COMMERCIAL LEASE

DATED: 29 day of September, 2017.

LANDLORD: RAILROAD INVESTMENTS, INC
P. O. Box 201667
Anchorage, Alaska 99520

TENANT: GREEN SLEEVES GENETICS, LLC
1301 Nichols Street
Anchorage, Alaska 99508

1. Lease of Premises:

In consideration of the covenants and agreements herein contained, Landlord does hereby lease, let and demise unto Tenant for a term of three (3) years the real property described as:

> *1700 North Post Road, Anchorage, Alaska 99501*
>
> A plot of real property totaling 12,489 square feet and an attached warehouse with 3185 square feet and two (2) connexes.

Tenant accepts the property in its "as is" condition. The connexes may not be moved because they protect a septic system. Together with the completed building and an area of adequate size per zoning rules for parking (hereinafter all of the above is refereed to as the "premises").

This premises is subject to a master lease between the Alaska Railroad and Railroad Investments, Inc., in which lease payments and real estate taxes will be paid by the Landlord.

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2. Possession:

Tenant shall be entitled to possession of the premises as of ~~August 1, 2017~~. Oct 1, 2017 J.A.

3. Basic Term:

The term of the Lease shall be three (3) years. At the end of three (3) years, the Tenant may renew the lease for an additional twelve (12) months with a five (5) percent rate increase at renewal. Thereafter, for a final time, the Tenant may renew the lease for an additional twelve (12) months with an additional five (5) percent rate increase at renewal. If a second renewal is exercised, at its expiration, Tenant has the option to purchase the sublease from the Alaska Railroad for an amount to be agreed upon with the Landlord. The Tenant agrees to bear all costs associated with such purchase. The Tenant will not acquire the option to purchase the sublease unless completing the three (3) year term of the lease, ~~followed by two (2) subsequent, completed renewal periods of one (1) year each for a total period of time of five (5) years from the date this lease is signed,~~ Purchase price to be $300,000.00 J.A. J.A.

Provided the tenant is current on his lease payments, the Landlord grants him the first right to purchase this property. ~~If the Landlord receives any offers to purchase, the Landlord shall notify the Tenant and the Tenant shall have~~

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~~fifteen days (15 days) to match the offer or the Landlord can accept the offer from the third party.~~

4. Rent and Security Deposit:

Tenant shall pay to Landlord basic monthly rent of **THREE THOUSAND FIVE HUNDRED AND THREE DOLLARS AND FIFTY CENTS ($3,503.50)**. There shall also be a security deposit of One month's rent ($) in addition to the first month's rent.

5. Utilities:

The Tenant will pay for all utilities at the property including gas, electric, water, and snow removal. Tenant will be responsible for any and all increases to utilities during the term of this agreement including, any subsequent renewals of this agreement.

Landlord shall not be liable for any loss or damage caused by or resulting from any variation, interruption or failure of utilities or services, arising from any cause, condition or event beyond the reasonable control of Landlord, and the same shall not be deemed an eviction of Tenant or relieve Tenant from any obligation hereunder.

6. Payment of Rent:

Basic monthly rent shall be payable on or before the first (1st) day of each calendar month during the term hereof, at

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Landlord's address shown above or such other address designated in writing by Landlord. Tenant shall pay any additional rent payable to Landlord within ten (10) days after receipt of Landlord's statement setting forth the amount of additional rent payable.

7. Use:

Tenant will use and occupy the premises for marijuana production and manufacturing. Tenant will not in any manner deface or injure the building situated on the demised premises or any portion thereof, or permit anything to be done upon the premises creating a nuisance, or to use or permit the use of the premises for lodging or sleeping purposes, or for any illegal purpose.

8. Repairs and Improvements:

Tenant hereby agrees to maintain and keep the premises during the term of this Lease, at Tenant's own cost and expense, in good order and repair; reasonable wear and tear excepted. At the beginning of this lease, tenant will upgrade electric, insulation, HVAC and security, and landscaping and pavement. Before work, plans must be approved by the landlord. All improvement remains the property of the landlord at the termination of this lease. All improvements must be performed by a licensed contractor.

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Tenant agrees to submit any and all proposed improvements or modifications to the building or property in writing to the Landlord for approval prior to engaging in any work. Work may not commence absent Landlord's approval.

Tenant agrees to obtain all necessary permitting required by the Municipality of Anchorage for any and all improvements or modifications to the building or property.

9. Landlord's Right of Entry:

It shall be lawful for Landlord, its agents and representatives, at any reasonable time, upon five days written notice, to enter into or upon the premises for the purpose of examining the condition thereof, or any other lawful purpose.

10. Liens:

Tenant will not permit any mechanics', laborers' or materialmens' liens to stand against the leased premises or improvements for any labor or materials furnished to Tenant or claimed to have been furnished to Tenant, or to Tenant's agents, contractors, or sub-lessees, in connection with work of any character performed or claimed to have been performed on said premises or improvement by or at the direction of sufferance of Tenant; such reasonable security as may be demanded by Landlord to insure payment of such lien or such claim of lien. Tenant will pay any judgment rendered with all proper costs and charges

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and shall have such lien released or judgment satisfied at Tenant's own expense. Tenant agrees to indemnify, hold harmless and to defend landlord and the leased premises from such liens. Tenant consents to the Landlord's recording of the posting of a statutory notice of non-responsibility in accordance with *Alaska Statute 34.35.065*.

11. Insurance:

Tenant further agrees at all times during the term hereof, to maintain, keep in effect, furnish and deliver to Landlord, liability insurance policies and fire insurance policies with extended coverage endorsement, in form and with an insurer satisfactory to landlord, insuring both Landlord, Tenant and the Alaska Railroad. The amount of said fire insurance shall be for the full replacement value of the premises. The amount of said liability insurance shall be not less than **TWO MILLION DOLLARS ($2,000,000)** for injuries arising out of one accident, and **FOUR MILLION DOLLARS ($4,000,000)** for property damage. The building shall be insured for a minimum of **THREE HUNDRED THOUSAND DOLLARS ($300,000.00)**. All policies shall provide for not less than ten days written notice to Landlord prior to cancellation.

12. Current Condition

Tenant takes the property "where is, as is" with all fault.

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13. Damage by Casualty, Fire & Duty to Repair:

In the event of damage to the building or buildings on the premises by fire or other casualty to the extent of 50 percent or more of the sound value thereof, Tenant may or may not elect to terminate this Lease. Written notice of Tenant's said election shall be given Landlord within 30 days after the occurrence of said damage. If said notice is not so given, Tenant conclusively shall be deemed to have elected not to terminate. If said building or buildings are partially destroyed and the damage so occasioned shall not amount to the extent indicated above, or if greater than such extent and tenant does not elect to terminate, as aforesaid, then Tenant shall repair such building or buildings as soon as reasonably possible. For the period of time between the day of such damage and until such repairs have been substantially completed there shall be such abatement of rent as the nature of the injury or damage and its interference with the occupancy of the premises by Tenant shall warrant. However, if the premises are slightly injured and the damage so occasioned shall not cause any material interference with the occupation of the premises by Tenant, then there shall be no abatement of rent.

