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

Alaska Marijuana Control Board

Cover Sheet for Marijuana Establishment Applications

What is this form?

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

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

Section 1 – Establishment Information

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

Licensee:	Tanana Herb Company, LLC	**License Number:**		16091	
License Type:	Marijuana Concentrate Manufacturing Facility				
Doing Business As:	TANANA HERB COMPANY, LLC				
Physical Address:	1200 Well Street				
City:	Fairbanks	**State:**	AK	**Zip Code:**	99701 - 2835
Designated Licensee:	Leslea Nunley				
Email Address:	tananaherbcompany@gmail.com				

Section 2 – Attached Items

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

Attached Items:	Revised proof of proposed premises lease/sublease between Bear Electric Inc and Tanana Herb Company, LLC as requested 6/14/18.

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

Received by AMCO 9/6/18

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Designated Licensee:	Leslea Nunley				
Email Address:	tananaherbcompany@gmail.com				

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

Attached Items:	Proof of Proposed Premises additional documents requested 6/14/18: Alaska Railroad Corporation master lease/ground lease from 2007. Alaska Railroad Corporation Ground lease memo from 2007. Alaska Railroad Corporation Assignment of lease to Well Street LLC 2016. Alaska Railroad Assignment of lease to Bear Electric 2017 as new contract #20230. Alaska Railroad 2018 Supplement to Bear Electric lease allowing for use for marijuana cultivation, retail and manufacturing. Alaska Railroad 2018 letter of non-objection to sub lease with Tanana Herb Company for use as marijuana cultivation, retail or manufacture.

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

Received by AMCO 9/6/18

WAREHOUSE / SHOP LEASE

THIS AGREEMENT is entered into by and between

Bear Electric Inc.
2008 Perkins Drive
Fairbanks, AK 99709

hereinafter referred to as "LANDLORD"; and

Tanana Herb Company, LLC
PO Box 81772
Fairbanks, AK. 99708

hereinafter referred to as "TENANT".

WITNESSETH:

Tenant hereby leases and rents from Landlord that certain portion of the Landlord's property located at 1200 Well St., Fairbanks, Alaska, comprised of approximately 43,000 square feet of office and warehouse space.

TERM:

The INITIAL TERM of this lease is mutually agreed upon for the period of five (5) years commencing on the 1st day of August 2017 and expiring on the 31st day of July 2022.

SECURITY DEPOSIT:

SECURITYDEPOSIT SHALL BE WAIVED UNDER THIS LEASE AGREEMENT.

RENT:

Base rental rates shall increase throughout the term of this lease. The lease schedule shall be as follows:

Lease year 1- 5 (8/1/17 – 7/31/22) - $40,000 per month;

Tenant shall pay to Landlord the scheduled amount as rent for the premises together with such other sums as may be assessed by the Landlord under other provisions of this lease payable in monthly installments in advance, on the fifth (5th) day of each and every calendar month during the term of the lease. The first installment in the amount of $40,000.00 shall be due and payable upon signing of this lease.

All rents and other sums due thereunder shall be paid in cash or electronically transferred without discount or offset to an account to be determined. Rent not received within ten (10) days of the date upon which it was due shall be in default and shall bear a four percent (4%) late fee. Unpaid late fees shall be treated as rent for all purposes under this lease.

UTILITIES:

It is understood and agreed by both the Landlord and Tenant that Tenant accepts unit in "as is" condition, and that Tenant shall be solely responsible for all utilities unless noted:

_____

MAINTENANCE:

It is understood and agreed by both Landlord and Tenant that Tenant shall be responsible for maintenance of the leased premises except for those items which are Landlord's responsibility. Tenant promises to procure, maintain, and pay for all services necessary to maintain the leased premises in good repair, constant working order and in safe and sanitary condition; including but not limited to: electricity, heating fuel, water and septic. Landlord, at its cost and expense, shall maintain in good condition and repair, structural portions and the roof of the leased premises and be responsible for the replacement of all mechanical systems thereof during the term of this Lease and any extension or renewal thereof.

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ALASKA RAILROAD LAND LEASE:

Landlord shall pay and discharge any and all land lease payments and any other impositions or charges levied or charged against the Leased Premises and arising out of Landlord's master lease agreement with the AKRR for the Leased Premises, on or before the applicable due date.

TAXES:

Landlord shall pay and discharge any and all real estate taxes and any other taxes, impositions or charges levied or charged against the Leased Premises and arising out of Landlord's ownership of the Leased Premises, on or before the applicable due date.

SNOW REMOVAL:

It is understood and agreed by both Landlord and Tenant that Landlord shall be solely responsible for ground snow and roof snow removal.

TRASH REMOVAL:

It is understood and agreed by both Landlord and Tenant that Tenant shall be solely responsible for garbage/trash removal.

ALTERATIONS:

Tenant shall make no alterations to the building or premises, internal or external which would change the character or condition of the building, or premises without the written consent of the Landlord, to include heating and/or air conditioning system.

INSURANCE:

Tenant understands and agrees that Landlord does not provide or carry any liability or personal property insurance on the Tenant, Tenant's agents, nor their personal property.

Tenant further understands and agrees that Landlord and the owner shall in no manner whatsoever be held responsible or liable for any damage, injury, theft, loss, or harm of any kind occurring to Tenant, Tenant's agents or personal property on the leased premises except for Landlord's negligence. Any insurance required to conduct the activity to be conducted by Tenant and any protection and insurance whether required by law or regulation to procure desired Tenant shall be Tenant's sole responsibility to procure and maintain. Tenant shall obtain and keep in force during the term of this agreement a policy or policies of insurance covering personal injury and property damage, in the minimum amounts of Two Million Dollars, ($ 2,000,000.00) per accident or loss and Two Million Dollars ($ 2,000,000.00) per person. The Landlord shall be named as an additional insured under each of those policies of insurance and copies of the insurance shall be delivered to Landlord. Landlord's insurance on the leased premises, if any, is for the sole benefit and protection of the Landlord.

ASSIGNMENT AND SUBLETTING:

Tenant shall not add, transfer or encumber this agreement or the property described in this agreement or permit occupancy of the property by any other person without the prior written consent of the Landlord, which consent shall not be unreasonably withheld or delayed. Landlord shall have the absolute right to refuse any proposed assignment or sublease if the proposed assignee or proposed sublease intends to change the character or the use of the premises, or if the financial condition of the proposed assignee or proposed Tenant is not as good or better than the financial condition of the Tenant at the commencement of this lease.

Nothing contained in this lease shall be interpreted to impair or affect in any way the right of the Landlord to assign, encumber or impair its rights under this lease to any person as security, to obtain financing, or for any other commercial purpose, provided only that the assignment does not materially impair the Landlord's covenant of quiet enjoyment to the Tenant.

USE OF THE PREMISES:

It is understood and agreed by the parties hereto that the herein described premises, unless excepted in writing by Landlord, is limited in use. The premises herein described will be used solely as storage and normal business activity related to cannabis cultivation, manufacturing and retail sales of cannabis. Any change in business or deviation will be considered a breach of the lease.

Initial

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Tenant agrees to conduct its business so as not to constitute a nuisance and to observe all rules, regulations, and all laws and ordinances applicable to the use and occupancy of the premises. Tenant agrees not to store dead vehicles on the site at any time during the term of this lease. Failure to abide by this agreement shall constitute grounds for eviction.

HAZARDOUS SUBSTANCES:

It is understood and agreed to by Landlord and Tenant that all hazardous substances, including motor oil, shall be disposed of by Tenant in an environmentally approved manner. Any hazardous substances, including motor oil, spilled on the gravel pad, floor or ground must be cleaned up immediately by the Tenant. Repeated infractions, and/or failure to clean up spillage shall be cause for immediate eviction. Tenant agrees by execution of this document to bear all costs incurred by Landlord for removal and clean up of hazardous substances placed there by Tenant. It is understood and agreed by Tenant that hazardous substances, including waste oil, shall NOT be stored indoors.

Landlord agrees to hold tenant harmless from and against any and all damage or liabilities for any spills or contamination done by Landlord, landlord's agents or previous tenants, to tenant's premises and yard space.

FLOOR DRAINS:

Floor drains are solely for the disposal of water runoff. Tenant understands that units with septic systems are unable to handle excessive water disposal caused by vehicle washing and Tenant agrees not to wash any vehicles within the garage bays where septic systems are in use.

SURROUNDING AREA:

Tenant is responsible for the area immediately surrounding said leased unit. Upon vacating the unit, Tenant shall remove all items from within and without the leased unit.

QUIET ENJOYMENT:

Landlord covenants and warrants that, so long as Tenant is not in default under the covenants and agreements of this Lease, Tenant's quiet and peaceable enjoyment of the Leased Premises shall not be disturbed or interfered with.

INDEMNITY:

The Tenant shall indemnify, hold harmless and defend the Landlord and its agents from any and all liability to any person or persons for damages, claims, suits, liabilities, costs and expenses arising directly or indirectly from the occupancy and use of the premises, or arising from acts by such party, its agents, servants, employees, customers, sub-lessees and contractors, except to the extent caused by the negligence of willful misconduct of the other party or its agents, servants, employees, customers, sub-lessees or contractors.

Landlord agrees to hold Tenant harmless from and against any and all damage or liabilities for any spills or contamination done by Landlord, Landlord's agents or previous tenants, to tenant's premises or yard space.

DEFAULT:

TENANT'S DEFAULT: The occurrence of any of the following shall constitute a default by Tenant:

(a) Failure to pay rent within fifteen (15) calendar days of when due.

(b) Abandonment of the premises.

(c) Failure to perform any of the provisions of this lease if the failure to perform is not cured within thirty (30) days after notice has been given to Tenant. If the default cannot reasonably be cured within thirty (30) days, Tenant shall not be in default of this lease if Tenant commences to cure the default within the thirty (30) day period, and thereafter diligently and in good faith continues to cure the default.

Notices given under this paragraph shall specify the alleged default and the applicable lease provisions; and shall demand that Tenant perform the provisions of this lease or pay the rent that is in arrears, as the case may be, within the applicable period of time, or quit the premises. No such notice shall be deemed a forfeiture or a termination of this lease unless Landlord so elects in the notice.

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REMEDIES: If Tenant or Landlord, as the case may be, causes a default the non-defaulting party shall have all remedies permitted by law including the following. These remedies are not exclusive; they are cumulative and in addition to any remedies now or later allowed by law.

