Alcohol & Marijuana Control Office
550 W 7th Avenue, Suite 1600
Anchorage, AK 99501
marijuana.licensing@alaska.gov
https://www.commerce.alaska.gov/web/amco
Phone: 907.269.0350

Alaska Marijuana Control Board

Cover Sheet for Marijuana Establishment Applications

What is this form?

This cover sheet **must** be completed and submitted any time a document, payment, or other marijuana establishment application item is emailed, mailed, or hand-delivered to AMCO's main office.

Items that are submitted without this page will be returned in the manner in which they were received.

Section 1 – Establishment Information

Enter information for the business seeking to be licensed, as identified on the license application.

Licensee:	H.E. Holdings, LLC	**License Number:**	12488		
License Type:	Standard Marijuana Cultivation Facility				
Doing Business As:	THIRDSTATE				
Physical Address:	200 Pheasant Farm Road				
City:	Fairbanks	**State:**	AK	**Zip Code:**	99712
Designated Licensee:	Haley Essig				
Email Address:	haley@thirdstate.co				

Section 2 – Attached Items

List all documents, payments, and other items that are being submitted along with this page.

Attached Items:	Proof of Possession: Lease Agreement

OFFICE USE ONLY					
Received Date:		Payment Submitted Y/N:		Transaction #:	

LEASE AGREEMENT

Whereas, Green Diamond Properties, LLC, an Alaska limited liability company (herein "Landlord"), is the fee simple owner of certain real property located at 200 Pheasant Farm Road, Two Rivers, in the Fairbanks North Star Borough, Alaska (the "Property"), and more particularly described on **Exhibit "A"** attached hereto and incorporated herein, and

Whereas, HE Holdings, LLC a Alaska limited liability company (herein "Tenant"), desires to lease all or a portion of the Property as hereinafter set forth and more particularly described on **Exhibit "B"**..

NOW THEREFORE, the Landlord, in consideration of the rents, covenants, agreements and conditions herein reserved, made and entered into on the part of the Tenant to be paid, performed and observed, does hereby demise and lease to the Tenant, and the Tenant does hereby rent and lease from the Landlord, for the purpose of operating an operations and administrative office for a marijuana cultivation facility, a 40 acre farm with residential and commercial Building (hereinafter "Premises") located upon the property commonly referred to as 200 Pheasant Farm Road, Two Rivers, Alaska, such Premises being more particularly described in **Exhibit "B"** attached hereto and incorporated herein, together with all rights and privileges in and about the Premises as may be necessary or convenient to Tenant's business.

TO HAVE AND TO HOLD THE SAME, together with all the tenements, hereditaments, appurtenances and easements, thereunto belonging, and upon the terms, covenants and conditions hereinafter stated.

TERMS AND RENTS

The term of this Lease shall commence on the Lease Commencement Date of July 1, 2017, and end on the Lease Termination Date of December 31, 2022, full term base rate is with monthly installments paid in advance as follows:

Time Period	Rental Rate
July 1, 2017 -December 31, 2017	$0.00 per month
January 1, 2018 – June 30, 2018	$1,000.00 per month
July 1, 2018 – December 31, 2018	$2,498.15 per month
January 1, 2019 – December 31, 2019	$35, 973.36 per year or $2,997.78 per month
January 1, 2020 – December 31, 2020	$41,968.92 per year or $3,497.31 per month
January 1, 2021 – December 31, 2021	$47,964.48 per year or $3,997.04 per month
January 1, 2022 – December 31, 2022	$53,960.04 per year or $4,496.67 per month

Additional Rent

In exchange for Landlord's build out of the facility to meet the needs of Tenant's intended use, Landlord shall receive, as additional rent 3% of the gross revenue (herein after referred to as "Additional Rent"). Pursuant to Alaska Marijuana Control Board regulations at 3 AAC 306.015(e)(i), a Landlord may enter into a binding percentage based lease agreement with a marijuana establishment without being considered a "direct or indirect financial interest" in the commercial marijuana license. This agreement seeks to comply with 3 AAC 306.015 in its entirety and it is the intent of the parties to engage in a rental agreement that is consistent with the intent of 3 AAC 306.015. Landlord shall have no right to participate in the business or engage in the operation of the business or control the business in any manner.

If necessary, Landlord shall have access to the Tenant's company books to ensure the gross revenue is being calculated according to the generally accepted accounting principles ("GAAP"). Landlord shall be paid the

Additional Rent every quarter and Landlord has the right, with Seven (7) business days' notice, to inspect the financial books of the immediate preceding quarter to ensure compliance with GAAP.

The lease is what is commonly referred to as a "Triple Net Lease." It being the intention of the parties that, once licensable build out is complete, the landlord shall not have any responsibility of any kind or nature whatsoever to maintain, repair, improve, alter or in any way incur any expense in connection with the property, and that the rent and any other payments to be made by the Tenant to or behalf of landlord under the terms hereof, are to be free and clear of any impositions, expenses or setoffs of any kind or nature whatsoever, including without limitation, any taxes, charges or expenses in connection with the ownership, maintenance, or repair and operation of the Property, all such expenses, charges and taxes to be paid by Tenant as provided herein.