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14. Waiver of Subrogation Rights:

Neither party shall be liable to the other for loss arising out of damage to or destruction of the premises, or any building or improvement of which the premises are a part or with which they are connected, or the contents thereof, when such loss is caused by any of the perils which are or could be included within or insured against by a standard form of fire insurance with extended coverage. All such claims for any and all loss, however caused hereby are waived. Said absence of liability shall exist whether or not the damage or destruction is caused by the negligence of either Landlord or Tenant or by any of their respective agents, servants, or employees.

15. Accidents to Personal Property:

It is understood that the personal property kept on the premises by Tenant shall be kept at the risk of Tenant and Landlord is not insurer of Tenant's personal property. However, Landlord shall be responsible for any damage to Tenant's property caused by negligence of Landlord. Tenant shall insure within the premises, its fixtures and contents against fire and other casualty, included in standard extended coverage by policies which shall include a waiver by the insurer of all right of subrogation against Landlord or Tenant in connection with any loss or damage thereby insured against. Neither party,

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nor its agents, employees or guests shall be liable to the other for loss or damage caused by any risk covered by such insurance.

16. Indemnification:

Tenant shall defend and indemnify Landlord 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 Tenant or the officers, contractors, licensees, agents, servants, employees, guests, invitees, or visitors of Tenant in or about the premises, or arising from any accident, injury, or damage, howsoever and by whomsoever caused, to any person or property, occurring in or about the premises and which is due to the negligence of Tenant or its agents. Landlord shall similarly indemnify and defend and hold harmless Tenant to the same degree for any acts, omissions or negligence of Landlord or the officers, contractors, licensees, agents, servants, employees, guests, invitees, or visitors of Landlord.

17. Eminent Domain:

In case of condemnation or appropriation of all or any substantial part of the premises by any public or private corporation under the laws of eminent domain, this Lease may be terminated at the option of either party hereto on 20 days written notice to the other. In case of termination pursuant to

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this paragraph, Tenant shall not be liable for any rent after the date of Tenant's removal from the premises.

18. Signs:

All signs or symbols placed in the windows or doors of the premises or upon any exterior part of the building by Tenant shall be subject to the prior written approval of Landlord which shall not be unreasonably withheld. It is agreed by the parties hereto that Tenant shall be entitled to a reasonable number of signs adequate to identify its business from the nearest public highway. Any signs so placed on the premises shall be so placed upon the understanding and agreement that Tenant will remove same at the termination of the tenancy herein created and repair any damage or injury to the premises caused thereby, and if not so removed by Tenant, then Landlord may have same removed at Tenant's expense.

19. Delivering up the Premises on Termination:

At the expiration of the term of this Lease or upon any sooner termination hereof, Tenant shall quit and deliver up the premises and all future erections and additions to or upon the same, broom clean, to Landlord or those having Landlord's estate in the premises, peaceably, quietly, and in as good order and condition, reasonable use and wear thereof and insured casualty

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excepted, as the same are now in or hereafter may be put in by Landlord.

20. Removal of Property:

In the event of any entry in or taking possession of the premises by Landlord pursuant to the terms of this Lease, Landlord shall have the right, but not the obligation, to remove from the premises all personal property located therein and may store the same in any place selected by Landlord, 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, upon reasonable notice to Tenant, the proceeds of such sale to be applied first to the costs of such sale, 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 Tenant to landlord under any of the terms hereof, the balance, if any, to be paid Tenant.

21. Default:

If Tenant at any time during the term of this Lease (and regardless of any pending bankruptcy, reorganization, receivership, insolvency or other proceedings, in law, in equity or before any administrative tribunal) shall

(a) fail to make payment of any installment of rent or of any other sum herein specified to be paid by Tenant, and

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Tenant fails to cure such default within ten days after such failure to make payment; or

(b) fails to observe or perform any of Tenant's other covenants, agreements or obligation hereunder, and if within thirty (30) days after landlord shall have given to Tenant written notice specifying such default or defaults, Tenant shall not have commenced to cure such default and proceed diligently to cure the same; or

(c) file a Petition for an Arrangement under Chapter 11 of the Bankruptcy Act, 11 USC 701 et seq., or a voluntary petition under any other provision of said Bankruptcy Act, or if Tenant finally and without further possibility of appeal or review:

(1) is adjudicated as bankrupt or insolvent; or

(2) has a receiver appointed for all or substantially all of its business or assets on the ground of Tenant's insolvency; or

(3) has itself appointed as debtor-in-possession; or

(4) has a Trustee appointed for it after a petition has been filed for Tenant's reorganization under the Bankruptcy Act of the United States known as the Chandler Act or any future law of the United States having the same general purpose; or

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(5) if Tenant shall make an assignment for the benefit of its creditors, then in any such event Landlord shall have the right at its election, then or at any time thereafter, and while such default, defaults or events shall continue, to give Tenant notice of Landlord's intention to terminate this Lease and all Tenant's right hereunder, on a date specified in such notice, which date shall not be less than ten days after the date of giving such notice, and on the date specified in such notice, the term of this Lease and all rights granted Tenant hereunder shall come to an end as fully as if the Lease then expired by its own terms, and Tenant hereby covenants peaceably and quietly to yield up and surrender to Landlord the premises and all structures, buildings, and improvements located thereon, 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, Landlord shall have the right to repossess the premises and such structures, buildings, and improvements either with 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, and damages arising out of any breach on the part

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OCT 2 7 2017

of Tenant, including damages for rent not then accrued, provided that Landlord and Tenant agree that Landlord's damages shall not exceed (a) the sum of basic monthly rental reserved hereunder from the date Tenant vacates the premises until the date as a new tenant has been or, with the exercise of reasonable diligence on the part of Landlord, could have been, secured; (b) reasonable advertising and brokerage commission expenses associated with securing a new tenant and reasonable expenses for maintaining the premises while vacant; and (c) the difference (at net present value) between the basic monthly rental of this Lease and the new lease, if less, and if negotiated in good faith.

22. Assigning and Subletting:

Tenant shall have no right to assign this Lease or sublet the premises, or any part thereof, or any right or privilege appurtenant thereto or suffer any other person to occupy the premise or any portion thereof.

23. Modification:

This Lease shall not be altered, changed or varied in any manner whatsoever, except by a writing signed by Landlord and Tenant or their duly authorized agents.

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24. Rights and Remedies:

Except insofar as this is inconsistent with or contrary to any provision of this Lease, no right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right to remedy given hereunder, or now or hereafter existing at law or in equity or by statute.

25. Waiver and Forbearance:

Except to the extent that Landlord may have otherwise agreed in writing, no waiver by Landlord of any breach by 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 any other covenant, agreement or obligation. Nor shall any forbearance by Landlord to seek a remedy for any breach of Tenant be deemed a waiver by Landlord of its rights or remedies with respect to such breach. With respect to the matters covered in this paragraph, Tenant shall have the same rights with respect to Landlord as Landlord has with respect to Tenant.