(a) Either party, following notice and opportunity to cure extended to the other, after the other commits a default, can cure the default at the defaulting party's cost. If a party at any time, by reason of the other's default, pays any sum or does any act that requires the payment of any sum, the sum paid by the non-defaulting party shall be due immediately from the defaulting party to the other at the time the sum is paid, and if paid at a later date shall bear interest at the rate of five percent (5%) per annum from the date the sum is paid by the non-defaulting party until reimbursed by the defaulting party. The sum, together with interest on it, shall be additional rent with respect to amounts payable by Tenant.

(b) In the case of a Tenant default, Landlord can continue this lease in full force and effect, and the lease will continue in effect as long as Landlord shall have the right to collect rent when due. During the period Tenant is in default, Landlord can enter the premises at reasonable times and re-let them together with all improvements to third parties for Tenant's account. Tenant shall be liable immediately to Landlord for all reasonable costs Landlord incurs in re-letting the premises for the remaining term hereof, including, without limitation, reasonable broker's commissions, reasonable expenses of remodeling the premises required by the re-letting, and like reasonable costs. Re-letting can be for a period shorter or longer than the remaining term of this lease. Tenant shall pay to Landlord the rent due under this lease (for the remainder only of the current term) on the dates the rent is due, less the rent Landlord receives from any re-letting. No act by Landlord allowed by this paragraph shall terminate this lease unless Landlord notifies Tenant that Landlord elects to terminate this lease.

(c) In the case of a Tenant default, Landlord can terminate Tenant's right to possession of the premises any time after reasonable notice of default and Landlords' election to terminate. No act by Landlord other than giving notice to Tenant shall terminate this lease. Acts of maintenance, efforts to re-let the premises, or the appointment of a receiver on the Landlord's initiative to protect Landlord's interest under its lease shall not constitute a termination of Tenant's right to possession. On termination under this paragraph, Landlord has the right to recover from Tenant:

(i) At the time of the award the total amount of the unpaid rent that had been earned at the time of termination of this lease;

(ii) At the time of the award the total amount of unpaid rent that would have been earned after the date of termination of this lease until the time of award less the amount of such rental that Tenant proves could have been reasonably avoided;

(iii) At the time of the award the total amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided; and

(iv) Any other amount, and court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's default.

NOTICES:

All notices respecting this lease shall be in writing and delivered, in case of the Tenant, to the address listed above; and in case of the Landlord, by email at bearelectric.alaska@gmail.com and by mail to 2008 Perkins Drive, Fairbanks, Alaska 99709.

This lease shall bind and insure to the benefit of the parties hereto and their respective successors and assigns.

At the expiration or other termination of this lease, Tenant herein agrees to surrender the premises to Landlord in as good condition as when received, subject to ordinary wear and tear. Tenant is hereby authorized and required to remove all of its personal property and equipment.

GENERAL PROVISIONS:

A. Landlord or Landlord's agents shall have the right to enter leased premises at all times and promises to do so in such a manner as not to interfere with Tenant's use or occupancy of the premises. Landlord agrees to provide Tenant with 24 hour notice of inspection and understands that due to State regulations, Tenant will be required to escort all visitors through cultivation and retail facility.

B. Tenant shall be bound to prompt payment of all amounts due Landlord, without provisions for offset of any kind unless mutually agreed and documented by both parties.

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C. Failure of Landlord to promptly pursue remedies due Landlord through Tenant's nonperformance of any covenants and agreements of the lease, shall in no manner be construed to waive or relinquish any such right.

DATED this 1st day of August 2017

TENANT(S):

TENANT

Tanana Herb Company, LLC

Member/owner

LANDLORD:

Owner:

Bear Electric Inc.

Initials

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AMENDMENT TO WAREHOUSE/SHOP LEASE DATED AUGUST 1, 2017
BETWEEN BEAR ELECTRIC INC AND TANANA HERB COMPANY

1200 WELL STREET, FAIRBANKS AK 99701

The landlord/lessor will not remove or take possession of marijuana on the premises. If landlord/lessor takes possession of marijuana on the premises AMCO will be notified immediately.

Agreed to and signed this 5th day of December 2017

TENANT(S): TENANT

Member/Owner
Tanana Herb Company, LLC

LANDLORD:

Bear Electric Inc.

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AMDNEDED AND RESTATED GROUND LEASE

Between

ALASKA RAILROAD CORPORATION

and

ADCO PROPERTIES INC.

CONTRACT NO. 9132

Received by AMCO 9/6/18

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AMENDED AND RESTATED GROUND LEASE

THIS AMENDED AND RESTATED GROUND LEASE (herein called "this Lease") is made on the day executed by the last signatory hereto, 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 **ADCO PROPERTIES INC.**, a Washington corporation (herein called "Lessee"), whose mailing address is 20301 – 59th Place South, Kent, Washington 98032.

RECITALS

A. The Lessor has agreed to lease to Lessee a parcel of land located within the Alaska Railroad Fairbanks Reserve and more specifically described on Schedule 1 attached to and for all purposes made a part of this Lease.

B. The property has been under two long-term leases, ARRC Contracts 3346 and 5457 dated October 16, 1968 and August 5, 1982, respectively, between the federally owned Alaska Railroad and Alaska Distributors Co. Lessee is a wholly-owned subsidiary of Alaska Distributors Co. By this document it is the intent of the Lessor and Lessee to obtain one long-term ground lease in the name of the subsidiary company replacing the prior leases and making it consistent with Lessor's current Long-Term Lease Policy.

C. Pursuant to the Alaska Railroad Transfer Act, 45 U.S.C. §1201 et seq. and the Alaska Railroad Corporation Act, AS 42.40.010 et seq., the Lessor is the successor in interest to the federally owned Alaska Railroad as lessor under Contracts 3346 and 5457 dated October 16, 1968 and August 5, 1982 respectively.

D. The rental rate to be multiplied against the fee simple value as determined in accordance with paragraph 2.02 is eight percent (8%) and is to remain constant throughout the original lease term of thirty (30) years.

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 Fairbanks Recording District, Fourth 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").

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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. Notwithstanding the foregoing, Lessee shall have the right, subject to the terms of this Lease, to use earth materials on or in the above-described land to a depth not to exceed twenty (20) feet below the surface, and to move and recontour such materials on the Leased Premises. During the term of this Lease, Lessor shall not have the right to enter on the surface of the Leased Premises, without Lessee's prior consent, 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 twenty-five (25) feet below the surface of the Leased Premises. 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, retaining walls, berms, earth contours, and all other below-surface improvements situated on the Leased Premises on the date of this Lease; excepting however, any utility service connections and any underground storage tank(s) on the Leased Premises or appurtenances to such tank(s).

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

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

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, as amended and restated, shall be and continue in full force and effect for a term of thirty (30) years (the "Lease Term") commencing as of June 1, 2007, and expiring May 31, 2037, unless earlier terminated as provided in this Lease.

1.06 Effect on Prior Lease Documents. Upon the execution of this Amended and Restated Lease, the provisions of the prior lease documents described in Recital B above shall be of no further force and effect, except as to liabilities accrued prior to such date, which shall thereupon become liabilities under this Amended and Restated Lease and be governed by the terms hereof.

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1.07 Lessor's Right of Access for Environmental Purposes. In addition to any right of access described elsewhere in this Lease, Lessee hereby agrees to provide Lessor, and its authorized representatives and agents, access to the Premises at all reasonable times for the purposes of assessing, sampling, or otherwise determining the current environmental condition of the Premises and, if deemed necessary or prudent by Lessor in its sole discretion, conducting or implementing any interim or final cleanup measures or other action protective of human health and the environment, whether or not such action is required by a regulatory agency with jurisdiction in the matter.

The provisions of paragraph 4.06.E of this Lease shall apply to determine the respective obligations of Lessor and Lessee for any environmental condition addressed under the foregoing right of access. If the activities undertaken by Lessor interfere with or limit Lessee's use of the Premises, Lessee shall have the rights provided under paragraphs 6.01.C and D as if a "taking" had occurred under Article 6, unless Lessee is responsible for the environmental condition under the provisions of said paragraph 4.06.E. In no event, however, shall Lessee be entitled to compensation of any nature, including but not limited to business interruption damages, for such "taking".

ARTICLE 2

RENTS

2.01 Rents.

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

1. Lease years 1-5 inclusive, annual Basic Rents will be Eight Thousand, Seventy-Six and no/100 Dollars ($8,076.00). 07-12

2. Lease years 6-10 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, this annual rent is not to exceed $10,903.00, 135 % of the annual rent as determined for lease years 1-5 inclusive, or at a minimum drop below the rent determined in lease years 1-5 inclusive. 12-17

3. Lease years 11-15 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, this annual rent is not to exceed 135% of the rent as determined for lease years 6-10 inclusive, or at a minimum drop below the rent determined in lease years 6-10 inclusive. 17-22

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4. Lease years 16-20 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, this annual rent is not to exceed 135% of the rent as determined for lease years 11-15 inclusive, or at a minimum drop below the rent determined in lease years 11-15 inclusive. 22-27

5. Lease years 21-25 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, this annual rent is not to exceed 135% of the rent as determined for lease years 16-20 inclusive, or at a minimum drop below the rent determined in lease years 16-20 inclusive. 27-32

6. Lease years 26-30 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, this annual rent is not to exceed 135% of the rent as determined for lease years 21-25 inclusive, or at a minimum drop below the rent determined in lease years 21-25 inclusive. 32-37

B. Adjustments for Improvements to Premises. If, at any time during the Lease term, infrastructure or similar improvements are made by Lessor that increase the fair market value of the Premises (such as, but not limited to, the provision of water service to the Premises), the Basic Rent and minimum and maximum rental amounts set under subparagraph 2.01.A above shall, as of the date such improvement is available to the Premises, be adjusted to take the increased value into account. The increase shall be calculated in the following manner: An appraisal shall be obtained pursuant to paragraph 2.02.A and the resulting fair market value shall be multiplied by the rent capitalization rate set in paragraph 2.02.B, with the resulting amount becoming the new Basic Rent, without regard to whether said amount exceeds 135% of the prior period's Basic Rent. The fair market value rent established at the next succeeding regular five-year rent adjustment shall not exceed 135% of said new Basic Rent, nor shall it drop below said new Basic Rent.

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

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

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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%).

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

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

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

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

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

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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 Use of Leased Premises. Lessee specifically agrees that for the term of this Lease, it shall use the Leased Premises for no other purpose other than warehousing. Any change in use will require prior written approval of Lessor.