Tenant shall pay for all water, gas, heat, light, power, telephone and other utilities and services supplied to the premises, together with any taxes thereon and a proportionate share of real property taxes and area maintenance expenses.

1. **Lease Term:** The Tenant shall have and hold the Premises for a term commencing on July 1, 2017 and terminating on December 31, 2022, (herein referred to as the "Termination Date") upon the terms, covenants, agreements and conditions set forth herein. Said period of time being herein referred to as the "Lease Term".

2. **Payment of Rent:** Tenant agrees to pay said Base Rent and Additional Rent (the "Rent") in lawful money of the United States in monthly installments in the amounts hereinabove specified, in advance, on the first day of the month of each calendar month during said Lease Term at the office of the Landlord or such other place as the Landlord may designate. The agreed-upon first month's Base Rent in the amount of $1,000.00 shall be paid to Landlord at Lease signing, and shall be applicable to the first full month of Rent due. Rent payments shall commence on January 1, 2018.

3. **Option to Extend Lease:** Tenant shall have three (3) options (herein the "Extension Options") to extend this Lease for three (3) additional two (2) year periods, (herein "Extension Periods"), which option must be exercised in writing by notice to Landlord not less than one hundred eighty (180) days prior to the Lease Termination Date, as said Lease Termination Date may be extended by the exercise of an Extension Option. Such renewal shall be at prevailing market rates and terms.

4. **Late Charge:** In the event Tenant should fail to pay any installment of Rent or any other monetary obligation contained herein within ten (10) days following the due date thereof, Tenant shall be required to pay (in addition to the full amount of the missed installment) a late charge of five percent (5%) of the unpaid rent. If Rent is over thirty (30) days past due, the late charge shall be doubled. All such fees shall be calculated on accrued balances.

5. **Security and Damage Deposit:** In order to secure Tenant's performance of its obligations hereunder, Tenant has delivered to Landlord a security deposit in the amount of $0.00 (the "Security Deposit"). Landlord shall hold the Security Deposit in a non-interest bearing account and Tenant shall not be entitled to any interest on the Security Deposit. Landlord shall have the unrestricted right to draw upon the Security Deposit at any time and from time to time as needed in the event of a default by Tenant under this Lease. In the event Landlord draws against such Security Deposit on one or more occasions, it shall so notify Tenant in which case Tenant shall immediately deposit with Landlord the amount necessary to make the total Security Deposit at all times equal to $0.00. Tenant expressly acknowledges and agrees that the Security Deposit is not advance Rent, and Tenant's obligations to pay Rent through the full term of this Lease shall not be reduced as a result of the delivery to Landlord of the Security Deposit.

6. **Notices:** All notices, consents, approvals, or other instruments required or permitted to be given by either party shall be in writing and shall be deemed to have been properly given if sent by registered or certified mail, return receipt requested, Federal Express, UPS, DHL, Express Mail, or by other recognized overnight courier service, postage and other charges prepaid, to the parties at the addresses set forth below or to such other address as either party may give notice pursuant to this paragraph from time to time. All notices shall be deemed received when delivered to the address specified.

To Landlord:

Green Diamond Properties, LLC
530 7th Avenue, Suite 1
Fairbanks, Alaska 99701

To Tenant:
HE Holdings, LLC
PO Box 111969
Anchorage, AK, 99511

7. **Taxes:** Tenant shall pay all taxes levied upon the premises. Tenant's Share of the ad valorem taxes and assessments which may be levied upon or assessed against the Premises, all sales taxed upon the Rent paid under this Lease, if any, and all personal property taxes that may be assessed against Tenant's personal property situated therein all of which is as defined as a Triple net lease and pursuant to Alaska Law. Such payment shall be paid by Tenant monthly with Rent. Provided, however, that any taxes or assessments which may be levied or assessed against the Premises for a period ending after the termination hereof shall be prorated between Tenant and Landlord as of such date.

Tenant may, at its option, contest in good faith and by appropriate and timely legal proceedings any such tax and assessment; provided, however, that Tenant shall indemnify and hold harmless Landlord from any loss or damage resulting from any such contest, and all expenses of same (including, without limitation, all attorneys' fees, court and other costs) shall be paid solely by Tenant.

8. **Compliance with Laws**: The Tenant shall comply with all present and future applicable Alaska laws, ordinances and regulations of public authorities now or hereafter in any manner affecting the Premises or the sidewalks adjacent thereto or any building, structures, fixtures, and improvements or the use thereof (subject to Landlord's duties to maintain the structural elements of the Property as described herein). Tenant will pay all occupational business or other taxes, or license fees or charges against the business conducted in said Premises, and against any property or persons maintained in connection therewith. The Tenant will not permit any lien to be filed against the real estate because or on account of any such fee, license, tax or other charge. The Tenant will not permit any unlawful occupation, business or trade to be conducted on the Premises or any use to be made thereof contrary to Alaska law, ordinance or regulation. The Tenant will hold the Landlord financially harmless and agrees to defend and indemnify from the consequences of any violation of such laws, ordinances and/or regulations by the Tenant or its invitees, including all costs, expenses and attorneys' fees. Tenant agrees to follow all ordinances and code by the Fairbanks North Star Borough regarding marijuana cultivation and production and agrees to remain in good standing with the Alaska Marijuana Control Board and related Enforcement Division.