26. Holding Over:

In the event that Tenant holds over at or after the end of the term, the tenancy shall be deemed a month-to-month tenancy commencing on the first day of the holdover period. The terms of

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such holdover tenancy shall be as specified by this Lease except that the Tenant may terminate the tenancy at any time provided thirty days prior notice is given Landlord.

27. Quiet Enjoyment:

Landlord warrants that Tenant shall be able to quietly enjoy the beneficial use of the premises during the entire basic Lease term and any renewal thereof and Landlord shall defend Tenant's right to do the same.

28. Marginal Titles and Headings:

The marginal titles, subtitles, headings and subheadings of the paragraphs and subparagraphs herein are intended to be for reference and for the sake of convenience only and should not be construed to narrow or broaden the scope of or modify, amend or affect whatever interpretation or construction would otherwise be given to the plain and ordinary meanings of the words herein.

29. Entire Agreement:

This Lease constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior or contemporaneous agreements, oral or written, between the parties not included herein.

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30. Applicable Law:

This Lease and the respective rights and obligations of the parties shall be construed and interpreted in accordance with the laws of the State of Alaska.

31. Severability:

The invalidity or unenforceability of any particular provision of this Lease shall not affect the remaining and hereof, and, in any such event, this Lease shall be construed and interpreted in all respects as if such invalid or unenforceable provisions were omitted.

32. Gender and Plurality:

Unless the context of this Lease clearly requires a different interpretation or construction, all references to the masculine, feminine or neuter genders shall be construed to refer to all such genders; and all references to the singular shall also include the plural, and vice versa.

33. Counterparts:

This Lease may be executed in counterparts so long as each of the parties to this Lease executes at least one counterpart. All such counterparts shall collectively constitute one and the same original instrument.

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34. Action or Suit:

If either party institutes any suit or action to collect the amounts due hereunder or to enforce any covenant or agreement hereof, or to obtain any of the remedies herein provided, the prevailing party shall be entitled to recover such sum of money as the court may adjudge reasonable as attorney's fees in such suit or action, including any appeals taken by either party in such suit or action.

35. Notices:

All notices, requests, demands and other communications under this Lease shall be in writing and shall be deemed to have been duly given on the date of service, if served personally on the party to whom notice is to be given, or on the third day after mailing, if mailed to the party to whom notice is to be given, by certified mail, postage prepaid, and properly addressed to the address stated above. Any party may change its address for purposes of this Lease by giving the other party written notice of the new address in the manner set forth above.

36. Parties Affected:

The rights, liabilities and remedies provided for herein shall extend to the successors and assigns of the parties hereto. The words "Landlord" and "Tenant" and their accompanying verbs and pronouns, whenever used in this Lease, shall apply

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equally to all persons, firms and corporations that may be or become parties hereto.

37. Memorandum:

The parties shall execute a memorandum of this Lease in recordable form that identifies the parties, the premises, the basic term and the renewal term, provided that Tenant will subordinate this Lease to Landlord's construction or permanent financing for the premises.

38. Financing:

Tenant agrees to furnish such documents and information as are reasonably necessary to assist Landlord in securing financing. In order to obtain financing, Landlord may assign this Lease, provided, however, that Landlord shall remain obligated to perform Landlord's obligations hereunder.

39. Inspection of the Property & Due Diligence:

Tenant shall have ten (10) days for purposes of conducting due diligence and inspection of the property.

40. Taxes & Alaska Railroad:

Landlord will pay property taxes and Alaska Railroad fees. Tenant will be responsible for all other taxes and fees.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first hereinabove written.

41. Alaska Marijuana Control Board Required Language

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Landlord shall have the right, but not the duty to remove from the premises all personal property, with the exception of marijuana and marijuana products, for which the Landlord shall contact the Alaska Marijuana Control Enforcement if any marijuana or marijuana products need to be removed from the premises.

42. Alaska Marijuana Control Board Licensure

If tenants cannot secure a license from the Alaska Marijuana Control Board, the lease may be broken by mutual agreement.

RAILROAD INVESTMENTS, INC.

LANDLORD: _____

By: **JACQUES ALLEVA**

Its: Vice president

GREEN SLEEVES GENETICS, LLC

TENANT: _____

By: **PAUL DUNHAM**

Its: Rentee

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STATE OF ALASKA

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing Commercial Lease was acknowledged before me this ___ day of _____, 2017 by **JACQUES ALLEVA**, of **RAILROAD INVESTMENTS, INC.**

_____
Notary Public in and for Alaska
My Commission Expires: _____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing Commercial Lease was acknowledged before me this ___ day of _____, 2017 by **PAUL DUNHAM** of **GREEN SLEEVES GENETICS, LLC.**

_____
Notary Public in and for Alaska
My Commission Expires: _____

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ALASKA
RAILROAD

Real Estate Department
Telephone: (907)265-2617
Fax Number: (907)265-2450
Email: donovana@akrr.com

April 24, 2018

Ron Alleva
Railroad Investments, Inc.
P.O. Box 201667
Anchorage, AK 99520

Re: Alaska Railroad Corporation (ARRC) Ground Lease, Contract No. 9480
Railroad Investments, Inc.
Non-objection to Sublease Agreement

Dear Mr. Alleva:

The Alaska Railroad Corporation ("ARRC") received information indicating your intention to enter into a proposed sublease ("Sublease Agreement") between Railroad Investments, Inc., an Alaska corporation ("Lessee") and Green Sleeves Genetics, LLC, an Alaska limited liability company ("Subtenant"). Please accept this letter of non-objection to the Sublease Agreement, subject to the conditions listed below.

- The Sublease Agreement is subject to and subordinate to all the terms and provisions of that certain lease dated effective November 1, 1988, between the Alaska Railroad Corporation as lessor and Estate of L.J. Osky Weeda, originally designated as ARRC Contract No. 1835, which was subsequently assigned several times, most recently by Assignment of Lease by Operation of Law to Railroad Investments, Inc., as lessee, and thereafter administered as ARRC Contract No. 9480 (the "Ground Lease"). In the event of any inconsistency between the provisions of the Ground Lease and the Sublease Agreement, the Ground Lease shall control.

- The allowed uses of the premises leased under the Sublease Agreement shall include any uses allowed under the Ground Lease. Without limiting the generality of the foregoing, said allowed uses shall include the cultivation of marijuana.

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

- ARRC's non-objection is conditioned on Subtenant conforming to the terms and conditions of the Ground Lease, which terms and conditions ARRC shall enforce upon Lessee. No

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agreement entered by Lessee with Subtenant, including but not limited to the proposed Sublease Agreement, shall be binding upon ARRC and in no event will ARRC be liable for any obligations of Lessee under any such agreement.

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

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

Occupants authorized by this letter are:

GREEN SLEEVES GENETICS, LLC

Please have GREEN SLEEVES GENETICS, LLC indicate its understanding of and commitment to adhere to the above-stated conditions by signing a copy of this letter and returning it to the undersigned.

If you have any questions, please call me at 907.265.2617.