4.02 Taxes, Assessments and Charges.

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

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

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

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

E. Subject to the exception set out in subparagraph 4.02.C above, 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 4.02 for the account and at the expense of Lessee, and may further elect, upon such payment: (1) to terminate this Lease under Article 9, after giving thirty (30) days' written notice and allowing an opportunity for cure as provided therein, and bring an appropriate action against Lessee for recovery of the sum paid; (2) to continue this Lease in force and charge the Lessee with the payment as additional rent; or (3) to continue this Lease in force and bring an appropriate action against Lessee for recovery of the sum paid. The above-enumerated elections are not in derogation of, and do not limit, any other rights or remedies Lessor may have under this Lease or applicable law. Nothing in this subparagraph 4.02.E requires Lessor to pay any delinquent tax, assessment, or charge for which Lessee is liable.

4.03 Improvements Required by Law. Lessee, at Lessee's own expense, during the Lease Term and subject to the requirements of paragraph 4.06 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.

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4.04 Construction or Removal of Improvements, Additions and Alterations.

A. "Significant Work," as used in this paragraph 4.04, means all work on the Leased Premises costing more than $25,000.00, or which will occur or have an effect within twenty (20) feet of the centerline of Lessor's railroad track, which (1) involves the excavation, filling, or other alteration of the grade or drainage of the Leased Premises, or (2) involves the construction, demolition, or removal on or from the Leased Premises of any improvement, any addition or alteration, or (3) if the fees or other charges therefor are not timely paid, will subject the Leased Premises or the interest of Lessor or Lessee therein to any lien or other encumbrance.

B. Lessee shall not begin any Significant Work without first obtaining the prior written approval of Lessor with respect to such work and to the preliminary plans for such work, if any, and to the final plans and specifications for such work. The preliminary plans and the final plans and specifications shall be prepared by a licensed architect or engineer and shall include, but not be limited to, a detailed plot plan, a landscaping plan, appropriate cross sections, elevations, and floor plans indicating building heights, bulk, density, functions, materials, and utility systems, an itemized estimate of the total cost of such work, and a timetable for completion. No approval by Lessor or by its architects or engineers of such preliminary plans or final plans and specifications shall be deemed a warranty or other representation by any of them that the improvements, additions, alterations, or other work contemplated thereby are legal, safe, or sound or constitute the highest and best use of the Leased Premises. All of such work by Lessee on the Leased Premises shall be supervised by a licensed architect or engineer. Lessee hereby acknowledges that, except as provided in paragraph 4.03 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.

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

4.06 Observance of Laws; Environmental Provisions.

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

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B. Environmental Laws. In furtherance and not in limitation of the foregoing paragraph, 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 shall immediately notify Lessor and shall, at Lessee's own expense, clean and restore the Leased Premises to the satisfaction of Lessor and any governmental body or court having jurisdiction of the matter.

C. Hazardous Materials on Leased Premises. Lessee shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Leased Premises by Lessee, its agents, employees, contractors or invitees without the prior written consent of Lessor, which Lessor shall not unreasonably withhold as long as Lessee demonstrates to Lessor's reasonable satisfaction that such Hazardous Material is necessary or useful to Lessee's business and will be used, kept and stored in a manner that complies with all laws regulating any such Hazardous Materials so brought upon or used or kept in or about the Leased Premises.

D. Disclosure. At the beginning of this Lease and on January 1 of each year thereafter and including January 1 of the year after termination of this Lease, Lessee shall disclose to Lessor the names and amounts of all Hazardous Materials or any combination thereof which were stored, used or disposed of on the Leased Premises, or which Lessee intends to store, use or dispose of on the Leased Premises.

E. Environmental Indemnity. Lessee agrees to indemnify, hold harmless and defend Lessor against all liability, cost and expense (including, without limitation, any fines, penalties, diminution in value of the Leased Premises, assessment and 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 4.06 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 of this Lease; provided, however, that Lessee shall not be required to indemnify Lessor under this paragraph 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. The foregoing indemnity shall survive the expiration or earlier termination of this Lease.

F. "Hazardous Material". For purposes of this Lease, the term "Hazardous Material" means any hazardous or toxic substances, material or waste, including but not limited to those substances, materials and wastes listed in the U.S. Department of Transportation Hazardous Materials Table (49 CFR § 172.101) or by the U.S. Environmental Protection Agency as hazardous substances (40 CFR Part 302), and amendments thereto, or such substances, materials and wastes that are or become regulated under any applicable local, state or federal law.

G. Environmental Testing. Lessee agrees that it shall be solely responsible for all costs and expenses associated with the performance of environmental testing of the Leased Premises,

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which may be required at Lessor's sole discretion, upon the expiration or other termination of this Lease. Such environmental testing, conducted by a recognized engineering or environmental consulting firm acceptable to Lessor at Lessor's sole discretion, shall be the basis for determining the extent of any environmental impairment caused by the Lessee's use and occupancy of the Leased Premises.

In the event Lessor shall make any expenditures or incur any obligations for the payment of money in connection with this paragraph 4.06 including, but not limited to, attorneys' fees for instituting, prosecuting or defending any action or proceeding, such sums paid, obligations incurred and costs, all with interest at the rate of ten and one-half percent (10½%) per annum, shall be deemed to be additional rent due hereunder and shall be paid by Lessee to Lessor within ten (10) days of the rendering of a bill or statement to Lessee therefor.

4.07 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.

4.08 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.

4.09 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.

4.10 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

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Premises or the interest of Lessor or Lessee therein to any lien or other encumbrance, without first complying with the requirements of paragraph 7.06 of this Lease.

4.11 Indemnification.

A. Lessee shall indemnify and hold Lessor harmless from and against any and all claims arising from (1) Lessee's use of the Leased Premises, or from the conduct of Lessee's business, or from any activity, work or things done, permitted or suffered by Lessee in or about the Leased Premises or elsewhere; (2) any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease; (3) any negligence of Lessee, or any of Lessee's agents, contractors, customers, employees, or any person claiming by, through or under Lessee; and (4) any accident on or in connection with the Leased Premises, or any fire thereon, or any nuisance made or suffered thereon. Lessee shall further indemnify and hold Lessor harmless from and against all costs, attorneys' fees, expenses and liabilities incurred in the defense of any proceeding brought against Lessor by reason of any such claim. Lessee, upon notice from Lessor, shall defend any of the above-described claims at Lessee's expense by counsel satisfactory to Lessor. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Leased Premises, arising from any cause and Lessee hereby waives all claims in respect thereof against Lessor. The provisions of this subparagraph 4.11.A shall not apply if the parties agree or a court of competent jurisdiction determines that such claims or liabilities are caused by the sole negligence of Lessor.

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

4.12 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.

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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 (10½%) per annum. Such obligations and interest shall constitute additional rents.

4.13 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, excepting only that the rent payable during the holdover tenancy shall be one hundred fifty percent (150%) of the rental rate in effect immediately prior to expiration of the Lease Term.

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

4.15 Permits from Corps of Engineers and Others.

A. 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 4.04 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.

B. Any application to the State of Alaska or other governmental entity for water rights appurtenant to the Leased Premises shall be made by Lessee on behalf and in the name of Lessor. Lessee shall give Lessor notice of its proposed application for such water rights thirty (30) days before submission of the application and obtain Lessor's approval. Lessee shall bear the costs

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associated with such application and shall have the rights accruing from such application, if granted, for the entire Lease Term, without payment of additional compensation to Lessor.

4.16 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 4.04 of this Lease. In such event, the Lease shall continue in full force and effect without abatement of rental.

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

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

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

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

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

ARTICLE 5

INSURANCE

5.01 Workers' Compensation. Lessee shall ensure that, with respect to all personnel performing work on the Leased Premises, Lessee maintains in effect at all times during the term of this Lease, coverage or insurance in accordance with the applicable laws relating to workers' compensation and employer's liability insurance, regardless of whether such coverage or insurance is mandatory or merely elective under the law.

5.02 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

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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 Two Million Dollars ($2,000,000) per occurrence and Four Million Dollars ($4,000,000) aggregate 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.

5.03 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 be 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 4.16 of this Lease.

5.04 Policy Provisions. Each policy of comprehensive general liability or property insurance described in paragraphs 5.02 and 5.03 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

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.

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

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ARTICLE 6

EMINENT DOMAIN

6.01 Effect of Eminent Domain on Lease.

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

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

C. Subject to the exception set out in subparagraph 6.01.D below, if less than materially all of the Leased Premises are taken (herein called a "partial taking"), this Lease shall continue in effect except as to the portion so taken or condemned, but the rent to be paid by Lessee shall thereafter be reduced by the same ratio as the value of the portion of the Leased Premises so taken bears to the value of the Leased Premises before taking. If no portion of the net usable area of the Leased Premises is taken, or if the portion thereof so taken is subterranean or aerial and does not interfere with the use of the surface, then Lessee shall not be entitled to any adjustment of rent hereunder. If Lessor and Lessee disagree as to whether a taking is a partial taking, either of them may submit the matter to arbitration under Article 8.

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

6.02 Disposition of Proceeds.

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

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

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

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

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

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

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

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

6.03 Temporary Taking. If the whole or any part of the Leased Premises, or of Lessee's interest under this Lease, is taken by any competent authority for its temporary use or occupancy, this Lease shall not terminate by reason thereof and Lessee shall continue to pay all rental payments and other charges payable by Lessee hereunder, and to perform all other terms, covenants, and conditions contained herein, except to the extent Lessee is prevented from so doing by the terms of the order of the taking authority. In the event of a temporary taking, Lessee shall be entitled to receive the entire amount of the award and shall be obligated, at its sole expense, to restore the Leased Premises as

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nearly as may be reasonably possible to the condition in which they existed immediately prior to such taking; provided, however, that if the period of temporary use or occupancy extends beyond the expiration of the Lease Term, the award shall be apportioned between Lessor and Lessee as of said date of expiration, after Lessor shall have received the entire portion of the award attributable to physical damage to the Leased Premises (excluding Lessee's Improvements) and to the restoration thereof to the condition existing immediately prior to the taking or condemnation. Upon expiration of the temporary taking, Lessee shall have the rights and obligations provided in Article 11, including but not limited to removal of Lessee's Improvements within a reasonable time to be negotiated by Lessor and Lessee.