9.0 Marijuana Regulatory Compliance Required

Access and Inspection. During any entry by Landlord or its agents on the premises, Landlord's agents or employees shall be over the age of 21 and shall comply with Tenant's visitor policy, show government issued ID, wear a visitor badge, remain in eye sight of a designated Tenant agent, comply with and sign

into the log in sheet and sign out when leaving the premises, as is required by the Alaska Marijuana Control Board Regulations. At no time shall Landlord have more than five persons enter the premises.

Landlord shall not take into its possession any marijuana or marijuana product and shall contact the State of Alaska AMCO prior to any access to the license premises if Tenant cannot be reached, abandons the property, or similar event.

10. Early Termination: Owner shall have the right upon Owner's sole election, upon five days prior written notice to Tenant or, if sooner, upon the effective date of any court order, to terminate this Lease in the event any of these causes ("Early Termination Causes") arise:

a. The seizure by any governmental authority seeking forfeiture of the building housing the Premises, whether or not the court proceeding has actually commenced;

b. The entry of judgment (whether final or not) that has the effect (whether by restraining order, injunction, declaration, or otherwise) of establishing the Tenant's use of the Premises or Common Areas constitutes a public or private nuisance;

c. The commencement of an action under any federal, state, or local law (ordinance) or regulation seeking remediation of the Premises or any portion of the building housing the Premises as a result of a violation by the Tenant of any mandate pertaining to environmental sensitivity or commission of waste, irrespective of Tenant's intent and course of action following its commencement;

d. A final, appealable judgment having the effect of establishing that Tenant's operation violates Owner's contractual obligations (i) pursuant to any private covenants of record restricting Owner's building housing the Premises, (ii) good faith and fair dealing to any third party, including other tenants of the building housing the Premises or occupants or owners of any other building within the Project, or (iii) pursuant to its obligations under its mortgage agreement with Owner's bank;

e. The Tenant's activities or presence in the Premises causes other tenants of the Premises representing more than 33% of the building's rentable square footage to withhold rent or vacate or threaten to vacate;

f. An event that (i) requires closure of the building for more than 180 consecutive days for remediation of materially adverse circumstances created by Tenant's use of the Premises, or for more than 210 nonconsecutive calendar days within a 360 consecutive day period, or (ii) causes Owner's insurance carrier to cancel all coverage on the building housing the Premises (the "Building") unless the Tenant procures coverage for the entire Building within five calendar days thereafter, and commences and thereafter continues to pay any premium cost in excess of the premium (pre-cancellation) paid by Owner without credit or offset against the rent reserved under this Lease. This shall not include fire and other natural calamity events, unless the source of any such event is directly related to Tenant's operation, such as a heat lamp-related fire in any cannabis cultivation site.

11. Use of Premises: The Premises shall be used by Tenant to carry out a lawful cannabis business in accordance with Alaska State Law & Fairbanks North Star Borough Ordinances and Codes for the following uses:

- Cultivation of cannabis plants
- Processing of cannabis plant parts and resins into products
- Storage of cannabis products for transport elsewhere by permit

12. Improvements: The parties acknowledge that the Premises are not currently fit for the permitted use and that the alterations listed in Attachment A will have to be implemented to render the Premises fit and that:

a. Tenant shall, at its sole expense but with the good faith and reasonable cooperation, shall assist Owner in the design and buildout of the building, secure all licenses, permits, and other approvals required to make such alterations;

b. Tenant is not entitled to reimbursement from Owner and Owner is not entitled to reimbursement for making any alterations or improvements that are unique to the operation of a Cannabis business and provide no residual value to a subsequent Tenant; and

c. Upon the request of Landlord, Tenant must remove, at its sole expense, any and all alterations that Owner designates for removal at the end of the Lease term.

13. Inspection of Premises: Owner shall have the right, at any time any portion of the Premises is occupied by Tenant's principals, agents, or contractors, including at times when the Premises is not open for business to the public, to enter the Premises for the purposes of ensuring compliance with the covenants, warranties, and representations of Tenant under this Lease. In accordance with state licensing rules, Owner must be accompanied by authorized Tenant personnel while inspecting limited access areas. Owner may photograph or video-record in any medium the activities of Tenant, subject to privacy restrictions under HIPAA and state laws and so long as such visual records are not provided to anyone with an interest in possessing Tenant's trade secrets (other than government employees).

14. Compliance with Laws: The parties acknowledge that myriad regulations and local, state, and federal laws and private persons shall govern the operation of Tenant's use and that Tenant alone will be responsible for compliance with all mandates and requirements of any nature.

15. Tenant's Duty to Comply: Tenant's foregoing obligation shall encompass (i) all state and local laws and regulations from any governmental authority with jurisdiction over Tenant's use, including but not limited to Alaska State Law and local zoning ordinances, including those specified in Section 9.0 of this Agreement; and (ii) all federal laws to the extent those laws are not inconsistent with state and local laws allowing the Tenant to use the Premises for the permitted uses specified in Section 2 above. The covenant to comply encompasses all applicable laws that become effective before and during the Lease term, as may be extended (collectively, the "Mandates"), regardless of the cost of such compliance. Tenant's inability to comply with the Mandates shall be grounds for termination of this Lease.