Sincerely,

Andrew Donovan
Director, Real Estate

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Agreement to be Bound:

By authorized signature hereto, the undersigned acknowledges the above-listed conditions are binding upon GREEN SLEEVES GENETICS, LLC

GREEN SLEEVES GENETICS, LLC

Dated: 4/30/18

By: _____

Its: Memmber

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Recording Dist: 301 - Anchorage
6/21/2010 8:40 AM Pages: 1 of 6

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Alaska Railroad Corporation
Real Estate Department

State Business – No charge

THIS COVER SHEET HAS BEEN ADDED TO THIS DOCUMENT TO PROVIDE SPACE FOR THE RECORDING DATA. THIS COVER SHEET APPEARS AS THE FIRST PAGE OF THE DOCUMENT IN THE OFFICIAL PUBLIC RECORD.

DO NOT DETACH

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6

Supplement No. 3 to
ARRC Contract No. 8624
[New Contract No. 9480]

ASSIGNMENT OF LEASE BY OPERATION OF LAW

THIS AGREEMENT, effective on the day executed by the last signatory hereto, is made by between **RAILROAD INVESTMENTS, INC.**, an Alaska corporation, whose mailing address P.O. Box 201667, Anchorage, Alaska 99520, and the **ALASKA RAILROAD CORPORATION**, whose mailing address is P.O. Box 107500, Anchorage, Alaska 99510-7500 (hereinafter "ARRC").

RECITALS

A. ARRC is the lessor of real property more fully described in the attached "Schedule 1", located in the Anchorage Recording District, Third Judicial District, State of Alaska under that certain ground lease (Original Contract No. 1835) dated December 8, 1988, between ARRC and the Estate of L. J. Osky Weeda (hereinafter the "Lease").

B. The lessee's interest under the Lease was subsequently assigned on several occasions as follows: On or about May 23, 1989, the Estate of L. J. Osky Weeda assigned all of its rights, title and interest in the Lease to David A. Bates, d/b/a AAA Alpine General Contractors; On or about September 27, 1995, David A. Bates, d/b/a AAA Alpine General Contractors assigned all of his rights, title and interest in the Lease to Joseph M. Casassa, d/b/a Joe's Body, Paint and Frame; Joseph M. Casassa died on July 24, 1999 and on or about July 3, 2000 his estate assigned all of its rights, title and interest in the Lease to the Joseph Michael Casassa, Jr. Trust "B" aka The Casassa Family Trust, d/b/a Joe's Body, Paint and Frame; On or about May 23, 2003, the Joseph Michael Casassa, Jr. Trust "B" aka the Casassa Family Trust assigned all of its rights, title and interest in the Lease to AASL General Contracting Corporation.

C. On or about November 16, 2006, AASL General Contracting Corporation assigned all of its rights, title and interest in the Lease for security purposes to Alaska Growth Capital BIDCO, Inc. and also gave a Deed of Trust on its leasehold interest to Alaska Growth Capital BIDCO, Inc. to secure a loan for leasehold development and operations of the subject leasehold estate. Subsequently, AASL General Contracting Corporation defaulted on its payments to Alaska Growth Capital BIDCO, Inc. and the Trustee under the Deed of Trust foreclosed.

D. The Trustee held a public sale on April 30, 2010 to satisfy all amounts due under the Deed of Trust and the leasehold estate was sold to the highest bidder, Railroad Investments, Inc. On or about

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2010-029289-0

327 W. Ship Creek Avenue
Anchorage, Alaska 99501

MAILING ADDRESS
P.O. Box 107500 Anchorage, Alaska, 99510-7500

TEL 907.265.2300 FAX 907.265.2416
AlaskaRailroad.com

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May 3, 2010, Railroad Investments, Inc. was granted a Trustee's Deed which conveyed all of AASL General Contracting Corporation's rights, title and interest in the Lease to Railroad Investments, Inc. Said Trustee's Deed was recorded on May 4, 2010 in the records of the Anchorage Recording District under Serial No. 2010-020551-0.

E. The purpose of this Agreement is to formally acknowledge that Railroad Investments Inc. has succeeded to the rights, interest, liabilities and obligations of AASL General Contracting Corporation under the Lease by operation of law.

AGREEMENT

NOW THEREFORE, ARRC and Railroad Investments Inc. agree as follows:

1. Railroad Investments, Inc. shall at all times henceforth be considered as the Lessee under the terms of the Lease, and shall perform all of the obligations of Lessee as set forth in the Lease and all amendments thereto.

2. ARRC, as Lessor under the Lease, hereby consents to the assignment of the Lease by operation of law to Railroad Investments Inc. This consent shall not release AASL General Contracting Corporation from any obligations that may have arisen or accrued or be based on events which occurred before said assignment.

3. Except as otherwise expressly stated herein, nothing in this Agreement is intended to amend or alter any of the terms and conditions of the Lease or any amendments thereto previously executed by ARRC and AASL General Contracting Corporation, or any predecessor in interest to either of them, all of which terms and conditions remain in full force and effect.

4. Nothing in this Agreement is to be construed as consent by ARRC to any subsequent assignment.

5. Henceforth, the Lease shall be known and administered as ARRC Contract No. 9480.

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2010-029289-0

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IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed.

RAILROAD INVESTMENTS INC.

Dated: 6-16-10

By: Ron Alleva
Ron Alleva, President

Dated: 6-16-10

By: Jacques Alleva
Jacques Alleva, Treasurer

ALASKA RAILROAD CORPORATION

Dated: 6/16/10

By: James W. Kubitz
James W. Kubitz
Vice President, Real Estate & Facilities

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 16th day of June, 2010, by James W. Kubitz, Vice President, Real Estate & Facilities of the Alaska Railroad Corporation, a public corporation created by Alaska Statute 42.40, on behalf of the corporation.

JULIE A. ZAPPAS NOTARY PUBLIC STATE OF ALASKA

Julie A. Zappas
Notary Public in and for Alaska
My Commission expires: 3/22/12

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STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 16 day of June, 2010, by Ron Allevra, President, of Railroad Investments, Inc., on behalf of the corporation.

Notary Public in and for Alaska
My Commission expires: 01-25-11

DONALD ROBERT BOWERS NOTARY PUBLIC STATE OF ALASKA

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 16 day of June, 2010, by Jacques Alh, Treasurer, of Railroad Investments, Inc., on behalf of the corporation.