ARTICLE 7

ASSIGNMENTS, MORTGAGES, SUBLEASES AND SUBDIVISION

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

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 and only upon the written consent of the Lessor.

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 Three Hundred Dollars ($300.00) 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 an assignment does not release Lessee of any obligations that may have arisen or accrued or be based on events which occurred before the assignment, including but not limited to, an obligation to pay delinquent rent or an obligation to pay all costs associated with cleaning up any environmental contamination, unless Lessor expressly releases Lessee from the same in writing. Upon assignment, the Qualified Assignee shall assume all rights and obligations of Lessee under this Lease, including unsatisfied obligations to cure any delinquency in rent or other charges under this Lease or to perform any repairs or other work or action required by Lessor before the assignment. The Qualified Assignee's satisfaction of any of Lessee's obligations to Lessor that accrued prior to assignment shall subrogate the Qualified Assignee to Lessor's cause of action against Lessee with respect to such satisfied obligation.

7.05 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.

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

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B. Notice to Lessor. 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. Notice of Default and Opportunity to Cure. Upon any default on any of the terms of the Lease by Lessee, Lessor, in addition to notifying Lessee pursuant to paragraph 9.02 below, shall also notify each Qualified Mortgagee of such default. Upon receipt of a written notice of default, any such Qualified Mortgagee shall have the length of time set forth in paragraph 9.02.C of this Lease to cure the default.

D. Possession by Mortgagee. A Qualified Mortgagee may take possession of the Leased Premises and vest in the interest of Lessee in the Lease upon the performance of the following conditions:

1. The payment to Lessor of any and all sums due to Lessor under the Lease, including but not limited to accrued unpaid rent.

2. The sending of a written notice to Lessor and Lessee of the Qualified Mortgagee's intent to take possession of the Leased Premises and assume the Lease.

3. The curing of all defaults not remediable by the payment of money within an additional thirty (30) days of the date upon which such default was required to be cured by the Lessee under the terms of this Lease.

E. No Liability of Mortgagee Without Possession. A Qualified Mortgagee shall have no liability or obligation under the Lease unless and until it sends to Lessor the written notice described in paragraph 7.06.D.2 above. Nothing in this Lease nor in the taking of possession of the Leased Premises and assumption of the Lease by a Qualified Mortgagee or a subsequent assignee shall relieve Lessee of any duty or liability to Lessor under the Lease.

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

7.07 Right to Sublet. Lessee shall have the right during the Lease Term to sublet all or any part or parts of the Leased 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. Prior to execution of each sublease, Lessee shall notify Lessor of the name and mailing addresses of the proposed sublessee and provide Lessor with photocopies of the proposed sublease. Lessee shall not execute any such sublease until it has received the written consent of Lessor, which shall not be unreasonably withheld. Promptly after execution, Lessee shall provide Lessor with a photocopy of the executed sublease.

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

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

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

The parties acknowledge that Lessee intends to sublease the entire Premises to its parent, Alaska Distributors Co. after execution of this Lease. Lessor hereby approves said sublease as long as subparagraph 7.07.A is complied with in the sublease document.

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; or (2) the value of the respective interests of Lessor and Lessee in a condemnation action under Article 6; the matter of disagreement, upon the election of either of them, shall be submitted to and determined by a single arbitrator, mutually appointed by them, whose decision and award shall be final, conclusive, and binding upon both of them. If Lessor and Lessee fail to mutually appoint a single arbitrator, the matter shall be submitted to and determined by three (3) arbitrators, in which event either Lessor or Lessee may give to the other written notice of election to have the matter of disagreement so arbitrated and shall appoint therein one of the arbitrators. The other party shall, within twenty (20) days after the receipt of such written notice, appoint a second arbitrator. If he fails to do so, the party who has already appointed an arbitrator may have the second arbitrator appointed by any judge of the Superior Court of Alaska resident in the district where the Leased Premises are situated. The two arbitrators so appointed in either manner shall appoint the third arbitrator, and if the first two arbitrators fail to appoint a third arbitrator within twenty (20) days after the appointment of the second arbitrator, either Lessor or Lessee may have the third arbitrator appointed by any judge of the Superior Court of Alaska resident in the district where the

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Leased Premises are situated. Each of the arbitrators appointed under this paragraph shall possess the professional qualifications provided in paragraph 8.02 hereof.

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

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

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

ARTICLE 9

DEFAULT AND DEFEASANCE

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

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

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

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

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9.02 Notice and Right to Cure.

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

B. Method of Giving Notice. Lessor shall give notice of default in accordance with subparagraph 9.02.A by personal delivery to each party required to receive it; or 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. To be effective, personal delivery shall be documented by written acknowledgment of receipt by Lessee or by an affidavit of the personal delivery by Lessor's representative.

C. Lessee's Right to Cure Defaults.

1. If the alleged default is nonpayment of rent, taxes, or other sums to be paid by Lessee as provided in Articles 2 and 4 or elsewhere in this Lease directed to be paid as rent, Lessee shall have thirty (30) days after the notice is given to cure the default.

2. If, in the reasonable opinion of Lessor, the alleged default substantially endangers either the person or property of Lessor or a third party, or human health or the environment, Lessee shall commence curing the default immediately upon notice and complete the cure within such reasonable time period as is imposed by Lessor or any governmental body having jurisdiction in the matter.

3. For the cure of any other default, Lessee shall promptly and diligently after the notice commence curing the default and shall have sixty (60) days after notice is given to complete the cure.

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

9.04 Right of Lessor to Protect Against Default. If Lessee fails to observe or perform any of its covenants contained herein, Lessor, at any time thereafter and without notice, shall have the right but not the obligation to observe or perform such covenant for the account and at the expense of Lessee, and shall not be liable to Lessee or anyone claiming by, through, or under it for any loss or damage by reason thereof to the occupancy, business, or property of any of them. All costs and

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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 (in which event Lessee's rights shall continue in the improvements required to be removed). Promptly after notice of termination, Lessee shall surrender and vacate the Leased Premises and all improvements not required to be removed in a broom-clean condition, and Lessor may reenter and take possession of the Leased Premises and all remaining improvements and eject all parties in possession, or eject some and not others, or eject none. Termination under this paragraph shall not relieve Lessee, or any of its guarantors, insurers, or sureties, from the payment of any sum then due to Lessor or from any claim for damages previously accrued or then accruing against Lessee.

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

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 (10½%) 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,

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without compensation and without liability for use or damage, or store them for the account and at the cost of Lessee.

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

9.06 Assignment of Subrents. Lessee assigns to Lessor all subrents and other sums falling due from subtenants, licensees and concessionaires (referred to as "Subtenants" in this paragraph 9.06) during any period in which Lessor has the right under this Lease, whether exercised or not, to reenter the Leased Premises for Lessee's default, and Lessee shall not have any right to such sums during that period. Lessor may at Lessor's election reenter the Leased 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 Leased Premises and improvements in good condition, and preparing or altering the Leased 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 or its authorized agents 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

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to Lessee of such inspection. Such inspections may include, but not be limited to, conducting tests for environmental contamination. All inspections will be conducted in a manner that does not unreasonably interfere with the operation of Lessee's business. If contamination is identified on the Leased Premises, Lessee shall be responsible for all resulting costs associated with cleanup as provided in paragraphs 4.06 and 4.11. 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 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

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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 4.06 and 4.11 through 4.15 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.

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

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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.

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 4.14 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.

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ARTICLE 12

EXECUTION AND MEMORANDUM OF LEASE

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

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

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

ALASKA RAILROAD CORPORATION

Dated: 7/2/07

By: _____
Patrick K. Gamble
President & Chief Executive Officer

Dated: 7/2/07

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

ADCO PROPERTIES INC.

Dated: 9-19-07

By: _____

Title: President

Received by AMCO 9/6/18

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 2nd day of July, 2007, by Patrick K. Gamble, President & Chief Executive Officer of the Alaska Railroad Corporation, a public corporation created by Alaska Statute 42.40, on behalf of the corporation.

Kathleen A. Lewis
Notary Public in and for Alaska
My Commission expires: 12-11-2008

KATHLEEN A. LEWIS NOTARY PUBLIC STATE OF ALASKA

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 2nd day of July, 2007, 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.

Kathleen A. Lewis
Notary Public in and for Alaska
My Commission expires: 12-11-2008

KATHLEEN A. LEWIS NOTARY PUBLIC STATE OF ALASKA

Received by AMCO 9/6/18

STATE OF WASHINGTON)
)ss.
COUNTY OF King)

The foregoing instrument was acknowledged before me this 19th day of September, 2007, by Donald Lach, the President of ADCO Properties Inc., a Washington corporation, on behalf of the corporation.