16. Utilities: Any excessive consumption of water or electricity shall be Tenant's sole responsibility

17. Other Extraordinary Operating Expenses: Tenant shall be fully responsible for any other extraordinary expense for building or premises operations resulting from Tenant's permitted use, including without limitation, the cost of evening security guards, supplementary janitorial services, or HVAC system service and periodic maintenance.

18. Surrender: Tenant's covenant to comply with all applicable Mandates shall apply equally to dismantling Tenant's operations at the end of the term and surrender of the Premises.

19. Disposal: Tenant hereby covenants to dispose, according to Mandates, all unused inventory, refuse, and scrap materials and thereafter to clean to commercially acceptable standards (including sterilization of impermeable surfaces, wall to wall and ceiling to floor) all floors, walls, immovable fixtures, and air ducts serving the Premises.

20. **Assignment/Subletting:** The Tenant shall not have the right, without first obtaining Landlord's prior written consent, which will not be unreasonably withheld conditioned or delayed, to assign or sublet any part or all of the Premises to any party for any mutually agreeable purpose. A change in ownership of the controlling interest of Tenant shall not constitute an assignment subject to this paragraph. Landlord, without being deemed unreasonable, may withhold its consent to any proposed assignment or subletting where the financial capacity of such assignee or subtenant is materially less than that of Tenant. Even if such consent to assignment or subletting is given by Landlord, such assignment or subletting shall not relieve Tenant of its liability for the continued performance of all terms, covenants and conditions of this Lease, including without limitation the payment of all Rent and other charges thereunder. Likewise, as a condition of any such assignment by Tenant, the assignee shall be required to execute and deliver to Landlord, upon the effective date of such assignment, an agreement, in recordable form, whereby such assignee assumes and agrees to discharge all obligations of Tenant under this Lease.

In the event of the subletting or assignment of this Lease, any monetary consideration obtained from an assignee or transferee upon such subletting or assignment shall be paid directly to the Landlord from any sub-lease or assignee. In the event of the subletting or assignment of this Lease, if Tenant derives funds or rental income greater than what it is paying to Landlord under this Lease, the Rent provided for herein shall be increased to include that amount received by Tenant from sub-tenant or assignee of this Lease.

Prior to any assignment allowed hereunder, Tenant shall deliver to Landlord (i) a copy of the assignment documents (including copies of any recorded documents), and (ii) the name, address and telephone number of such assignee and a designated contact person for such assignee, and (iii) a new insurance policy and binder complying with the terms of this Lease and naming such assignee as the tenant of the Premises. Tenant shall not be released from its obligations under this Lease unless specifically released by virtue of a separate written instrument executed by Landlord, indicating Landlord's acceptance to such assignee's credit worthiness, not to be unreasonably withheld.

The Landlord shall have the right without limitation to sell, convey, transfer or assign its interest in the Premises or its interest in this Lease, and upon such conveyance being completed all obligations of Landlord under this Lease accruing thereafter shall cease, but such covenants and obligations shall run with the land and shall be binding upon the subsequent Landlord or owners of the Premises or of this Lease.

21. **Indemnification:** All personal property on said Premises shall be at the risk of Tenant. Landlord or Landlord's agents shall not be liable for any damage, either to person or property, sustained by Tenant or others caused by any defects now in said Premises or hereafter occurring therein, or any part of appurtenance thereof becoming out of repair, or caused by the bursting or leaking of water, gas, sewer, or steam pipes, or from any act or neglect of employees, co-tenants or other occupants of said Premises, or any other persons, or due to the happening of any accident from whatsoever cause in and about said Premises.

Tenant will keep all drainage pipes solely serving the Premises free and open and will protect water, heating, and other pipes solely serving the Premises so that they will not freeze or become clogged, and shall defects and repair all damages to same caused by reason of Tenant's failure to protect and keep free, open and unfrozen any of the pipes and plumbing solely serving the Premises, by and reason circumstance or event.

22. **Abatement of Rent:** If the Premises shall be damaged by fire, the elements, casualty, war, insurrection, riot, public disaster, public disorder, or any cause or happening other than as set forth in Paragraph 10 herein about, to the extent of not more than 33⅓% of the floor area thereof and is still tenantable; then and in that event, the Landlord shall forthwith, and as quickly as circumstances will permit, proceed to repair or restore the Premises to the condition it was in immediately before such damage or destruction occurred. In the meantime and until said Premises are repaired and put in good and tenable

order, the Rents herein provided for, or a fair and just proportion thereof according to nature and extent of the damage sustained, shall, until said Premises shall have been restored to substantially the same condition as before such damage or destruction occurred, be suspended and cease, and if the Tenant shall have paid Rent in advance, Landlord shall immediately pay to Tenant an amount equal to that portion of the Rent so paid in advance, payment of which is suspended.