Notary Public in and for Alaska
My Commission expires: 01-25-11

DONALD ROBERT BOWERS NOTARY PUBLIC STATE OF ALASKA

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Railroad Investments, Inc.
Lease Contract No. 9480

SCHEDULE 1

LEGAL DESCRIPTION

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

The west ½ of Lot 10 of the Alaska Railroad Post Road Industrial Lease lots located within the southeast 1/4, Section 8, Township 13 North, Range 3 West, Seward Meridian, Alaska. Beginning at the mid-point in the northwesterly side of Lot 10, a point on the southeasterly boundary line of the 100 foot right of way of Post Road, which lies S 74° 55' W, 1008.77 feet from the point of intersection of the tangents to the curve of the southeasterly right of way line of said road opposite railroad milepost 115.93, approximately. Thence S 74° 55' W, a distance of 50.00 feet along the said southeasterly road right of way line; thence S 15° 05' E, a distance of 256.77 feet to a point which lies northwesterly 23.00 feet from the centerline of the ARRC New Industry Lead, measured on a radial line therefrom; thence northeasterly 16.00 feet on a curve to the left of radius 550.69 feet parallel to the centerline of the said spur track; thence N 74° 55' E, a distance of 34.00 feet; thence N 15° 05' W, a distance of 257.00 feet to the Point of Beginning, containing an area of 12,849 square feet, more or less.

RECORDERS OFFICE RETURN TO:
Alaska Railroad Corporation
Real Estate Dept.
P.O. Box 107500
Anchorage, AK 99510-7500

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GROUND LEASE

THIS GROUND LEASE (herein called "this Lease") is made this _____ day of _____, 19_____, by and between the ALASKA RAILROAD CORPORATION (herein called "Lessor"), a public corporation created pursuant to AS 42.40, whose mailing address is P.O. Box 107500, Anchorage, Alaska 99510-7500, and ESTATE OF L. J. OSKY WEEDA, a(n) (Check as appropriate)

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

(herein called "Lessee"), whose principal place of business and mailing address is c/o Henrietta Weeda, Personal Representative, 234 E. 10th Avenue, Anchorage, Alaska 99501.

RECITALS

A. The Lessor has agreed to lease to Lessee a parcel of land commonly known as the west half of Lot 10 in the Anchorage Terminal Reserve whose street address is 1700 Post Road, Anchorage, Alaska.

B. This parcel of land was leased to L. J. Osky Weeda subject to Contract No. 14-04-003-1835 which expired June 30, 1985. Mr. Weeda (and, after his death, his estate) continued to occupy the property on a hold-over basis.

C. The property is being rented to Estate of L. J. Osky Weeda on a month to month tenancy, at the rate in effect at expiration of the original lease pending completion of a new long term lease agreement.

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

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ARTICLE 1

LEASED PREMISES AND TERM

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

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

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

> All fill, drains, retaining walls, berms, earth contours, pavements, utility pipes and lines (not owned by a municipality or utility) and all other at-surface or below-surface improvements situated on the Leased Premises on the date of this Lease.

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Any subsurface improvements to the Leased Premises during the Lease Term shall become the property of Lessor (and included within the term "Lessor's Improvements") immediately upon installation.

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

Concrete block warehouse on concrete slab.

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

1.05 Lease Term. This Lease shall be and continue in full force and effect for a term of Thirty-Five (35) Years commencing on November 1, 1988 and terminating on October 31, 2023 unless earlier terminated as provided in this Lease.

ARTICLE 2

RENTS

2.01 Rents.

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

	Annual	Monthly
1. Lease years 1- 7 inclusive,	$4,080	$340

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2. Lease years 8 - 14 inclusive, Basic Rents will be at "fair market value" as determined by appraisal. However, this annual rent is not to exceed $5,508, 135% of the annual rent, as determined for lease years 1 - 7 inclusive, or at a minimum drop below the rent determined in lease years 1 - 7 inclusive.

3. Lease years 15 - 21 inclusive, Basic Rents will be at "fair market value" as determined by appraisal. However, this annual rent is not to exceed 135% of the rent as determined for lease years 8 - 14 inclusive, or at a minimum drop below the rent determined in lease years 8 - 14 inclusive.

4. Lease years 22 - 28 inclusive, Basic Rents will be at "fair market value" as determined by appraisal. However, this annual rent is not to exceed 140% of the rent as determined for lease years 15 - 21 inclusive, or at a minimum drop below the rent determined in lease years 15 - 21 inclusive.

5. Lease years 29 - 35 inclusive, Basic Rents will be at "fair market value" as determined by appraisal. However, this annual rent is not to exceed 145% of the rent as determined for lease years 22 - 28 inclusive, or at a minimum drop below the rent determined in lease years 22 - 28 inclusive.

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

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

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

C. Arbitration. In the event Lessee disagrees with an appraisal of fee simple value made by Lessor pursuant to subparagraph 2.02.A of this Lease, Lessee may refer the matter to arbitration in accordance with the procedures contained in Article 8 of this Lease by notifying Lessor in writing of its demand for arbitration within ten (10) days of receiving Lessor's notice of change in rent. Otherwise, Lessee shall have no right to refer a rent dispute to arbitration and shall be bound by Lessor's determination of rent under this Lease.

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

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

ARTICLE 3

QUIET ENJOYMENT

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

ARTICLE 4

LESSEE'S COVENANTS

4.01 Real Property Taxes and Assessments.

A. Lessee shall pay, not less than ten (10) days before they become delinquent, all real property taxes and assessments of every description for which the Leased Premises, or any improvement thereon or any use thereof, are now or during the Lease Term may be assessed or become liable, whether assessed to or payable by Lessor or Lessee. Such taxes and assessments include, but are not limited to, any increased real property tax resulting from any classification of the Leased Premises during the Lease Term to a higher use (other than a classification occurring at the initiative of Lessor or its agents), for which classification Lessee shall be deemed to be the petitioner and upon request by Lessor shall so notify the appropriate governmental authorities. Such real property taxes and assessments shall be prorated as of the dates the Lease Term begins and ends. Upon request by Lessor, Lessee shall

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promptly deposit with Lessor true and complete copies of receipts for such real property taxes and assessments evidencing their timely payment.

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

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

D. Lessee shall pay, not less than ten (10) days before they become delinquent, all rates and other charges of every description for which the Leased Premises or any improvement on it or any use of it, may be assessed or become liable during the Lease Term, whether made by governmental authority or by any public utility or community service company and whether assessed to or payable by Lessor or Lessee.

E. Lessor may elect, in its sole discretion and after giving written notice to Lessee and any Qualified Mortgagee (as defined in subparagraph 7.06.B, below), to pay any delinquent tax, assessment or charge for which Lessee is liable under this paragraph 4.01 for the account and at the expense of Lessee, and may further elect, upon such payment: (1) to terminate this Lease under Article 9, after giving thirty (30) days' written notice and allowing an opportunity for cure as provided therein, and bring an appropriate action against Lessee for recovery of the sum paid; (2) to continue this Lease in force and charge the Lessee with the payment as additional rent; or (3) to continue this Lease in force and bring an appropriate action against Lessee for recovery of the

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sum paid. The above-enumerated elections are not in derogation of, and do not limit, any other rights or remedies Lessor may have under this Lease or applicable law. Nothing in this subparagraph 4.01.E requires Lessor to pay any delinquent tax, assessment, or charge for which Lessee is liable.

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

4.03 Construction or Removal of Improvements, Additions and Alterations.

A. "Significant Work," as used in this paragraph 4.03, means all work which (1) involves the excavation, filling, or other alteration of the grade or drainage of the Leased Premises, or (2) involves the construction, demolition, or removal on or from the Leased Premises of any improvement, any addition or alteration, or (3) if the fees or other charges therefor are not timely paid, will subject the Leased Premises or the interest of Lessor or Lessee therein to any lien or other encumbrance.