JULIE ANNE GILL
COMMISSION EXPIRES
NOTARY
PUBLIC
11-09-10
STATE OF WASHINGTON

Notary Public in and for Washington
My Commission expires: 11-09-10

Received by AMCO 9/6/18

ADCO Properties Inc.
Lease Contract No. 9132

SCHEDULE 1

LEGAL DESCRIPTION

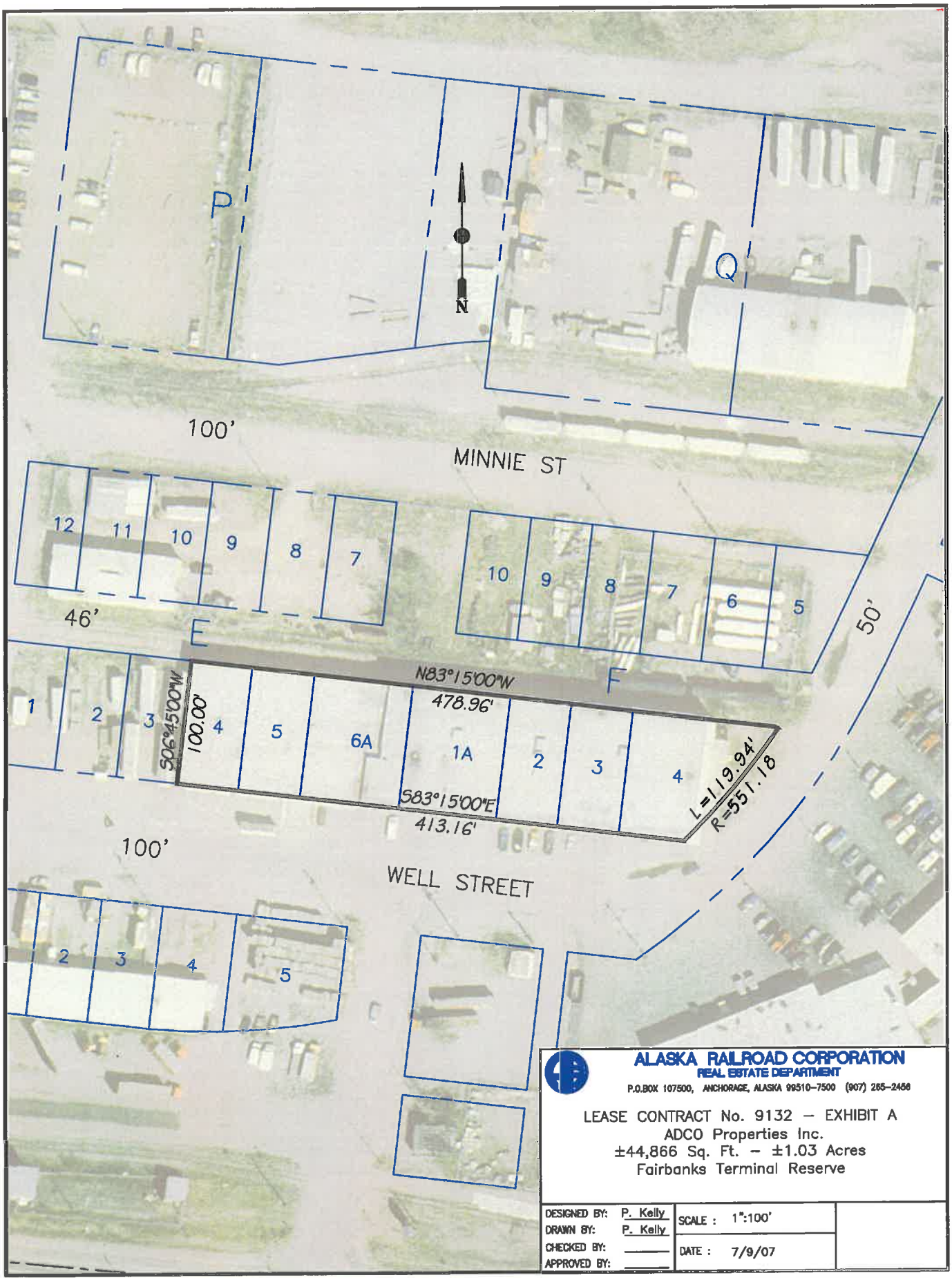
A parcel of land located within the Alaska Railroad Fairbanks Terminal Reserve situated in the Fairbanks Recording District, Fourth Judicial District, State of Alaska and further described as follows:

Lease of Lots 4, 5 and 6A, Block E and Lots 1A, 2, 3 and 4, Block F of the ARRC Fairbanks Terminal Reserve Depot & Leasing Areas Map, dated January 26, 1961 and redrawn January 14, 1972, located in Section 3, Township 1 South, Range 1 West, Fairbanks Meridian, Alaska, containing 44,866 square feet, more or less. As shown on the attached Exhibit A.

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

RECORDER'S OFFICE RETURN TO:
ALASKA RAILROAD CORPORATION
ATTN: REAL ESTATE
P.O. BOX 107500
ANCHORAGE, AK 99510-7500

Received by AMCO 9/6/18



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A L A S K A
2007-026097-0
Recording Dist: 401 - Fairbanks
11/8/2007 10:36 AM Pages: 1 of 4

ADCO Properties Inc.
Lease Contract No. 9132
C0126077

MEMORANDUM OF LEASE

CC

PLEASE TAKE NOTICE that 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 **ADCO PROPERTIES INC.**, a Washington corporation (herein called "Lessee"), whose mailing address is 20301 59th Place South, Kent, Washington 98032, have entered into a lease dated Sept 19, 2007 (which succeeds those certain lease Contracts 3346 and 5475 dated October 16, 1968 and August 5, 1982, respectively, between the parties or their predecessor(s) in interest, which such leases shall be of no further force and effect upon execution of this Memorandum of Lease). The lease affects that property known as:

A parcel of land located within the Alaska Railroad Fairbanks Reserve situated in the Fairbanks Recording District, Fourth Judicial District, State of Alaska and more specifically described on Schedule 1 attached to and for all purposes made a part of this Memorandum of Lease.

The term of the lease is thirty (30) years commencing as of June 1. 2007 and ending on May 31, 2037. There is no right to extend or renew the lease or right to purchase the real property provided in the lease. The complete terms and conditions of the lease agreement are contained in documents which are in the possession of the parties at the above addresses.

The lease also grants a security interest to Lessor in all improvements and fixtures owned by Lessee (including buildings) and in any way affixed or attached, whether now or later, to the Leased Premises for the payment of rent and other obligations of the Lease.

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

ALASKA RAILROAD CORPORATION

Dated: 11/2/07

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

ADCO PROPERTIES INC.

Dated: 9-19-07

By: _____

Title: President

Received by AMCO 9/6/18

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 2nd day of July, 2007, 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.

Kathleen A. Lewis
Notary Public in and for Alaska
My Commission expires: 2-11-2008

KATHLEEN A. LEWIS NOTARY PUBLIC STATE OF ALASKA

THIS INSTRUMENT IS BEING RECORDED BY
YUKON TITLE COMPANY, INC.
AS AN ACCOMMODATION ONLY.
IT HAS NOT BEEN EXAMINED AS TO
ITS EFFECT, IF ANY, ON THE TITLE
OF THE ESTATE HEREIN.

STATE OF WASHINGTON)
)ss.
COUNTY OF King)

The foregoing instrument was acknowledged before me this 19th day of September, 2007, by Donald Lamb, the President of ADCO Properties Inc., a Washington corporation, on behalf of the corporation.

JULIE ANNE GILL NOTARY PUBLIC COMMISSION EXPIRES 11-09-10 STATE OF WASHINGTON

Julie Anne Gill
Notary Public in and for Washington
My Commission expires: 11-09-10

Received by AMCO 9/6/18

ADCO Properties Inc.
Lease Contract No. 9132

SCHEDULE 1

LEGAL DESCRIPTION

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

Lease of Lots 4, 5 and 6A, Block E and Lots 1A, 2, 3 and 4, Block F of the ARRC Fairbanks Industrial Subdivision, located in Section 3, Township 1 South, Range 1 West, Fairbanks Meridian, Alaska, containing approximately 44,903 square feet, as shown on the attached drawing.

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

RECORDER'S OFFICE RETURN TO:
ALASKA RAILROAD CORPORATION
ATTN: REAL ESTATE
P.O. BOX 107500
ANCHORAGE, AK 99510-7500

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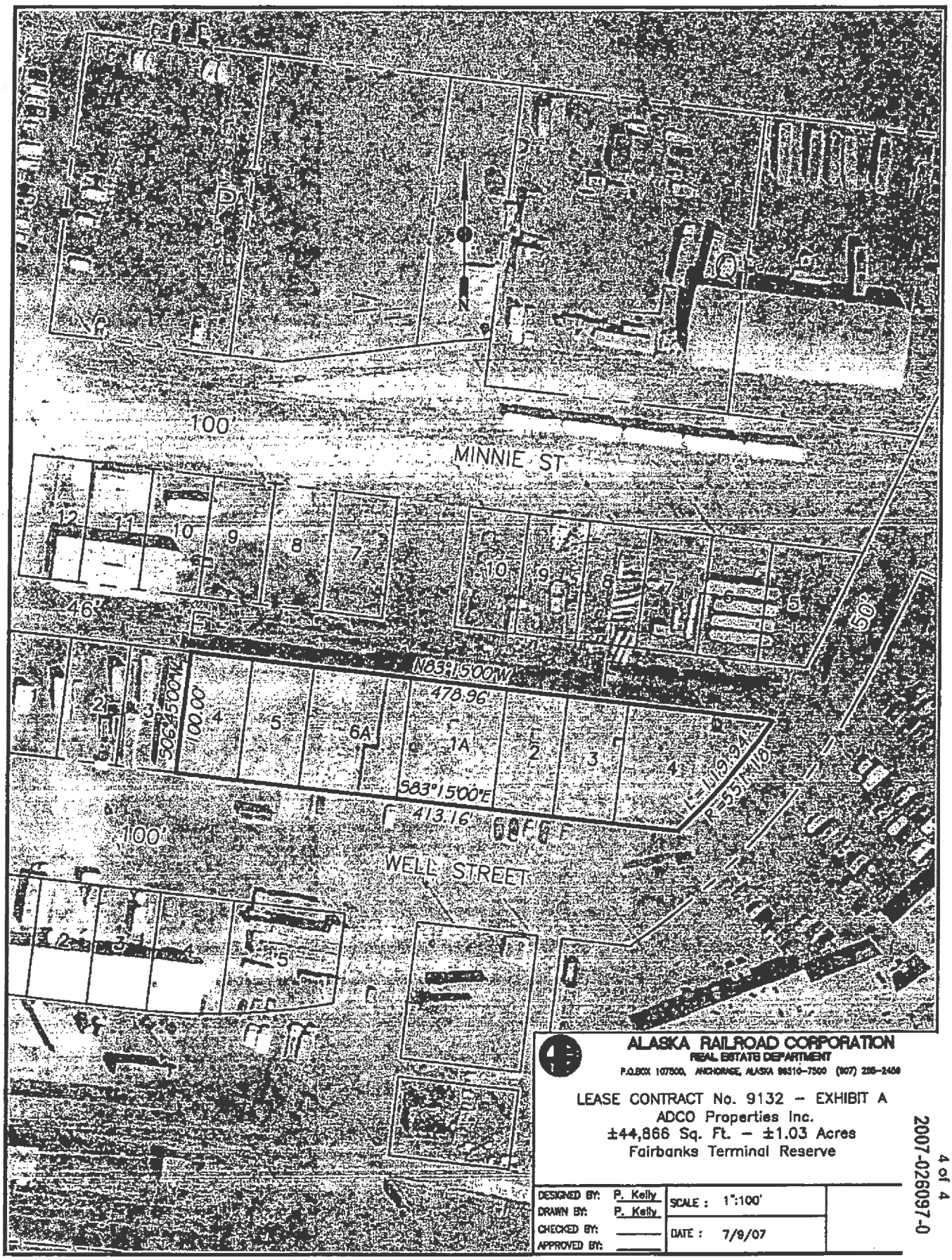

ALASKA RAILROAD CORPORATION
REAL ESTATE DEPARTMENT
P.O.BOX 107500, ANCHORAGE, ALASKA 99510-7500 (907) 265-2456

LEASE CONTRACT No. 9132 – EXHIBIT A
ADCO Properties Inc.
±44,866 Sq. Ft. – ±1.03 Acres
Fairbanks Terminal Reserve

DESIGNED BY:	P. Kelly	SCALE :	1":100'
DRAWN BY:	P. Kelly		
CHECKED BY:		DATE :	7/9/07
APPROVED BY:			

2007-026097-0

4 of 4

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A L A S K A

2016-017271-0
Recording Dist: 401 - Fairbanks
11/17/2016 10:37 AM Pages: 1 of 7

Supplement No. 2 to
ARRC Contract No. 9132
[New Contract No. 20221]

AMENDMENT TO LEASE
AND
ASSIGNMENT OF LEASE
(With Consent)

Y95846

THIS AMENDMENT TO LEASE AND ASSIGNMENT OF LEASE is made on the day executed by the last signatory hereto, by and between **ADCO PROPERTIES, INC**, a Washington corporation (hereinafter "ASSIGNOR"), and **WELL STREET, LLC**, an Alaska limited liability corporation (hereinafter "ASSIGNEE"), whose mailing address is P.O. Box 60668 Fairbanks, Alaska 99706 and the **ALASKA RAILROAD CORPORATION**, a public corporation created pursuant to AS 42.40 (hereinafter "LESSOR"), whose mailing address is P.O. Box 107500, Anchorage, Alaska 99510-7500.