It is further mutually agreed that if at any time during the Lease Term the Premises are damaged or destroyed by any of the above mentioned cases to an extent greater than 33⅓% of the floor area thereof, or if the Premises becomes untenantable, then either party may, at its option, terminate this Lease, the parties agreeing to give notice of termination in writing to the other not later than ten (10) days after such damage or destruction. If neither of the parties' desires to terminate this Lease, then the Landlord shall repair or rebuild the Premises except for damages set forth in Paragraph 10 herein, and it shall be done in the same manner and the Rent herein provided for shall be abated or modified as provided for in the preceding paragraph. If either of the parties elects to terminate this Lease, and if the Tenant shall have paid Rent in advance, the Landlord shall immediately pay to the Tenant the amount of such Rent applicable to the period subsequent to such termination.

23. **Fire and Extended Coverage Insurance:** Tenant shall cause the Property to be adequately insured with a policy of fire and extended coverage insurance or "all risk" insurance, to the extent of the full replacement cost thereof, with a reasonable deductible amount, which deductible amount shall not exceed 10% of the face amount of such insurance coverage. The Premises and the contents thereof will be covered by such insurance policy. Tenant shall pay the full premium for said insurance and provide proof of same to landlord together with the other operating expenses due hereunder on a monthly basis.

24. **Insurance by Tenant:** Tenant must, at Tenant's expense, obtain and maintain during the Lease Term the following insurance in form satisfactory to Landlord: (a) Public liability insurance with minimum limits of $1,000,000 for injuries to one person arising out of single incident and $1,000,000 for injuries to more than one person arising out of single incident, and $500,000 for property damage; (b) comprehensive general liability insurance, including products and completed operations, with minimum limits of $1,000,000 for injury to one person arising out of a single incident and $1,000,000 for injuries to more than one person arising out of a single incident, and $500,000 for property damage; and (c) casualty insurance on the tenant improvements for loss or damage by fire, windstorm, hail, water and such other causes as Landlord specifies within the class of causes commonly referred to as "extended coverages." Casualty insurance must be maintained in an amount sufficient to prevent any party from being a co-insurer on any part of the risk, but the amount must not be less than the full replacement value.

The following provision applies to casualty insurance required by (c) above: In the event of a casualty for which insurance proceeds are available and the Lease is not terminated in connection therewith, the amount paid by the insurer must be used by Tenant for restoration and repair of the Premises in its entirety. If the proceeds are insufficient to pay the cost of restoration and repair, Tenant must pay the shortfall. If the proceeds exceed the cost of restoration and repair, Tenant will be entitled to the surplus.

Tenant shall at all times keep the above described policies of insurance in full force and effect, such policies to be written by the insurance company authorized to do business in the State of Alaska, which policies shall provide that the same may not be modified or terminated except upon at least 30 days prior written notice to Landlord, and with Landlords consent. Tenant shall, at all times, keep on deposit with Landlord appropriate certificates of insurance evidencing the continued existence of such insurance coverages. Landlord shall be named as an additional insured pursuant to such insurance policies, as its interests appear.

25. **Condemnation**: If the Premises shall be taken by or pursuant to governmental authority or through exercise of the powers of eminent domain or under threat of condemnation, either totally or such part as renders the remainder inadequate and unsuitable for the purposes described herein, this Lease shall terminate as of the date of the order of taking or on the date of the closing of any contract and delivery of

the deed therewith by Landlord in lieu of a taking. If only part of the Premises is so taken and the remainder is adequate and suitable, for Tenant's continued use hereunder, this Lease shall continue in force except that Rent shall be proportionately reduced to reflect any loss in useable square footage of the Premises. In such event, Landlord shall bear the reasonable expense of restoration necessary to make the Premises adequate and suitable, using reasonable efforts to restore the Premise in a condition similar to the condition of the Premises prior to the taking, but Landlord shall not be obligated to expend more than the amount received by Landlord as compensation, damages or awards for the taking of the portion of the Premises affected by the taking.

Landlord shall be entitled to receive all compensation, damages or awards for the taking, except that Tenant may receive such amount as may be awarded or payable for the taking of Tenant's equipment and for Tenant's business damages, and except that any compensation or awards for the taking of a fixture installed by Tenant at Tenant's expense, which constitutes an improvement to the real estate, shall be pro-rated between Landlord and Tenant, so that Tenant receives the percentage that the remaining portion of the Lease term bears to the remaining useful life of the fixture. If the fixture is to be restored, as provided above, both Landlord's and Tenant's shares shall be applied to the cost thereof.

26. **Landlord's Remedies:** No right or remedy herein conferred upon or reserved to the Landlord is intended to be exclusive of any other right or remedy herein or by law provided, but each shall be cumulative and in addition to every other right or remedy give herein or now or hereafter existing at law or inequity or by statute.

27. **Fees and Expenses:** If the Tenant shall default in the performance of any covenant on its part to be performed by virtue of any provision of this Lease, the Landlord may immediately, or at any time thereafter, without notice, perform the same for the account and at the expense of the Tenant. If the Landlord at any time is compelled to pay, or elects to pay, any sum of money, or do any act which will require the payment of any sum of money, by reason of the failure of the Tenant to comply with any provision hereof; or, if the Landlord is compelled to incur any expenses including reasonable counsel fees in instituting, prosecuting and/or defending any action of proceeding instituted by reason of any default by the Tenant hereunder, the sum or sums so paid by the Landlord with all interest, penalties, costs and damages shall be deemed to be additional Rent and shall be due from the Tenant to the Landlord on the first day of the month following the incurring of such respective expenses.