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B. Lessee shall not begin any Significant Work on the Leased Premises costing more than $25,000.00, or which will occur or have an effect within twenty (20) feet of the centerline of Lessor's railroad track, without first obtaining the prior written approval of Lessor with respect to such work and to the preliminary plans for such work, if any, and to the final plans and specifications for such work. The preliminary plans and the final plans and specifications shall be prepared by a licensed architect or engineer and shall include, but not be limited to, a detailed plot plan, a landscaping plan, appropriate cross sections, elevations, and floor plans indicating building heights, bulk, density, functions, materials, and utility systems, an itemized estimate of the total cost of such work, and a timetable for completion. No approval by Lessor or by its architects or engineers of such preliminary plans or final plans and specifications shall be deemed a warranty or other representation by any of them that the improvements, additions, alterations, or other work contemplated thereby are legal, safe, or sound or constitute the highest and best use of the Leased Premises. All of such work by Lessee on the Leased Premises shall be supervised by a licensed architect or engineer. Lessee hereby acknowledges that, except as provided in paragraph 4.02 with respect to improvements required by law and paragraph 11.02 with respect to removal of improvements upon expiration of the Lease Term or earlier termination of this Lease, Lessor has not authorized or required and does not authorize or require Lessee to improve the Leased Premises in any manner that permits Lessor's interest in and title to the Leased Premises to become subject to the liens of Lessee's mechanics and materialmen.

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

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4.05 Observance of Laws.

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

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

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

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

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

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

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

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4.10 Indemnification.

A. Lessee shall indemnify and hold Lessor harmless from and against any and all claims arising from (1) Lessee's use of the Leased Premises, or from the conduct of Lessee's business, or from any activity, work or things done, permitted or suffered by Lessee in or about the Leased Premises or elsewhere; (2) any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease; (3) any negligence of Lessee, or any of Lessee's agents, contractors, customers, employees, or any person claiming by, through or under Lessee; and (4) any accident on or in connection with the Leased Premises, or the sidewalks adjacent thereto, or any fire thereon, or any nuisance made or suffered thereon. Lessee shall further indemnify and hold Lessor harmless from and against all costs, attorneys' fees, expenses and liabilities incurred in the defense of any proceeding brought against Lessor by reason of any such claim. Lessee, upon notice from Lessor, shall defend any of the above-described claims at Lessee's expense by counsel satisfactory to Lessor. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Leased Premises, arising from any cause and Lessee hereby waives all claims in respect thereof against Lessor.

B. Lessee acknowledges that, before entering this Lease, it has fully inspected or been provided with an opportunity to fully inspect the Leased Premises and all documents in the possession of Lessor relating to the condition of the Leased Premises, and to test or examine all conditions of or on the Leased Premises. Lessee further acknowledges that, at the time this Lease is entered into and on the basis of the foregoing inspection or opportunity to inspect, Lessee is as knowledgeable about the physical condition of the Leased Premises as Lessor and, on that basis, assumes all risks relating to the condition of the Leased Premises, including but not limited to latent defects that may be unknown both to Lessee and Lessor at the time this Lease is entered into. Lessor represents and warrants that it has provided Lessee with an opportunity to inspect all documentation maintained by Lessor in its records concerning the condition of the Leased Premises.

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

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

4.13 Lessee's Improvements as Security for Obligations to Lessor. Lessor and Lessee covenant and agree that all of Lessee's Improvements, as identified in paragraph 1.04 of this Lease, in any way affixed or attached to the Leased Premises or to a structure thereon (including, but not limited to, buildings, fill, drains, walls, fences, pavement, roadways, signs, and machinery) are real property. Lessee hereby grants to Lessor a security interest in all improvements and fixtures

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owned by Lessee and in any way affixed or attached, whether now or later, to the Leased Premises. Such security interest is granted and made as security for the payment of rent and all other payments of whatever nature for which Lessee may be or become obligated to Lessor under the terms of this Lease, without regard to whether such obligation arises before or after the termination of this Lease. The security interest shall expire and be released only (1) upon recordation of Lessor's release of such interest to Lessee or a person claiming under Lessee, or (2) removal of such improvements and fixtures from the Leased Premises upon termination of the Lease with the prior consent of Lessor.

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

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

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

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

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

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

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

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

3. Tendering to Lessor the total amount of rents to come due during the remaining term of the Lease, discounted at the Federal discount rate in effect on the date of notice.

ARTICLE 5

INSURANCE

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

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

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

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

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

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

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

ARTICLE 6

EMINENT DOMAIN

6.01 Effect of Eminent Domain on Lease.

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

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

C. If less than materially all of the Leased Premises are taken (herein called a "partial taking"), this Lease shall continue in effect except as to the portion so taken or condemned, but the rent to be paid by Lessee shall thereafter be reduced by a percentage equal to the proportion that the number of square feet in the net usable area of the Leased Premises so taken bears to the number of square feet of the net usable area of the Leased Premises before taking. If no portion of the net usable area of the Leased Premises is taken, or if the portion thereof so taken is subterranean or aerial and does not interfere with the use of the surface, then Lessee shall not be entitled to any adjustment of rent hereunder. If Lessor and Lessee disagree as to whether a taking is a partial taking, either of them may submit the matter to the court before which the condemnation action, if any, is pending for determination of the question.

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

6.02 Disposition of Proceeds.

A. Except as expressly provided otherwise in this paragraph 6.02, in the event of a total or partial taking, the rights of Lessor and Lessee (and any party claiming by, through or under either of them) with respect to the Lease Term, the rent, and the award shall be determined in accordance with the law of the State of Alaska in effect at the time of the taking; provided, however, that if the taking occurs during the last five (5) years of the Lease Term, compensation for the taking of Lessee's Improvements shall be reduced by twenty percent (20%) for each full year (and in proportion for a fraction of a year) that elapses from the first day of the five-year period to the date of such vesting of title or taking of possession, and the remaining award balance and interest thereon, as well as the award for the land value and interest thereon, shall belong to Lessor.

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B. If the values of the respective interests of Lessor and Lessee shall have been separately determined in the proceeding under which the Leased Premises shall have been taken, the values so determined shall be conclusive upon Lessor and Lessee. If the values shall not have been so determined, the values shall be determined by agreement of the parties or, if they are unable to agree, by arbitration under Article 8 of this Lease.

C. In the event of a partial taking and regardless of the amount of such award, Lessee shall apply any compensation awarded to it first to the restoration of Lessee's Improvements as nearly as reasonably possible to their condition before such taking, unless Lessee terminates this Lease as provided in subparagraph 6.01.D, above.

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

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

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ARTICLE 7

ASSIGNMENTS, MORTGAGES, SUBLEASES AND SUBDIVISION

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

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

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

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

A. Lessee shall give Lessor reasonable notice of the proposed assignment with appropriate documentation as evidence that the proposed assignee qualifies as a Qualified Assignee.

