COMMERCIAL LEASE

This lease agreement entered into on July 1st, 2017 between **Jacob Thom** referred to below as "Lessor," and **SMOKING JOE'S TERPS CO. SMOKING JOE'S TERPS CO.**, referred to as "Lessee," who has applied for a State of Alaska Standard Marijuana Cultivation Facility license for the below described premises:

In consideration of the rent provided for, and of the covenants and agreements contained in this Lease, Lessor demises and leases to Lessee the 66'x 80' shop premises located at 24276 Moraine Vista ST. Kasilof, AK 99610 to have and to hold the premises for a term of three (3) years, beginning at 12:00 noon on September 1, 2018 and ending at 12:00 noon on September 1, 2021 unless extended between the parties.

The terms and conditions of this Commercial Lease are as follows:

1. **Premises**. The 66'x80 shop building and Parking area around the shop located at 24276 Moraine Vista ST. Kasilof, AK 99610.

Rent. Lessee agrees to pay Lessor as base rent for the premises: $23,750.00 per month for the balance of the lease term.

a. Rent shall be paid on the first of the month as directed by the lessor.

b. Lessee shall pay all electricity for the building that is used each month, garbage disposal, and heating bills for the building.

c. Lessee shall pay a late fee of 5% of the base rent for payment of rent past the fifth (5th) of the month.

d. A $1,000.00 security/damage deposit has been paid by lessee to lessor.

3. **Use of Premises**.

a. Lessee shall use the premises for the operation of a standard marijuana cultivation facility that is permitted under Alaska state law and properly licensed by the State of Alaska and local governing body.

b. Lessee shall also be responsible for all business costs, charges and expenses of operating, maintaining, repairing, replacing, and insuring the premises, including but not limited to net costs and expenses of operating, repairs, lighting, cleaning, painting, stripping and securing insurance.

4. **Quiet enjoyment**. Lessor covenants that Lessee shall peacefully and quietly have, hold, and enjoy the premises for the agreed term, free from interference by the Lessor.

5. **Utilities**.

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a. Tenant shall promptly pay all charges when due for utilities furnished to the premises including water, gas, electricity and any other utilities services, and tenant shall promptly pay all taxes levied in connection with utilities used on the premises. Landlord shall not be responsible or liable in any way for quality impairment, interruption, stoppage or other interference with any "utility service."

b. It is the intention of Lessor and the Lessee that the rent shall be paid at the rate of $23,750.00 per month each and every month throughout the duration of this lease agreement.

6. **Repair**. Lessee shall keep the leased grounds free of all cans, bottles, fragments, debris and trash, and in good repair, and the Lessee will keep the downspouts, gutters and drains clean, open and free of obstruction, and in good working order. Lessor shall not be obligated or required to make any repairs or do any work on or about the premises or any part of them. All portions of any building leased shall be kept in good repair by Lessee and at the end of the term, the Lessee shall deliver the demised premises to Lessor in good repair and condition, reasonable wear and tear and damage from fire or other casualty excepted. Lessor reserves the right to enter upon the premises as Lessor may deem necessary or proper, or that Lessor may be lawfully required to make, by giving a 24-hour notice of the inspection.

Lessor shall not be liable for any injury or damage caused by, or growing out of, any defect of the building, or its equipment, drains, plumbing, wiring, electric equipment or appurtenances, or in the premises, or caused by, or growing out of fire, rain, wind, leaks, seepage or other cause. However, this does not relieve lessor of liability if the building is defective because of lessor's actions.

Should the Lessee fail to make repairs agreed to under this Lease, the Lessor may enter the premises (as allowed under state law) and make such repairs and collect the cost from the Lessee. Except as specifically provided in this Lease, the Lessee will not make or permit to be made any alterations, improvements, additions or changes in the premises, nor will the Lessee paint the outside of the building or permit the same to be painted without the written consent of the Lessor before work is contracted or let.

7. **Indemnity & Insurance**. Lessee agrees to indemnify and hold Lessor harmless from the claims of any and all persons for bodily injury and property damage occurring upon the premises during the term of this Lease or any extension of it, provided the Lessor is not negligent. Lessee agrees to obtain and furnish at Lessee's expense a public liability insurance policy with a reputable insurance company, protecting Lessor from any and all such damages and claims, and agrees to have the policy endorsed to include Lessor as the additional insured. The policy or policies shall be with the following minimum limits:

$1,000,000 for personal injury to one individual in any one accident or occurrence;

$2,000,000 for personal injuries for all individuals, the result of any one accident or occurrence;

$500,000 property damage to all persons resulting from one accident or occurrence.