28. **Quiet Enjoyment:** Provided the Tenant performs all its covenants, agreements and obligations hereunder, the Tenant shall have the peaceful and quiet enjoyment of the Premises without obstruction or hindrance on the part of the Landlord and the Landlord will warrant and defend the Tenant in the peaceful and quiet enjoyment of the Premises against the claims of the persons claiming by, through or under the Landlord.

29. **Mechanic's Liens:** The Tenant will not permit any mechanic's, laborer's, materialmen's or other liens to stand against the Premises for any labor or materials furnished to the Tenant or claimed to have been furnished to the Tenant in connection with work of any character performed or claimed to have been performed on said Premises by or at the direction or sufferance of the Tenant or any person claiming under the Tenant, whether such work was performed or materials furnished prior to or subsequent to the commencement of the term of said Lease. The Tenant may, however, contest the validity of any such lien or claim, provided the Tenant shall give reasonable security to the Landlord as may be demanded by the Landlord to insure payment and to prevent any sale, foreclosure or forfeiture of the Premises by reasons of such nonpayment. Upon a final determination of the validity of any such lien, or claim, the Tenant shall immediately pay any judgment or decree rendered with all proper costs and charges and shall cause any such lien to be released of record without cost to the Landlord.

30. **Fixtures:** All machinery and equipment installed in the Premises at Tenant's expense, regardless of the manner of attachment to the real property, shall be and remain personal property and the property of the Tenant removable by it at its option at the expiration or sooner termination of this Lease. The Tenant shall, however, repair any damage caused directly or indirectly by said removal or by the manner in which said property is affixed to the real property. It is understood that masonry partitions, heating ducts, sprinkler systems, stairways, balconies and similar structures attached to the realty and floor coverings glued or cemented to the floor, shall not be removable, but shall become the property of the Landlord on the expiration or termination of this Lease. But in respect to all other improvements mentioned in this paragraph, the Tenant shall have the right and option to move any or all of them if it restores the Premises to its original condition insofar as the removal affects the Premises. In the event the Premises are vacated with fixtures, equipment or personal property in place, the Landlord at its option, shall become the sole owner of said fixtures and personal property and equipment.

31. **Signs:** The Tenant shall have the right to install or place signs, with prior written approval of the Landlord and in compliance with all applicable ordinances and laws, and shall remove said signs at the termination of this Lease and shall repair any damage caused by such installation and removal.

32. **Repairs, Alterations and Build Out of Premises:**

(a) The Tenant shall, during the Lease Term, take good care of the Premises and shall make all repairs to the same made necessary by reason of its use thereof; or by reason of the Tenant's negligence or willful act. The Landlord shall make all reasonably required structural repairs to the building, including repairs to the roof, and Major Repairs (any repair over $5,000, per occurrence) to the HVAC System, and all reasonably required repairs to the electrical and plumbing systems, unless such repairs are required by reason of the negligence or wrongful act by the Tenant; and shall make all repairs and replacements made necessary because of faulty construction or installation. The Tenant shall also maintain and repair in good condition the parking areas, entries and all other common areas or common facilities in the Property (the "Common Areas"). The Tenant may not wholly or partially demolish any building or improvement on the Premises. At the expiration or termination of this Lease or any extension thereof, the Tenant shall leave the Premises in the same condition as received, reasonable wear and tear. excepted.

(b) Notwithstanding anything herein to the contrary, Landlord shall make substantial improvements to the property to create a "turn-key" cultivation facility for the intended use of Tenant. Said improvements shall consist, in detail, of a good faith agreed upon buildout plan. In general, Landlord shall provide the heating, cooling, ventilation, and humidity controlling devices sufficient for the cultivation facility, build out rooms for flower and/or mother rooms, and vegetative state rooms, upgrades to electricity system, security system, installation of cameras, grow lights for bloom, veg, and mother rooms/cycles, C02 system and monitoring mechanism, buildout of storage area for product, quarantine area, office area and secured storage area, and buildout of greenhouse on the property and related camera and security systems. Landlord shall complete the buildout on or before October 1, 2017.

(c) The Tenant shall not make any alterations, improvements or additions to the exterior of the Premises without written consent of the Landlord, and will not make any substantial alteration (i.e. costing in excess $5,000.00) without the written consent of the Landlord, but the Tenant may, without consulting the Landlord, erect and remove non-affixed partitions, bins, and other storage facilities, machinery installations and other facilities for the operation of its business. Unless otherwise agreed in writing, all such alterations, improvements and installations made by the Tenant shall be at Tenant's sole cost and expense. The work shall be done in a good and workmanlike manner and in conformity with the building laws and regulations of the municipality, county and state. Tenant will secure permits for such work when permits are required. At the expiration or sooner termination of any extension or renewal of this Lease, all such improvements,

additions and alterations by the Tenant shall become the property of the Landlord and the Tenant shall not be required to restore the Premises to their original condition.