RECITALS

A. LESSOR is the lessor of real property more fully described in the attached "Schedule 1 (Revised 4/05/12)", located in the Fairbanks Recording District, Fourth Judicial District, State of Alaska (hereinafter, the "Leased Premises") under that certain lease, ARRC Contract No. 9132, dated September 19, 2007, between LESSOR and ASSIGNOR (hereinafter the "Lease"), as more particularly described in that certain memorandum of lease which was recorded November 8, 2007 as Instrument No. 2007-026097-0 in the records of said recording district.

B. LESSOR tendered to ASSIGNOR a proposed Supplement No. 1 to the Lease, which was never executed, which would have revised the rent adjustment provisions of subparagraphs 2.01.A.2 through 2.01.A.6 of the Lease and updated the legal description of the Leased Premises.

C. ASSIGNOR is the lessee under the Lease or the successor in interest to such lessee.

D. It is the desire of ASSIGNOR to assign and transfer all of their rights, interest, liabilities and obligations in the Lease and the Leased Premises to ASSIGNEE, and it is the desire of ASSIGNEE to accept all rights, interest, liabilities and obligations in the above Lease and the Leased Premises.

E. It is the desire of LESSOR to amend the Lease to include the changes to the rent adjustment provisions and the legal description originally included in the unexecuted Supplement No. 1 to the Lease, and ASSIGNOR and ASSIGNEE are willing to enter into such amendments.

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F. The consent of LESSOR is required for any assignment under the Lease. LESSOR intends by its signature hereto both to consent to the Assignment of Lease set forth below and to agree to the Lease amendments set forth below.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the ASSIGNOR, ASSIGNEE and LESSOR agree as follows:

1. Schedule 1, referred to in Paragraph 1.01 of the Lease, is hereby deleted in its entirety and the attached "Schedule 1 (Revised 4/05/12)" is inserted in place thereof. Any references in the Lease to "Schedule 1" shall henceforth be deemed to refer to "Schedule 1 (Revised 4/05/12)".

2. Subparagraphs 2.01.A.2 through 2.01.A.6 of the Lease are hereby deleted in their entirety and the following inserted in place thereof:

2. Lease years 6-10 inclusive, Basic Rents will be Seven Thousand, One Hundred Seventy-Nine and no/100 Dollars ($7,179.00). 12-17

3. Lease years 11-15 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, the annual Basic Rents for lease years 11-15 inclusive shall not (i) exceed 135% of the annual Basic Rents as determined for lease years 6-10 inclusive, or (ii) be reduced to less than 65% of the annual Basic Rents as determined for lease years 6-10 inclusive. 17-22

4. Lease years 16-20 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, the annual Basic Rents for lease years 16-20 inclusive shall not (i) exceed 135% of the annual Basic Rents as determined for lease years 11-15 inclusive, or (ii) be reduced to less than 65% of the annual Basic Rents as determined for the lease years 11-15 inclusive. 22-27

5. Lease years 21-25 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, the annual Basic Rents for lease years 21-25 inclusive shall not (i) exceed 135% of the annual Basic Rents as determined for lease years 16-20 inclusive, or (ii) be reduced to less than 65% of the annual Basic Rents as determined for the lease years 16-20 inclusive. 27-32

6. Lease years 26-30 inclusive, Basic Rents will be at "fair market value" as determined by appraisal under paragraph 2.02. However, the annual Basic 32-37

Rents for lease years 26-30 inclusive shall not (i) exceed 135% of the annual Basic Rents as determined for lease years 21-25 inclusive, or (ii) be reduced to less than 65% of the annual Basic Rents as determined for the lease years 21-25 inclusive.

3. ASSIGNOR hereby assigns all of its right, title and interest in the Lease to ASSIGNEE.

4. ASSIGNEE 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.

5. This assignment shall have no force and effect until such time as it is consented to by the LESSOR pursuant to the terms of the Lease.

ASSSIGNOR

ADCO PROPERTIES, LLC

Dated: 11-16-16

By: _____

Print: DONALD LOEB

Its: President

ASSIGNEE

WELL STREET, LLC

Dated: 11-16-16

By: _____

Print: Russell E. Tavi

Its: Manager

By: _____

Print: John Mac Cheyne

Its: manager

Supplement No. 2 to
ARRC Contract No. 9132
[New Contract No. 20221]
Page - - 3 -

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2016-017271-0
Received by AMCO 9/6/18

AGREEMENT TO LEASE AMENDMENT AND CONSENT TO ASSIGNMENT

The ALASKA RAILROAD CORPORATION, as LESSOR under the Lease, hereby agrees to the amendments to the Lease set forth in this Supplement No. 2 to ARRC Contract No. 9132. LESSOR further hereby consents to the assignment of the Lease, as amended herein, by ASSIGNOR to ASSIGNEE. This Consent shall not release ASSIGNOR from any obligations that may have arisen or accrued or be based on events which occurred before the assignment.

LESSOR's agreement to the foregoing Lease amendments and LESSOR's consent to the foregoing assignment of the Lease shall both be null and void from the outset if the above-referenced amendment/assignment transaction is not closed and this Amendment to Lease and Assignment of Lease (With Consent) document is not recorded within ninety (90) days of LESSOR's signature below.

Henceforth, this Lease shall be known and administered as LESSOR'S Contract No. 20221

Except as otherwise expressly stated herein, nothing in this Consent to Assignment is intended to amend or alter any of the terms and conditions of the Lease or any amendments thereto previously executed by LESSOR and ASSIGNOR, or any predecessor in interest to either of them, all of which terms and conditions remain in full force and effect.

ASSIGNEE has made certain representations and warranties to LESSOR regarding its financial position. Any representation or warranty made by ASSIGNEE orally or in any document or certificate furnished to LESSOR in connection herewith which is untrue in any material respect as of the date on which made shall be an event of default for which the LESSOR may terminate the Lease.

Nothing in this Consent is to be construed as a consent by LESSOR to any subsequent assignment.

ALASKA RAILROAD CORPORATION

Dated: 8/31/2016

By: _____
James W. Kubitz
Vice President, Corporate Planning & Real Estate

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eRecorded Document

2016-017271-0
Received by AMCO 9/6/18

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 31 day of August, 2016, by James W. Kubitz, Vice President, Corporate Planning & Real Estate of the Alaska Railroad Corporation, a public corporation created by Alaska Statute 42.40, on behalf of the corporation.

Notary Public
KELLYAN TAYLOR
State of Alaska
My Commission Expires Nov. 7, 2017

Kellyan Taylor
Notary Public in and for Alaska
My Commission expires: Nov. 7, 2017

STATE OF ~~WASHINGTON~~ Alaska)
)ss.
COUNTY OF ~~KING~~ Fourth)

The foregoing instrument was acknowledged before me this 16 day of November, 2016, by Donald Loeb the President of ADCO Properties, Inc., a Washington corporation, on behalf of the same.

STATE OF ALASKA
NOTARY PUBLIC
JENNIFER NACHTRIEB
COMMISSION EXPIRES 1/21/2019

Notary Public in and for Alaska
My Commission expires: Jan. 21, 2019

STATE OF ALASKA)
)ss.
FOURTH JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 16th day of Nov., 2016, by Russell E. Talvi & John C. MacCheyne the Managers of Well Street, LLC, an Alaska limited liability company, on behalf of the same.

STATE OF ALASKA
NOTARY PUBLIC
JENNIFER NACHTRIEB
COMMISSION EXPIRES 1/21/2019

Notary Public in and for Alaska
My Commission expires: Jan. 21, 2019

Well Street, LLC
Lease Contract No. 20221

SCHEDULE 1

LEGAL DESCRIPTION
(Revised 4/05/12)