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Lessee will give to Lessor a copy of the liability insurance policy with the premium paid.

Lessor covenants and agrees to indemnify, hold harmless and defend lessee from and against all claims, losses and damages for personal injury or death, damage to property occurring on the premises, or Lessor's failure to pay taxes, liens, or assessments, arising out of Lessor's use or occupancy of the premises, or otherwise, arising out of Lessor's operation of the businesses or occupancy of the premises which pre-date the commencement of this Lease. This clause includes any Alaska Department of Environmental Authority, federal Environmental Protection Agency, the Alaska Department of Revenue, Internal Revenue Service, or other government entity or agency.

8. **Fire and Other Casualty**. In the event of the total destruction of, or partial damage to, the buildings upon the demised premises by fire or other casualty, Lessor shall proceed with due diligence and dispatch to repair and restore the buildings to the conditions to which they existed immediately prior to the occurrence of such casualty, at Lessor's cost and expense, provided such cost does not exceed the proceeds of insurance collected on the buildings, by reason of such casualty, the application of which insurance proceeds are not prohibited, by reason of any mortgage provision, from being used toward the cost of restoration and repairing the same. If the unexpired portion of the term or any extension of it shall be two years or less on the date of such casualty and the cost of such repair or restoration exceeds 20% of the then replacement value of the damaged leased premises, as estimated by two or more reputable contractors, Lessor may by written notice to the Lessee, within 30 days after the occurrence of such casualty, terminate this Lease. If the insurance proceeds are insufficient to effect such restoration or repairs, Lessor at its option may cancel this Lease by written notice to Lessee within 30 days after the occurrence of such casualty.

In the event the repairing and restoring of the buildings cannot be completed within four months after the date of occurrence of such casualty, as estimated by two or more reputable contractors, the Lessee shall have the right to terminate this Lease upon giving written notice to Lessor within 30 days from the date of occurrence of the casualty. From the date of such damage or destruction until the building has been substantially repaired or restored, an equitable abatement of rent shall be allowed the Lessee. Property Lessee stores in the demised premises shall be at the sole risk of Lessee.

Neither Lessor nor Lessee shall be liable to the other for any loss or damage from risks ordinarily insured against under fire insurance policies with extended coverage endorsements, irrespective of whether such loss or damage results from their negligence or that of any of their agents, servants, employees, licensees or contractors to the extent that such losses are covered by valid and collectable insurance on the property at the time of the loss.

9. **Improvements and Fixtures.** Lessee may at its own expense make such alterations, improvements, additions and changes to the premises, provided Lessee shall not, without the written consent of Lessor, tear down or materially demolish any of the improvements on the premises or make any material change or alteration in such improvements which, when completed, would substantially diminish the value of the premises. All shelving, trade fixtures, or other personal property of Lessee which it may have installed or placed at its

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own expense on the premises may at any time be removed by Lessee provided Lessee shall repair any damage to the premises caused by such removal. Lessee agrees at Lessee's own cost and expense to keep the building on the premises well painted at all times.

10. **Assignment and Subletting.** Lessee agrees that it will not assign or sublet the leased premises in whole or in part without the written consent of Lessor, which consent shall not be unreasonably withheld. But such assignment or subletting will in no event release Lessee from its responsibility under the terms of this Lease.

11. **Default.** Lessee shall be considered in default under this lease for any of the following actions or occurrences:

a. Failure of Lessee to pay rent or any other sum due and owing Lessor pursuant to the provisions of this lease within ten (10) days after the expiration of written notice by Lessor to Lessee of such default, complying with Alaska Statute (A.S.) 09.45.105.

b. Failure by Lessee to comply with any of the covenants, terms and conditions of this lease within twenty (20) days after receipt from Lessor of notice to correct such failure.

c. Failure of Lessee to obtain the release of an attachment, garnishment, execution, or levy against the premises or loaned equipment or the business conducted by lessee on the premises within 72 hours after any such lien attaches.

d. Institution of bankruptcy, insolvency, receivership, or trusteeship proceedings, voluntary or otherwise, or an assignment for the benefit of creditors, by lessee.

e. Abandonment of the premises by lessee.

d. Death or disablement of lessee.

e. Assignment or sublease, of this Lease by Lessee without the written consent of the Lessor, which consent shall not be unreasonably withheld.

f. In the event of default by the lessee, lessor/landlord will not remove from the premises or take possession of any marijuana, and AMCO enforcement will be contacted immediately by the landlord.