33. **Tenant's Default or Bankruptcy:**

(a) If the Tenant at any time during the terms of this Lease and shall (1) fail to make payment of any installation of Rent or of any other sum herein specified to be paid by the Tenant, or (2) fail to observe or perform any of the Tenant's other covenants, agreements or obligations hereunder and if any such default shall not be cured as to (1), within five (5) days after such failure to make payment, or as to (2) within ten (10) days after the Landlord shall have given to the Tenant written notice specifying such default (or such longer period as is reasonably required provided Tenant commences such cure within the ten (10) day period and diligently performs same until completed), then in any such event the Landlord shall have the right at its election, then or at any time thereafter while such default or defaults shall continue, to give the Tenant notice of Landlord's intention to terminate this Lease and all Tenant's rights hereunder, on a date specified in such notice, which date shall not be less than ten (10) days after the date of giving of such notice, and on the date specified in such notice, the terms of this Lease and all rights granted Tenant hereunder, shall come to an end, as fully as if such date were the last date of the whole term hereinabove specified, and the Tenant hereby covenants peaceably and quietly to yield up and surrender to the Landlord the Premises and to execute and deliver to Landlord such instrument or instruments as shall be required by Landlord, as will properly evidence termination of Tenant's rights hereunder or its interest therein. In the event of termination of this Lease as in this paragraph above provided, the Landlord shall have the right to repossess the Premises, either without process of law or through any form of suit or proceeding, as well as the right to sue for and recover all Rents and other sums accrued up to the time of such termination, including damages arising out of any breach on the part of the Tenant. The Landlord shall, however, have the right also at its option to take possession of the Premises and hold Tenant responsible for the Rents accruing to the end of this Lease or any extension or renewal thereof crediting the Tenant with such amounts as Landlord may be able to collect from the re-letting of the Premises, together with any costs, expenses, attorney's fees and damages sustained by Landlord by reason of Tenant's default as hereinabove provided, and concurred re-letting assignment or subletting or efforts to re-let the Premises. For the purpose of subdivision (2) of this paragraph, no default on the part of the Tenant in the performance of work required to be performed or acts to be done or conditions to be modified shall be deemed to exist if steps shall have in good faith been commenced promptly by the Tenant to rectify the same and shall be prosecuted to completion with diligence and continuity.

(b) Nothing in this paragraph shall be construed to limit the right of the Landlord to prove its claim in such bankruptcy or receivership for installments of Rent due and unpaid at the time of such bankruptcy or receivership regardless of whether the Landlord elects to terminate this Lease as hereinabove provided. If a petition declaring Tenant bankrupt is filed, whether voluntarily by Tenant or involuntarily by others, Landlord may seek relief from the automatic stay imposed by the Bankruptcy Court for the purpose of terminating the Lease.

34. **Subrogation Waiver:** Landlord and Tenant agree that, in the event of loss due to any of the perils for which they have agreed to provide insurance, each party shall look solely to its insurance for recovery. Landlord and Tenant hereby grant to each other, on behalf of any insurer providing insurance to either of them with respect to the Premises, a waiver of any right of subrogation which any insurer of one party might acquire against the other by virtue of payment of any loss under this insurance (except for the negligence or willful misconduct of Landlord).

35. **Modification of Lease; Waiver:** This Lease shall not be modified or discharged except by written agreement signed by the parties hereto. No waiver by the Landlord of any breach by the Tenant of any of its obligations, agreements or covenants hereunder shall be deemed to be a waiver of any subsequent

breach of the same or of any other covenant, agreement of obligation nor shall any forbearance by the Landlord to seek a remedy for any breach by the Tenant be deemed a waiver by the Landlord of its rights and remedies with respect to such breach or any subsequent breach.

36. **Landlord's Lien for Rent:** the Landlord shall have a lien for such rent upon the property of the Tenant found upon or off the Premises, including upon all property of the Tenant, its sub lessees and assigns usually kept on the premises. This lien shall be superior to any lien acquired subsequent to the bringing of the property on the Premises.

37. **Hazardous Materials:** Tenant shall have no duty or obligation in regard to the condition of the Premises prior to its occupancy. Subject to the remaining provisions of this paragraph, Tenant shall be responsible for and agrees that usage and storage of hazardous materials within the Premises during the Term of this Lease is in full compliance with all applicable local, state and federal statutes, orders, ordinances, rules and regulations (as interpreted by judicial and administrative decisions). Landlord shall have the right at all times during the term of this Lease to (i) inspect the Premises, and (ii) conduct tests and investigations to determine whether Tenant is in compliance with the provisions of this paragraph. The cost of such inspections, tests and investigations shall be borne by Tenant, if Landlord reasonably believes there are Hazardous Materials unlawfully on the Premises. Tenant covenants to investigate, clean up and otherwise remedy any spill, release or discharge of Hazardous Materials caused by the acts or omissions of Tenant, or its agents, employees, representatives, invitees, licensees, subtenants, customers or contractors at Tenant's cost and expense. Tenant shall immediately notify Landlord as to any spill, release or discharge of Hazardous Materials upon the Premises whether caused by Tenant, its agents, employees, representatives, invitees, licensees, subtenants, customers or contractors, or by third parties. Tenant's investigations, clean up and remediation shall be performed after Tenant has obtained Landlord's written consent, which shall not be unreasonably withheld; provided, however that Tenant shall be entitled to respond immediately to any emergency without first obtaining Landlord's written consent.

Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims, judgments, damages, penalties, fines, liabilities, losses, suits, administrative proceedings and costs (including, but not limited to, attorneys' and consultants fees) arising from or related to the use, presence, transportation, storage, disposal, spill, release or discharge of Hazardous Materials on or about the Premises caused by the acts or omissions of Tenant, its agents, employees, representatives, invitees, licensees, subtenants, customers or contractors. Tenant shall not be entitled to install any tanks under, on or about the Premises for the storage of Hazardous Materials without the express written consent of Landlord, which may be given or withheld in Landlord's sole express written discretion. As used herein, the term "Hazardous Materials" shall mean (i) any hazardous or toxic wastes, materials or substances, and other pollutants or contaminates, which are or become regulated by all applicable local, state and federal laws, including but not limited to 42 U.S.C.6901 et seq., 42 U.S.C.9601 et seq.; (ii) petroleum; (iii) asbestos; (iv) polychlorinated biphenyls; and (v) radioactive materials. In the event the Property is found to contain mold or hazardous materials which presents or could present a health risk to persons within the Premises, and such condition was not caused by the acts or omissions of Tenant, or its agents, employees, representatives, invitees, licensees, subtenants, customers or contractors, and Landlord fails to fully remediate and cure such condition within thirty (30) days of receipt of notice of same from Tenant then Tenant may terminate this Lease by notice to Landlord and be relieved of all further obligations hereunder. The provisions of this paragraph shall survive the termination of this Lease.

38. **Shared Utilities Service / Maintenance:** Tenant shall be responsible for ensuring that all utilities for the Premises are separately metered to the account of Tenant and paid for by Tenant, including but not limited to electric service, gas, data communications services, telephone, water, sewer and waste removal service. Tenant shall also be responsible for janitorial service, clearing the parking areas and lawn care.

39. **Right of Entry.** Landlord may enter the premises at all reasonable times for purposes of inspection, to make emergency repairs, and to exhibit the Premises to prospective lenders, purchasers, and tenants. Landlord shall give Tenant twenty four (24) hours notice of its intent to enter the Premises (except in the event of an emergency). Landlord shall comply with the restrictions relating to the Alaska Marijuana Control Board regulations, such as compliance with age of persons entering the facility, compliance with the Visitor Log policy, and staying within eyesight of Tenant's agents.

40. **Brokerage Commissions:** Each of Tenant and Landlord hereby represents and warrants that it has not dealt or consulted with any real estate broker or agent in connection with this Lease other than those real estate brokers and agents specifically identified in the Agency Disclosure Statement attached hereto as **Exhibit "D"** and incorporated herein. Tenant and Landlord agree to indemnify and hold the other harmless from and against any liability or expense occasioned by a breach of the foregoing representation.

41. **Landlord's Liability:** The term "Landlord" as used in this Lease means the owner from time to time of the Premises. Neither the Landlord nor any partner, shareholder or beneficiary thereof shall have any personal liability with respect to any of the provisions of this Lease and if Landlord is in default with respect to its obligations hereunder Tenant shall look solely to the equity of Landlord in the Premises.

42. **Headings:** The headings herein contained are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of intent of this Lease nor in any way affect the terms and provisions hereof.

43. **Attorneys' Fees:** In any dispute or litigation regarding the interpretation or enforcement of this Lease and any addendum or amendment hereto, the prevailing party in any such dispute or litigation shall be entitled to recover its reasonable attorneys' fees and costs from the non-prevailing party.

44. **Complete Agreement:** This agreement supersedes and revokes any and all prior written agreements between the parties relating to the Premises, and all oral agreements between the parties relating to the Premises are hereby merged into this Lease; and no amendment, modification or variation of this Lease or of any terms or provisions of this Lease, shall be effectual, binding or valid unless the same is reduced to writing and signed by both parties.

[This Page 12 purposely blank below this line; Signatures are on Page 13]

SIGNATURE PAGE TO LEASE AGREEMENT

IN WITNESS WHEREOF, the parties hereto have set their hands on the dates hereinafter noted, as of the date set forth on page one hereof.

"LANDLORD"

Green Diamond Properties, LLC, an Alaska limited liability company

By:_____
Print: WILLIAM ST PIERRE

"TENANT"

HE Holdings, LLC, an Alaska limited liability company

By:_____
Print: Haley Essig
As its: Managing Member

Exhibit "A"

The "Property"

200 Pheasant Farm Road
Two Rivers, AK

Tract A White Fireweed Subdivision

Initialed and Approved:

WFS HE

Landlord **Tenant**

Exhibit "B"

The "Premises"

Entire 40 acre plot

Initialed and Approved:

WFS	HE
Landlord	**Tenant**

Exhibit "D"

Agency Disclosure Statement

No Broker used by either Landlord or Tenant.

Initialed and Approved:

WFS	HE
Landlord	**Tenant**