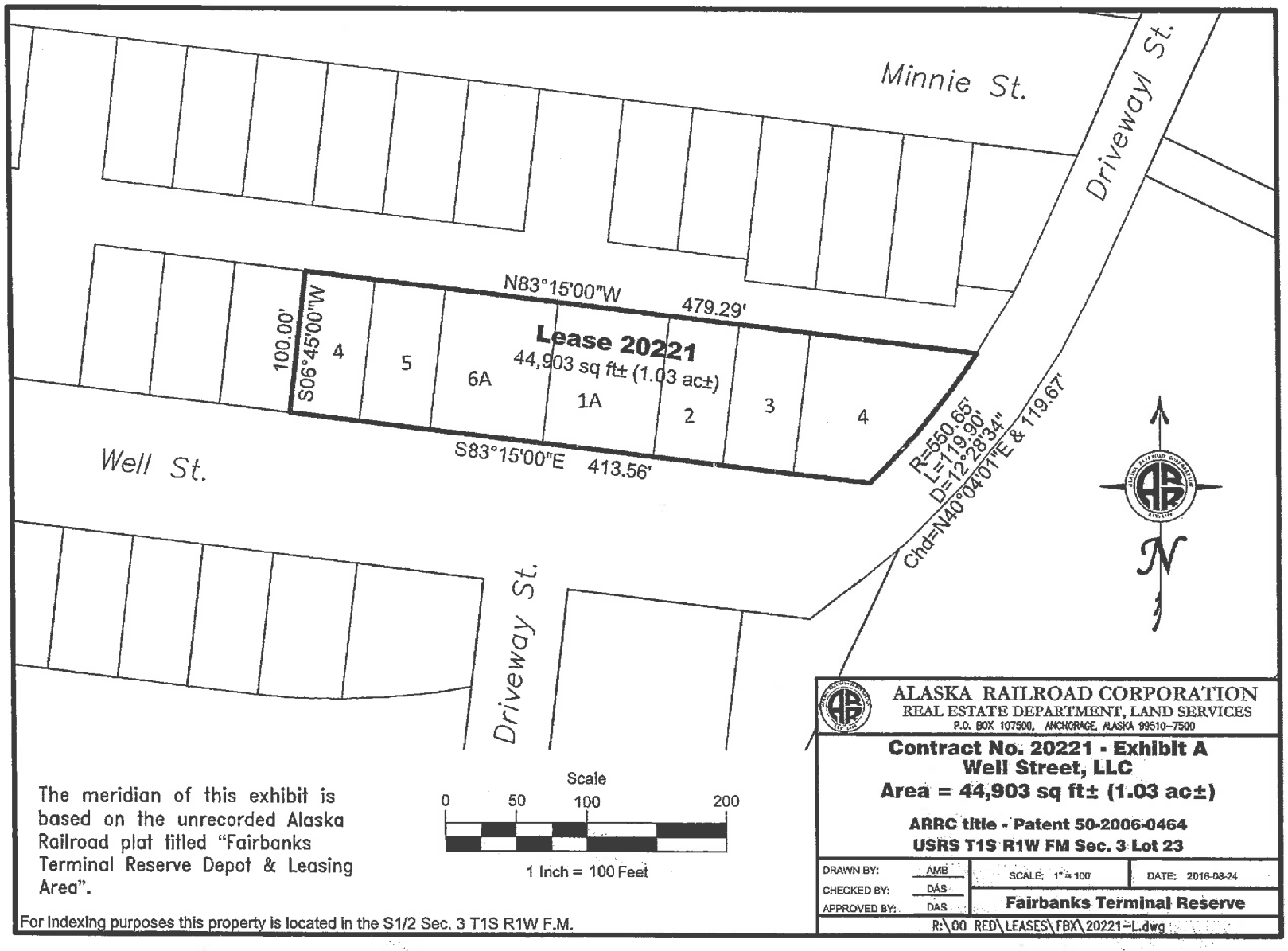
Seven lots within Section 3, Township 1 South, Range 1 West, Fairbanks Meridian, Alaska and situated in the Alaska Railroad Fairbanks Terminal Reserve in the Fairbanks Recording District, Fourth Judicial District, State of Alaska and described as follows:

Lease Lots 4, 5 and 6A, Block E and Lots 1A, 2, 3 and 4, Block F of the Fairbanks Industrial Subdivision as shown on the drawing attached hereto and incorporated herein as Exhibit "A", containing 44,866 square feet, more or less.

RECORDERS OFFICE RETURN TO:

ALASKA RAILROAD CORPORATION
ATTN: REAL ESTATE
P.O. BOX 107500
ANCHORAGE, AK 99510-7500
STATE BUSINESS—NO CHARGE

2016-017271-0
Received by AMCO 9/6/18



eRecorded Document

Supplement No. 2 to
ARRC Contract No. 20221
[New Contract No. 20320]

AMENDMENT TO LEASE
AND
ASSIGNMENT OF LEASE
(With Consent)

THIS AMENDMENT TO LEASE AND ASSIGNMENT OF LEASE is made on the day executed by the last signatory hereto, by and between **WELL STREET, LLC**, an Alaska limited liability company (hereinafter "ASSIGNOR"); **BEAR ELECTRIC, INC.**, an Alaska corporation (hereinafter "ASSIGNEE"), whose mailing address is P.O. Box 81772, Fairbanks, Alaska 99708; and the **ALASKA RAILROAD CORPORATION**, a public corporation created pursuant to AS 42.40 (hereinafter "LESSOR"), whose mailing address is P.O. Box 107500, Anchorage, Alaska 99510-7500.

RECITALS

A. LESSOR is the lessor of real property more fully described in the attached "Schedule 1" located in the Fairbanks Recording District, Fourth Judicial District, State of Alaska (the "Leased Premises") under that certain amended and restated ground lease, ARRC Contract No. 9132, dated September 19, 2007, between LESSOR and ADCO Properties, Inc. (the "Lease"), as more particularly described in that certain memorandum of lease which was recorded November 8, 2007 as Document No. 2007-026097-0 in the records of said recording district.

B. The Lease was assigned to ASSIGNOR under that certain Amendment to Lease and Assignment of Lease (With Consent), Supplement No. 2 to Contract No. 9132, dated November 16, 2016, which also revised rent provisions of the Lease and updated the legal description of the Leased Premises, and thereafter administered as ARRC Contract No. 20221. Said Supplement No. 2 was recorded November 17, 2016, at Document No. 2016-017271-0 in the records of said recording district.

C. ASSIGNOR is the lessee under the Lease or the successor in interest to such lessee.

Received by AMCO 9/6/18

D. It is the desire of ASSIGNOR to assign and transfer all of its rights, interest, liabilities and obligations in the Lease and the Leased Premises to ASSIGNEE, and it is the desire of ASSIGNEE to accept all rights, interest, liabilities and obligations in the Lease and the Leased Premises.

E. The parties desire to amend the Lease to reflect the correct area of the Leased Premises, which is actually slightly larger than indicated in previous Lease documents.

F. The parties further desire to amend the Lease to reflect a change in the use of the Leased Premises allowed under the Lease.

G. The consent of LESSOR is required for any amendment to or assignment of the Lease. LESSOR intends by its signature hereto both to consent to the Assignment of Lease set forth below and to agree to the Amendment of Lease set forth below.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the ASSIGNOR, ASSIGNEE and LESSOR agree as follows:

1. Schedule 1, referred to in Paragraph 1.01 of the Lease, is hereby deleted in its entirety and the attached "Schedule 1 (prepared 08/09/2017)" is inserted in place thereof. Any references in the Lease to "Schedule 1" shall henceforth be deemed to refer to "Schedule 1 (prepared 08/09/2017)".

2. Paragraph 4.01 of the Lease is hereby deleted in its entirety and the following inserted in place thereof:

> 4.01 Use of Leased Premises. Lessee specifically agrees that for the term of this Lease, it shall use the Leased Premises for no other purposes other than (i) warehouse, storage and office space; and/or (ii) marijuana cultivation. Any change in use will require prior written approval of Lessor.

3. ASSIGNOR hereby assigns all of its rights, interests, liabilities and obligations in the Lease and the Leased Premises to ASSIGNEE; and ASSIGNEE hereby accepts and assumes all of ASSIGNOR'S rights, interests, liabilities and obligations in the Lease and Leased Premises.

4. ASSIGNEE 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, including but not limited to the amendments contained herein.

Received by AMCO 9/6/18

5. The lease amendment and assignment set forth herein shall have no force and effect until such time as they are agreed and consented to by the LESSOR pursuant to the terms of the Lease.

ASSIGNOR

Dated: 8.16.17

WELL STREET, LLC

By: John Mac Cheyne

Print: John Mac Cheyne

Its: Managing Member

ASSIGNEE

Dated: 8/16/17

BEAR ELECTRIC, INC.

By:

Print: JAMES NUNLEY

Its: President

AGREEMENT TO LEASE AMENDMENT AND CONSENT TO ASSIGNMENT

The ALASKA RAILROAD CORPORATION, as LESSOR under the Lease, hereby agrees to the amendment of the Lease set forth in this Supplement No. 2 to ARRC Contract No. 20221. LESSOR further hereby consents to the assignment of the Lease, as amended herein, by ASSIGNOR to ASSIGNEE. This Consent shall not release ASSIGNOR from any obligations that may have arisen or accrued or be based on events which occurred before the assignment.

LESSOR's consent to both the foregoing Lease amendment and the foregoing assignment of the Lease shall be null and void from the outset if the above-referenced assignment transaction is not closed and this Amendment to and Assignment of Lease (With Consent) document is not recorded within one hundred and twenty (120) days of LESSOR's signature below.

Henceforth, this Lease shall be known and administered as LESSOR's Contract No. 20320

Received by AMCO 9/6/18

Except as otherwise expressly stated in this Supplement No. 2 to Contract No. 20221, nothing in this Consent to Assignment is intended to amend or alter any of the terms and conditions of the Lease or any amendments thereto previously executed by LESSOR and ASSIGNOR, or any predecessor in interest to either of them, all of which terms and conditions remain in full force and effect.

ASSIGNEE has made certain representations and warranties to LESSOR regarding its financial position. Any representation or warranty made by ASSIGNEE orally or in any document or certificate furnished to LESSOR in connection herewith which is untrue in any material respect as of the date on which made shall be an event of default for which the LESSOR may terminate the Lease.

Nothing in this Consent is to be construed as a consent by LESSOR to any subsequent assignment.

ALASKA RAILROAD CORPORATION

Dated: 8/16/2017

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 16 day of August, 2017, 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.

Notary Public
KELLYAN TAYLOR
State of Alaska
My Commission Expires Nov. 7, 2017

Kellyan Taylor
Notary Public in and for Alaska
My Commission expires: Nov. 7, 2017

STATE OFALASKA)
)ss.
FOURTH JUDICIAL DISTRICT)

Received by AMCO 9/6/18

Well Street, LLC
Lease Contract No. 20221
[New Lease Contract No. 20320]

SCHEDULE 1

LEGAL DESCRIPTION
(prepared 08/09/2017)

Seven lots within Section 3, Township 1 South, Range 1 West, Fairbanks Meridian, Alaska and situated in the Alaska Railroad Fairbanks Terminal Reserve in the Fairbanks Recording District, Fourth Judicial District, State of Alaska and described as follows:

> Lease Lots 4, 5 & 6A of Block E and 1A, 2, 3 & 4 of Block F as depicted on the unrecorded plat titled "Fairbanks Terminal Reserve Depot & Leasing Area" and the attached "Exhibit A", containing 44,903 square feet, more or less.