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Such documentation shall include, at the request of Lessor, a certified financial statement prepared independently and in accordance with generally accepted accounting principles fairly representing the existing financial condition of the proposed assignee. Prior years' income tax returns may be an acceptable substitute for the certified financial statement.

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

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

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

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

7.05 Arbitration of Lessor's Disapproval of Assignment. The effective date of the assignment shall be sixty (60) days after Lessee's notice of the proposed assignment, unless, within that time, Lessor gives notice of a valid objection that a proposed assignee is not a Qualified Assignee. Lessor's failure to give notice within that time shall constitute a waiver of objection to the assignment. Promptly after Lessor gives notice of objection, unless Lessee yields to Lessor's objection, the issue shall be arbitrated pursuant to Article 8

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of this Lease. If the arbitration award is in favor of Lessee, the assignment shall be effective as if the Lessor had not objected. If the award is in favor of Lessor, the assignment shall not be permitted (or any attempted assignment shall be a nullity) and Lessee shall remain bound by and liable under this Lease.

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

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

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

C. In the event the Qualified Mortgagee forecloses the Leasehold Mortgage, any subsequent assignee or transferee of the leasehold estate proposed by the Qualified Mortgagee must be a Qualified Assignee, as defined in paragraph 7.02 above.

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

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

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B. Lessee shall, promptly after execution of each s blease, notify Lessor of the name and mailing addresses of the sublessee and shall provide Lessor with photocopies of all executed subleases. No sublease shall relieve Lessee of any of its covenants or obligations under this Lease, and any provision of a sublease purporting to do so shall be deemed a nullity as between Lessor and Lessee notwithstanding Lessor's failure to object to the sublease.

C. Lessee shall not accept, directly or indirectly, more than two (2) months' prepaid rent from any sublessee.

D. A Qualified Subtenant is a subtenant in possession under an existing sublease as to which the foregoing conditions have been met.

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

ARTICLE 8

ARBITRATION AND APPRAISAL PROCESS

8.01 Appointment of Arbitrators and Conduct of Arbitration. If Lessor and Lessee fail to agree upon (1) the appraisal of a fee simple interest under Article 2; (2) whether the remainder of the Leased Premises after condemnation can be restored as an economic unit, whether a partial taking has occurred, or how a condemnation award should be allocated, absent judicial allocation in a condemnation action under Article 6; or (3) the qualification of a proposed assignee under Article 7; the matter of disagreement, upon the election of either of them, shall be submitted to and determined by a single arbitrator, mutually appointed by them, whose decision and award shall be final, conclusive, and binding upon both of them. If Lessor and Lessee fail to mutually appoint a single arbitrator, the matter shall be submitted to and determined by three (3) arbitrators, in which event either Lessor or Lessee may give to the other written notice of election to have the matter of disagreement so arbitrated and shall appoint therein one of the arbitrators. The other party shall, within twenty (20) days after the receipt of such written notice, appoint a second arbitrator. If he fails to do so, the party who has already appointed an arbitrator may have the second arbitrator appointed by any judge of the Superior Court of Alaska resident

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in the district where the Leased Premises are situated. The two (2) arbitrators so appointed in either manner shall appoint the third arbitrator, and if the first two (2) arbitrators fail to appoint a third arbitrator within twenty (20) days after the appointment of the second arbitrator, either Lessor or Lessee may have the third arbitrator appointed by any judge of the Superior Court of Alaska resident in the district where the Leased Premises are situated. The three (3) arbitrators so appointed shall thereupon proceed to arbitrate the matter of disagreement, upon such rules of procedure as they may adopt, and shall render a written decision containing their findings and conclusions. Each of the arbitrators so appointed shall possess the professional qualifications provided in paragraph 8.02 hereof.

8.02 Special Qualifications of Arbitrators. Each arbitrator appointed pursuant to paragraph 8.01 shall be a person who (1) has not less than five (5) years appraisal experience in the State of Alaska prior to his appointment; (2) has been a practicing real estate appraiser or counselor for not less than ten (10) consecutive years next preceding his appointment; (3) has appraised similar classes of property throughout the State of Alaska; and (4) is a member (MAI [but not RM]) of the American Institute of Real Estate Appraisers, a Senior Real Estate Analyst (SREA), or a Senior Real Property Appraiser (SRPA) of the Society of Real Estate Appraisers, or a member (CRE) of the American Society of Real Estate Counselors. It is understood and agreed that if any of such institutes or societies is merged or otherwise consolidated with another duly qualified appraisal or counseling organization, and thereby loses its name or designation, the arbitrator may be appointed from among the members of such other organization.

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

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ARTICLE 9

DEFAULT AND DEFEASANCE

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

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

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

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

9.02 Notice and Right to Cure.

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 10

GENERAL PROVISIONS

10.01 Lessor's Right to Entry, Inspection and Repair. Lessor may enter and inspect the Leased Premises at any time during regular business hours, with or without the presence of Lessee or its authorized representative, after giving twenty-four (24) hours' advance notice to Lessee of such

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inspection. In the event of an emergency, Lessor may enter and inspect the Leased Premises on reasonable notice (including no notice to Lessee if the circumstances warrant) and make such repairs or institute such measures, on the account and at the expense of Lessee, as may be necessary to avert or terminate the emergency. An emergency is any action, event, or condition, either extant or imminent, that threatens significant damage to property or injury to persons on or near the Leased Premises, and includes but is not limited to flood, fire, explosion, avalanche, earthquake, uncontrolled or dangerous discharge or release of water or other fluids, unauthorized or illegal placement of hazardous or toxic materials on the Leased Premises, and shifting, settling or loss of earth or support on the Leased Premises.

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

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

10.04 Integration and Amendments. Except as otherwise expressly provided in this Lease and except for the provisions of the Memorandum of Lease, this Lease is a complete integration of every agreement and representation made by or on behalf of Lessor and Lessee with respect to the Leased Premises, and no implied covenant or prior oral or written

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agreement shall be held to vary the provisions of this Lease, any law or custom to the contrary notwithstanding. In the event of any conflict between this Lease and the Memorandum of Lease, the provisions of the Memorandum of Lease shall control. No amendment or other modification of the provisions of this Lease shall be effective unless incorporated in a written instrument duly executed and acknowledged by Lessor and Lessee.

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

10.06 Survival and Severability. The rights and obligations of Lessor and Lessee provided in paragraphs 4.10 through 4.14 of this Lease, and in the Memorandum of Lease, except to the extent expressly varied or superseded by a subsequent instrument executed by Lessor and Lessee, shall survive the expiration or earlier termination of this Lease. If any provision of this Lease is held to be void or otherwise unenforceable by any court or other tribunal of competent jurisdiction, other than at the initiative or with the support of Lessor, within thirty (30) days after receipt of written notice of such holding Lessor shall have the right and option, exercisable by written notice thereof to Lessee, to terminate this Lease effective as of the date of such written notice of exercise. It is understood and agreed that otherwise this Lease, except for such provision so held to be void or otherwise unenforceable, shall remain in full force and effect.

