking areas adjacent to the Property. The violation of any such rules and regulations shall be deemed a material breach of the Lease by Lessee.

33b. **Legal Compliance.** Lessee warrants that the operation of its business shall be conducted in strict compliance with all applicable federal, state and local environmental, safety and other pertinent laws, rules, regulations and ordinances and that any alterations necessary to the Premises by reason of such covenants, conditions, restrictions, laws, rules, regulations and ordinances, including, without limitation, The Americans With Disabilities Act, shall be at Lessee's sole cost and expense; subject only to the exceptions stated in Section 7.D. Lessee warrants that the Lessee represents and warrants to Lessor that there is no unreasonable risk to Lessee, Lessee's visitors and others using the Premises arising from Lessee's operations. Lessee shall indemnify, defend and hold harmless Lessor from and against any claim, liability, expense, lawsuit, loss or other damage, including reasonable attorneys' fees, arising from or relating to Lessee's use of the Premises or Lessee's activities within the Project or any violations of the Americans with Disabilities Act due to the use of the Premises by Lessee, its employees, subLessees, agents, guests or invitees.

33c. **Marijuana Specific Law**. Lessee also warrants that the operation of its business shall be conducted in strict compliance with all applicable governmental laws relating to the regulation and legalization of marijuana and marijuana establishments. Lessor and Lessee recognize marijuana remains an illegal substance under the federal Controlled Substances Act and Lessee expressly agrees to indemnify, defend and hold harmless Lessor from and against any claim, liability, expense, lawsuit, loss or other damage, including reasonable attorneys' fees, arising from or relating to Lessee's use of the Premises or Lessee's activities or any violations of federal law, at Lessee's sole cost and expense. Should Lessee's use of the Premises endanger in any way the Lessor's ownership, title, or right to possess the Premises, including through official warnings to cease and desist, warnings by Lenders, or the threat of seizure, Lessor shall be entitled to terminate this Lease, in its sole discretion, effectively immediately upon notice to the Lessee. Lessor may, in its sole discretion, elect not to terminate the Lease and instead permit Lessee to remain in possession.

33d. **Change in Industry**. The Lessee recognizes that the marijuana industry is a highly regulated industry, subject to change; in the event that regulatory law requires the Property be

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altered for compliance purposes, Lessee agrees to make all Alterations at its own cost and subject to the provisions of contained above. If Lessee cannot make sufficient Alterations to the Property to achieve compliance, Lessor, in its sole discretion, may elect to terminate the Lease.

33e. **Disposition of Marijuana** The Lessor recognizes he has certain responsibilities because he is leasing to a Lessee in the marijuana industry, which is a highly regulated industry, and hereby acknowledges that the event of a default or abandonment or otherwise, Lessor shall not take possession of or remove marijuana from the Property, and Lessor shall contact the Alcohol Marijuana Control Office (AMCO) enforcement to facilitate disposal of any left behind marijuana.

34. **Heirs and Successors.** Subject to the provisions hereof pertaining to assignment and subletting, the covenants and agreements of this lease shall be binding upon the heirs, legal representatives, successors and assigns of any or all of the parties hereto.

35. **Lessor's Liability; Certain Duties.** As used in this lease the term "Lessor" means only the current owner or owners of the title to the Property at the time in question. Each Lessor is obligated to perform the obligations of Lessor under this Lease only during the time such Lessor owns such interest or title. Any Lessor who transfers its title or interest is relieved of all liability with respect to the obligations of Lessor under this lease to be performed on or after the date of transfer. However, each Lessor shall deliver to its transferee all funds that Lessee previously paid if such funds have not yet been applied under the terms of this lease.

Lessee shall give written notice of any failure by Lessor to perform any of its obligations under this lease to Lessor and to any ground lessor, mortgagee, or beneficiary under any deed of trust encumbering the property whose name and address have been furnished to Lessee in writing. Lessor shall not be in default under this lease unless Lessor (or such ground lessor, mortgagee or beneficiary) fails to cure such non-performance within thirty (30) days after receipt of Lessees notice. However, if such nonperformance reasonably requires more than thirty (30) days to cure, Lessor shall not be in default if such cure is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

Notwithstanding any term or provision herein to the contrary, the liability of Lessor for the performance of its duties and obligations under this lease is limited to Lessor's interest in the Property and the Project, and neither the Lessor nor its partners, shareholders, officers or other principals shall have any personal liability under this lease.

36. **Holdover.** If Lessee shall, with the consent of Lessor, hold over after the expiration of the term of this lease, such tenancy shall be for an indefinite period of time on a month-to-month tenancy, which tenancy may be terminated as provided by laws of the State of Alaska. During such tenancy, Lessee agrees to pay Lessor one hundred twenty five percent (125%) of the rent payable immediately prior to such expiration, unless a different rate is agreed upon, and to be

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bound by all the terms, covenants and conditions as herein specified, so far as they are applicable.

37. **Subordination.** This lease is subject and is hereby subordinated to all present and the future mortgages, deeds of trust and other encumbrances affecting the Property or the property of which said Property are a part. Lessee agrees to execute, at no expense to Lessor, any instrument, which may be deemed necessary or desirable by Lessor to further effect the subordination of this lease to any mortgage, deed of trust or encumbrance.

38. **Attornment** If Lessor's interest in the property is acquired by any ground Lessor, beneficiary under a deed of trust, mortgagee, or purchase at a foreclosure sale, Lessee shall attorn to the transferee of or successor to Lessor's interest in the property and recognize such transferee or successor as Lessor under this lease. Lessee waives the protection of any statute or rule of law, which gives or purports to give Lessee any right to terminate this lease or surrender possession of the property upon the transfer of Lessor's interest. In reciprocity, should title transfer via sale, transfer or foreclosure, as long as Lessee has continuously performed under the terms and conditions of this Leasehold, then such successor entity shall attorn to Lessee.