For indexing purposes the land lies within:
Lot 23, Section 3, Township 1 South, Range 1 West, Fairbanks Meridian

Recorder's Office, return to:
ALASKA RAILROAD CORPORATION
P.O. BOX 107500
ANCHORAGE, AK 99510-7500
STATE BUSINESS - NO CHARGE

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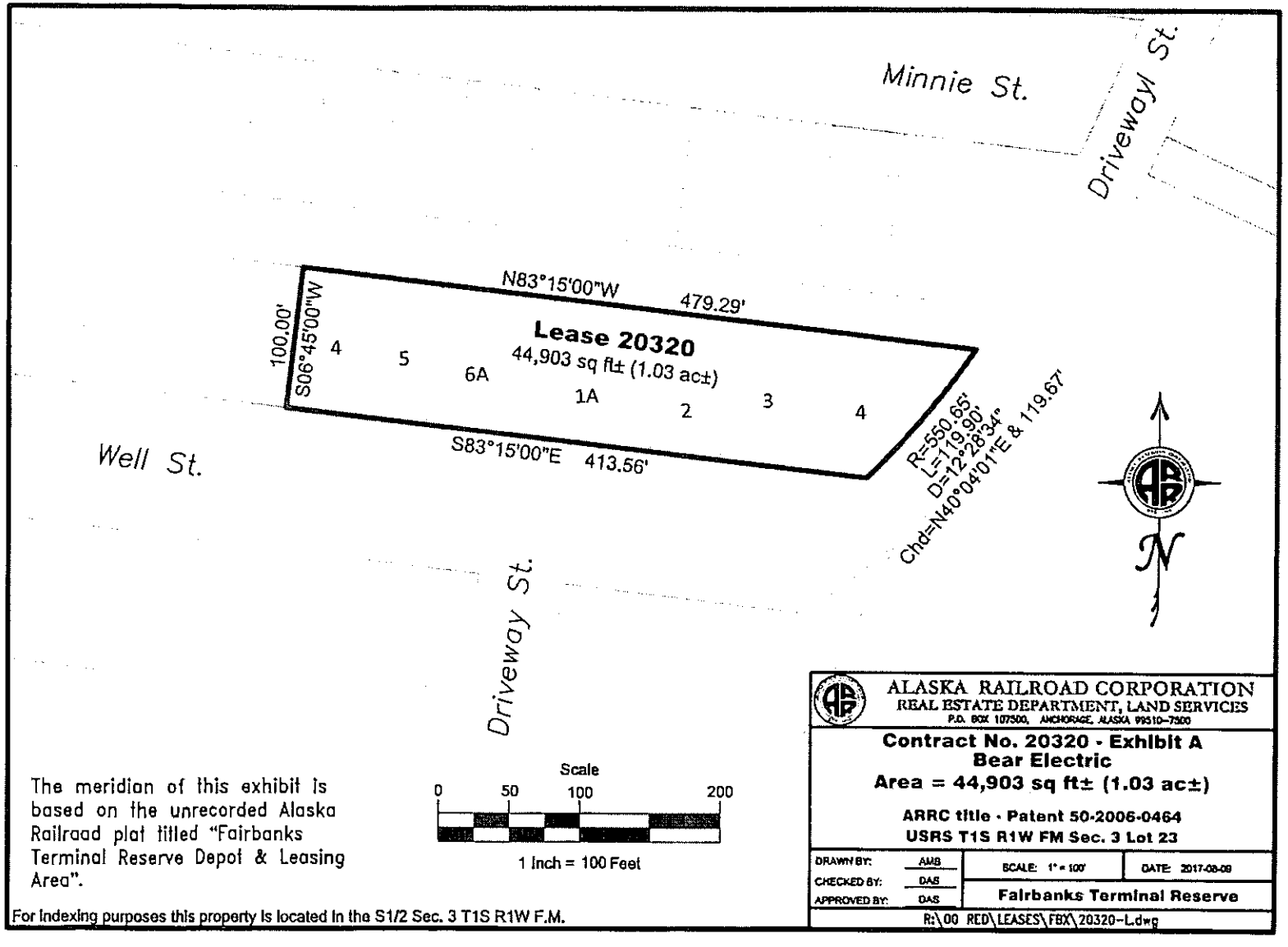

The meridian of this exhibit is based on the unrecorded Alaska Railroad plat titled "Fairbanks Terminal Reserve Depot & Leasing Area".

For Indexing purposes this property is located in the S1/2 Sec. 3 T1S R1W F.M.

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Supplement No. 1 to
ARRC Contract No. 20320

SUPPLEMENT

THIS SUPPLEMENT is made on the day executed by the last signatory hereto, by and between **BEAR ELECTRIC, INC.** ("LESSEE"), an Alaska corporation, whose mailing address is P.O. Box 81772, Fairbanks, Alaska 99708; and the **ALASKA RAILROAD CORPORATION**, a public corporation created pursuant to AS 42.40 ("LESSOR"), whose mailing address is P.O. Box 107500, Anchorage, Alaska 99510-7500.

RECITALS

A. LESSOR is the lessor of real property more fully described in the attached "Schedule 1" located in the Fairbanks Recording District, Fourth Judicial District, State of Alaska (the "Leased Premises") under that certain amended and restated ground lease, ARRC Contract No. 9132, dated September 19, 2007, and commencing effective June 1, 2007, between LESSOR and ADCO Properties, Inc. (the "Lease"), as more particularly described in that certain memorandum of lease which was recorded November 8, 2007 as Document No. 2007-026097-0 in the records of said recording district.

B. The Lease was subsequently assigned to Well Street, LLC under that certain Amendment to Lease and Assignment of Lease (With Consent), Supplement No. 2 to Contract No. 9132, dated November 16, 2016, which also amended the Lease as described therein, and thereafter administered as ARRC Contract No. 20221. Said Supplement No. 2 was recorded November 17, 2016, at Document No. 2016-017271-0 in the records of said recording district.

C. The Lease was subsequently assigned to LESSEE under that certain Amendment to Lease and Assignment of Lease (with Consent), Supplement No. 2 to Contract No. 20221, dated November 17, 2017, which also amended the Lease as described therein, and thereafter administered as ARRC Contract No. 20320. Said Supplement No. 2 was recorded November 21, 2017, at Document No. 2017-019439-0 in the records of said recording district.

D. LESSEE is the lessee under the Lease or the successor in interest to such lessee.

E. The parties desire to amend the Lease to reflect a change in the use of the Leased Premises

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allowed under the Lease.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the parties agree that the Lease be amended as follows:

1. Paragraph 4.01 of the Lease as previously amended, is hereby deleted in its entirety and the following inserted in place thereof:

4.01 Use of Leased Premises. Lessee specifically agrees that for the term of this Lease, it shall use the Leased Premises for no other purposes other than (i) warehouse, storage and office space; and/or (ii) marijuana cultivation, retail and manufacture. Any change in use will require prior written approval of Lessor.

EXCEPT AS HEREIN AMENDED, all other terms and conditions of the aforesaid Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Supplement as of the dates set out below.

ALASKA RAILROAD CORPORATION

Dated: 8/28/2018

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

BEAR ELECTRIC, INC.

Dated: 8/27/18

By: _____
Printed Name: James Nunley
Title: President

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STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 28 day of August, 2018, by James W. Kubitz, Vice President, Real Estate of the Alaska Railroad Corporation, a public corporation created by Alaska Statute 42.40, on behalf of the corporation.

KELLYAN TAYLOR NOTARY PUBLIC STATE OF ALASKA

Notary Public in and for Alaska
My Commission expires: 12/1/21

STATE OF ALASKA)
)ss.
FOURTH JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 27th day of August, 2018, by James Nunley the President of Bear Electric, Inc, an Alaska corporation, on behalf of the same.

State of Alaska
NOTARY PUBLIC
J. Poehls
My Commission Expires Aug 7, 2019

Notary Public in and for Alaska
My Commission expires: 8/7/2019

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Bear Electric, Inc.
Lease Contract No. 20320

SCHEDULE 1

LEGAL DESCRIPTION
(prepared 08/09/2017)

Seven lots within Section 3, Township 1 South, Range 1 West, Fairbanks Meridian, Alaska and situated in the Alaska Railroad Fairbanks Terminal Reserve in the Fairbanks Recording District, Fourth Judicial District, State of Alaska and described as follows:

> Lease Lots 4, 5 & 6A of Block E and 1A, 2, 3 & 4 of Block F as depicted on the unrecorded plat titled "Fairbanks Terminal Reserve Depot & Leasing Area" and the attached "Exhibit A", containing 44,903 square feet, more or less.

For indexing purposes the land lies within:
Lot 23, Section 3, Township 1 South, Range 1 West, Fairbanks Meridian

Recorder's Office, return to:
ALASKA RAILROAD CORPORATION
P.O. BOX 107500
ANCHORAGE, AK 99510-7500
STATE BUSINESS - NO CHARGE

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ALASKA
RAILROAD

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

August 20, 2018

James Nunley
Bear Electric Inc.
P.O. Box 81772
Fairbanks, AK 99708

Re: Alaska Railroad Corporation ("ARRC") Ground Lease, Contract No. 20320
(Bear Electric Inc., Lessee)
Non-objection to Sublease Agreement

Dear Mr. Nunley:

ARRC received information indicating your intention to enter into a proposed Sublease Agreement between Bear Electric, Inc., an Alaska corporation ("Lessee") and Tanana Herb Company, LLC, an Alaska limited liability company ("Subtenant") pertaining to the above referenced ground lease contract between ARRC and Lessee. 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 amended and restated ground lease commencing effective June 1, 2007, between the Alaska Railroad Corporation as lessor and ADCO Properties, Inc., as lessee, originally designated as ARRC Contract No. 9132, which was subsequently assigned several times, most recently by means of that certain Amendment to Lease and Assignment of Lease, Supplement No. 2 to ARRC Contract No. 20221, to Lessee, and thereafter administered as ARRC Contract No. 20320 (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.

- 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 agreement entered by Lessee with Subtenant, including but not limited to the proposed

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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 and/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 name Alaska Railroad Corporation as additional insured 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, retail and manufacture of marijuana and marijuana products.

Occupants authorized by this letter are:

Tanana Herb Company, LLC

Please have Tanana Herb Company, 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 Tanana Herb Company, LLC

Tanana Herb Company, LLC

Dated: 8/20/18

By: Leslea Nunley
Its: President, Tanana Herb Company, LLC

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