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

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

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

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

ARTICLE 11

DUTIES UPON TERMINATION OR EXPIRATION

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

11.02 Removal of Improvements upon Termination.

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

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

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

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

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

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

ARTICLE 12

EXECUTION AND MEMORANDUM OF LEASE

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

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

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

ALASKA RAILROAD CORPORATION

Dated: 12-8-88

By: _____
F. G. Turpin
President and Chief Executive Officer

Dated: 12-7-88

By: _____
Larry J. Houle
Director, Real Estate

ESTATE OF L. J. OSKY WEEDA

Dated: 12-8-88

By: Henrietta J. Weeda
Henrietta Weeda
Personal Representative

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STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 8th day of December, 1988, by ~~F. G. Turpin~~, MARVIN J. JETTER President and Chief Executive Officer, of the Alaska Railroad Corporation, a public corporation created by Alaska Statute 42.40, on behalf of the corporation.

Sue Danoone
Notary Public in and for Alaska
My Commission expires: 6-23-92

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 8th day of December, 1988, by Larry J. Houle, Director of Real Estate, of the Alaska Railroad Corporation, a public corporation created by Alaska Statute 42.40, on behalf of the corporation.

Sue Danoone
Notary Public in and for Alaska
My Commission expires: 6-23-92

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The 7th foregoing instrument was acknowledged before me this 7th day of December, 1988, by Henrietta Weeda, Personal Representative of the Estate of L. J. Osky Weeda.

Kathleen A. Lewis
Notary Public in and for Alaska
My Commission expires: 1-21-89

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ALASKA RAILROAD CORPORATION

ENDORSEMENTS

Dated: 12-8-88

By: _____
Arnold T. Polanchek
Vice President, Operations

Dated: 12-8-88

By: _____
Marvin J. Yetter
Vice President, Finance

Dated: 10-17-88

By: _____
Phyllis C. Johnson
Associate General Counsel

Dated: 12-12-88

By: _____
Larry J. Houle
Director Real Estate

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SCHEDULE 1

LEGAL DESCRIPTION

A parcel of land located within the Anchorage Recording District, Third Judicial District, State of Alaska and more specifically described on W1/2 Lot 10. Located within the Anchorage Terminal Reserve, in the SE1/4, Sec 8, T. 13N, R.3W, Seward Meridian, Alaska. Beginning at the mid-point in the northwesterly side of Lot 10, a point on the southeasterly boundary line of the 100 foot right of way of the Post Road, which lies S. 74° 55' W., 1008.77 feet from the point of intersection of the tangents to the curve of the southeasterly right of way line of the said road opposite railroad mileage 115.93, approximately. Thence S. 74° 55' W., 50.00 feet along the said southeasterly road right of way line; thence S. 15° 05' E., 256.77 feet to a point which lies northwesterly 23.00 feet from the center line of the ARRC New Industry Lead, measured on a radial line therefrom; thence northeasterly 16.00 feet on a curve to the left of radius 550.69 feet parallel to the center line of the said spur track; thence N. 74° 55' E., 34.00 feet; thence N. 15° 05' W., 257.00 feet to the point of beginning, containing an area of 12,849 square feet, or 0.29 acres, more or less as shown on the attached print. In the event of any inconsistency between the attached print and the foregoing legal description, the latter shall govern for purposes of this Lease.

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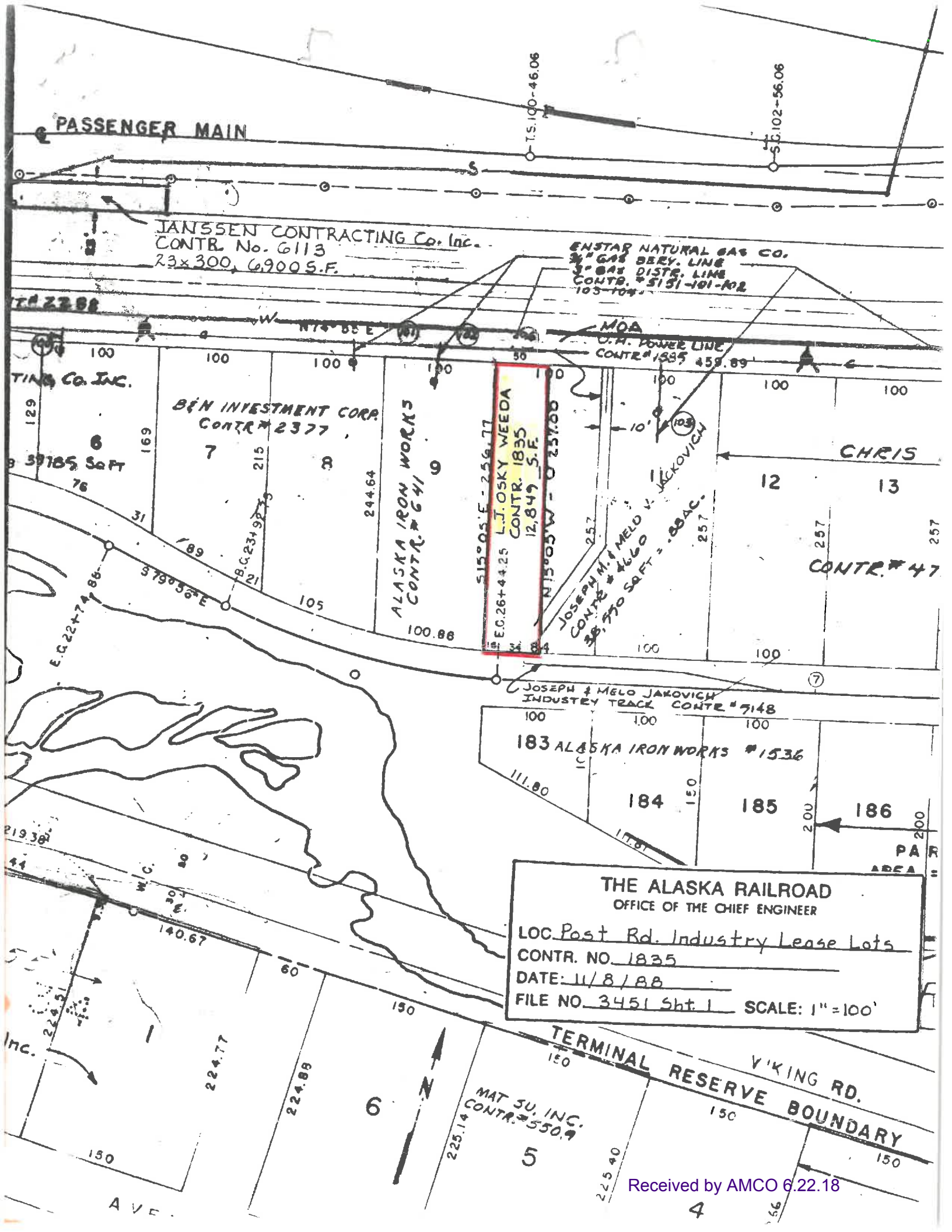

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