12. **Lessor Remedies on Default.** Upon default in the terms and conditions of this Lease, Lessor may avail itself of the Forcible Entry and Detainer statutes of the State of Alaska (A.S. 09.45.060 et. seq.), and such other remedies as may exist in law or equity.

13. **Return of Premises Upon Termination.** Upon termination of this Lease by expiration of the term, or by election as above provided, or otherwise, Lessee shall return the premises to Lessor in the same condition as at the commencement of this Lease, ordinary wear and tear excepted.

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14. **Non-Waiver of Eminent Domain and Condemnation.** If there is a partial taking of the demised premises by eminent domain, as the result of which the total leased premises is reduced by not more than 25%, the terms of this Lease will continue and Lessor at Lessor's expense will restore the remaining premises to a complete architectural unit with store front, signs and interior of equal appearance and utility as they had previous to the taking, but there will be a pro-rata reduction in the rent payable each month and Lessee will have no right to any of the proceeds of such taking. If, on the other hand, the taking exceeds 25% of the total leased premises, or in the event the improvements are condemned and ordered torn down or removed by lawful authority, then the terms of this Lease shall cease as of the date possession shall be taken by such authority, the rent will be apportioned as of the date of such taking.

15. In the event of default by lessee, the Lessor/landlord will not remove from the premises or take possession of marijuana, and AMCO enforcement will be notified immediately.

16. **Miscellaneous**.

a. **Notices**. All notices which are required to be given pursuant to this Lease shall be deemed sufficient if in writing and sent by either registered or certified mail or hand delivery as follows:

To Lessor: 6857 S. Hangar Talk Cir. Wasilla, AK. 99623

To Lessee: 6857 S. Hangar Talk Cir. Wasilla, AK. 99623

b. **Binding Effects.** This Lease shall be binding and shall inure to the benefit of Lessor and Lessee, their heirs, successors and assigns.

c. **Integrated Contract.** This lease contains the entire agreement and understanding between the parties hereto. From the date on which the form of this lease begins, this lease automatically supersedes and terminates all prior leases between lessee and lessor or the predecessors of lessee pertaining to the premises and loaned equipment. No amendment, addition, alteration, modification or waiver of any provision of this lease shall be of any effect unless in writing and signed by the parties hereto.

d. **Attorney's Fees.** In any proceedings to enforce this Lease, the prevailing party shall pay all reasonable costs, attorneys' fees and expenses that shall be made and incurred in enforcing the agreements of this lease.

e. **Applicable Law and Termination of Lease.** This Lease shall be interpreted according to the law of the State of Alaska, and any legal proceedings to enforce it shall be venued in the courts of the State of Alaska, Third Judicial District at Palmer, Alaska. After a Lease Agreement is mutually executed and in the event lessee, despite its best efforts, is unable to obtain a state marijuana license (or renewal of said license) and local use permits approvals for this site location, lessee shall, at lessee's election, be released from the terms of the lease and the security deposit and all Payments to the Landlord will be forfeited as its sole financial remedy cancelling this Lease Agreement.

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DATED in, Alaska, this 23 day of July 2018

SMOKING JOE'S TERPS CO.
Lessee/Tenant

By: _____
Jacob Thom
Its: President/CEO

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 23rd day of July 2018 before me, the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared on behalf of **SMOKING JOE'S TERPS CO.**, Jacob Thom, to me known to be the person described in and who executed the above agreement, and he/she acknowledged to me that he/she executed the same as his/her free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official notarial seal on the day, month, and year in this certificate first hereinafter written.

By: _____
Notary Public in and for the State of Alaska
My commission expires: 9-20-2019

OFFICIAL SEAL
Johni Blankenship
Notary Public - State of Alaska

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Likewise, if after the lessee's operation is up and running and in the future there are changes in the Law that make the business of lessee illegal, lessee shall be released from the terms of the lease agreement with forfeiture of the security deposit and all payments. Lessee agrees to give a thirty (30) day notice prior to terminating lease.

In witness, the parties have executed this Lease on the date below written.

DATED in, Alaska, this 23 day of July 2018.

Lessor, Jacob Thom

By: _____
Jacob Thom

STATE OF Alaska)
) ss.
3rd JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 23rd day of July 2018 before me, the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared Jacob Thom, to me known to be the person described in and who executed the above agreement, and he/she acknowledged to me that he/she executed the same as his/her free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official notarial seal on the day, month, and year in this certificate first hereinafter written.

OFFICIAL SEAL
Johni Blankenship
Notary Public - State of Alaska

By: _____
Notary Public in and for the State of AK
My commission expires: 9-20-2019

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