39. **Estoppel Certificates.** Upon Lessor's written request, Lessee shall execute, acknowledge and deliver to Lessor a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been canceled or terminated; (iii) the last date of payment of the Base Rent and other charges and the time period covered by such payment; (iv) that Lessor is not in default, under this Lease (or, if Lessor is claimed to be in default, stating why); and (v) such other representations or information with respect to Lessee or the Lease as Lessor may reasonably may require. Lessee shall deliver such statement to Lessor within ten (10) days after Lessor's request. Lessor may give any such statement by Lessee to any prospective purchaser or encumbrancer of the Property. If Lessee does not deliver such statement to Lessor within such ten (l0) day period, Lessor, and any prospective purchaser or encumbrancers, may conclusively presume and rely upon the following facts: (I) that the terms and provisions of this Lease have been changed except as otherwise represented by Lessor; (ii) that this Lease has not been canceled or terminated except as otherwise represented by Lessor; (iii) that not more than one month's Base Rent or other charges have been paid in advance; and (iv) that Lessor is ;not in default under the Lease. In such event, Lessee shall be estopped from denying the truth of such facts.

40. **Costs and Attorney's Fees.** If Lessee or Lessor shall bring any action for any relief against the other, declaratory or otherwise, arising out of this lease, including any suit by Lessor for the recovery of rent or possession of the Property, the losing party shall pay the successful party a reasonable sum for attorney's fees in such suit, and such attorney's fees shall be deemed to have accrued on the commencement of such action. In case of any breach by Lessee of its covenants herein contained, Lessor may at any time without notice, cure such breach for the account and at the expense of Lessee. Lessee will pay to Lessor within 10 days after the date of Lessor making personal delivery of statements therefore, (a) all reasonable and actual costs

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and expenses, including reasonable attorney's fees incurred or paid by Lessor, but required to be paid by Lessee under any covenant herein contained or paid or incurred by Lessor in enforcing any of the covenants and conditions of this Lease, in protecting itself against any breach thereof, in remedying any breach thereof, incurring any breach by Lessee of its covenants herein contained, in recovering possession of the demised Property or any part thereof or in collecting any delinquent rent or other charges payable hereunder by Lessee, or in connection with any litigation (other than condemnation proceedings) commenced by or against Lessee to which Lessor shall without fault be made party, and (b) a reasonable fee for reviewing and processing any request by Lessee for Lessor's consent or approval, which fee shall be a flat-rate service charge as established by the policy of Lessor, including without limitation reasonable fees of attorneys and other consultants retained by Lessor and the costs of Lessor's regular salaried staff in connection therewith, whichever is greater.

41. **Interest.** The Lessee shall pay to Lessor, on demand, interest on all sums payable by Lessee to Lessor pursuant to the provisions of this Lease, from the date due until paid, at the rate of twelve percent (12%) per annum or such higher rate as shall equal the maximum rate of interest allowed by Alaska statutes, or any statute succeeding thereto or substituted therefore; provided, however, that in no event shall the interest rate charged by Lessor exceed the maximum rate per annum allowed by applicable law for said period.

42. **Rules and Regulations by Lessor.** Lessee shall comply with all reasonable rules and regulations hereafter and from time to time adopted by Lessor for the use, safety, care and preservation of the Property.

43. **Janitorial.** Lessee is responsible for keeping the Property in a neat and clean condition including the interior and exterior of the building and all parking areas.

44. **Force Majeure.** If Lessor cannot perform any of its obligations due to events beyond Lessor's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond Lessor's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, government regulation or restriction and weather conditions.

45. **Other Miscellaneous Conditions.** Upon payment by Lessee of the rent hereinafter reserved and upon observance and performance of the covenants by Lessee herein contained, Lessee shall peaceably hold and enjoy the demised Property for said term without hindrance or interruption by Lessor or any other persons lawfully or equitably claiming by, through or under it except as herein expressly provided.

Lessee agrees to operate all of the leased Property during the entire term of this lease with due diligence and efficiency, unless prevented from doing so by causes beyond Lessee's control.

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46. **First Right of Refusal to Lease:** Lessor shall notify Lessee in the event the Lessor will move out of its occupied space. The space will be put on the market or negotiated at that time for lease with Lessee to the benefit of both parties. If an agreement is not made, the Lessee will have the right to match the exact terms and conditions (as long as they are not in default with any terms and conditions of this lease agreement) of an acceptable offer made to Lessor from a third party. Lessee shall have forty eighty (48) hours from being provided the lease offer to approve of the exact terms and conditions in writing, otherwise the "First Right of Refusal to Lease" shall terminate.

47. **Marijuana License Approval:** Upon mutual execution, Lessee shall immediately apply to the appropriate governmental bodies to attempt to qualify this Property to be licensed for the purposes of a marijuana growing operation. In the event, Lessee is unable to receive governmental approval, time allotted to obtain at Lessees discretion, then with written notice from Lessee to Lessor this Lease Agreement shall terminate. All rents paid to thirty (30) days after notice has been provided to Lessor and the security deposit shall be forfeited to the Lessor. Condition of the Property shall be returned to the original condition as accepted by Lessee on commence. Any fixtures attached to the Property shall be come the Lessors upon termination.

IN WITNESS WHEREOF, the parties hereto have executed this lease the day and year first above written.

LESSOR:	LESSEE:
Charles M. Pasco II	**KAD, LLC.**
Charles M. Pasco	By: Amilee Pasco
Its: Managing Member	Its: Managing Member

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