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:	Arctic Bakery, LLC	**License Number:**		16006	
License Type:	Marijuana Product Manufacturing Facility				
Doing Business As:	ARCTIC BAKERY, LLC				
Physical Address:	1409 Well Street				
City:	Fairbanks	**State:**	AK	**Zip Code:**	99701 - 2822
Designated Licensee:	Brian Simpson				
Email Address:	noainc@mosquitonet.com				

Section 2 – Attached Items

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

Attached Items:	Proof of Possession for Proposed Premises: 1) Sublease Agreement Morgan Evans - Arctic Bakery, LLC 2) Power of Attorney - Morgan Evans - Pamela Throop

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SUBLEASE AGREEMENT

This Sublease Agreement first entered into the First day of May, 2018, and Amended November 17th 2018 between Morgan Evans or a corporation to be named whose address is 3550 Airport Way, Suite 203, Fairbanks, AK 99701 hereinafter referred to as the "Lessor", and Arctic, Bakery, LLC whose address is 1409 Well Street, Fairbanks, AK 99701, hereinafter referred to as the "Subtenant".

1. Alaska Railroad Ground Lease No. 3202: Subtenant and Lessor both acknowledge this Sublease Agreement dated 11/17/2018, which amends the original Lease entered between the Lessor and Subtenant dated 05/01/2018, is subject to and subordinate to all the terms and provisions of the Alaska Railroad Corporation Ground Lease, which is specifically described as that certain lease dated September 1, 1988, between the Alaska Railroad Corporation, hereinafter referred to as ARRC, Lessor, and Lessee Craig Taylor Equipment, administered as ARRC Contract No. 3202. In the event of any inconsistency between the provisions of the Ground Lease and the Sublease Agreement between Craig Taylor Equipment and Morgan Evans, and this subsequent Sublease between Morgan Evans and Arctic Bakery, LLC., the Ground Lease shall control.

2a. Premises Physical Address Location: The Lessor hereby leases to Subtenant **1409 Well Street, Fairbanks, Alaska 99701,** situated in the Fairbanks Recording District, Fourth Judicial District, State of Alaska, together with the right to use the improvements to that property according to the terms of this Agreement. The real property and improvements are hereinafter referred to as "the Premises".

2b. Premises Legal Description: The property identified by the physical address of 1409 Well Street, Fairbanks, Alaska 99701, specifically refers to **Lots 5 and 6, Block J, Railroad Subdivision,** situated in the Fairbanks Recording District, Fourth Judicial District, State of Alaska, including the building, structures and improvements located thereon and the parking area surrounding the building.

3. Both the Lessor and the Subtenant shall conform to the terms and conditions of the Ground Lease and the Sublease Agreement between Craig Taylor Equipment and Morgan Evans, which terms and conditions ARRC and Craig Taylor Equipment shall enforce upon Lessee. No agreement between the Lessor and Subtenant, including but not limited to this Sublease Agreement, shall be binding upon ARRC or Craig Taylor Equipment and in no event

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will ARRC or Craig Taylor Equipment be liable for any obligations of Subtenant under any such agreement.

4. As a Subtenant and authorized occupant to the Sublease agreement between Craig Taylor Equipment and Morgan Evans, Arctic Bakery, LLC. acknowledges and expressly agrees if the sublease is terminated by reason of default by Morgan Evans/Lessee or for any other reason, as an authorized occupant upon notice of such termination, Arctic Bakery, LLC. shall then attorn to Craig Taylor Equipment and recognize Craig Taylor Equipment as its' direct contracting party under any property agreements.

5. Subtenant shall indemnify, defend and hold harmless both the ARRC, and Craig Taylor Equipment, and any of the named entities' employees, agents and contractors from any and all claims and/or judgements for monetary damages, injunctive relief, employment liens, materialmen's liens, and costs and attorney fees, which may be asserted against ARRC and Craig Taylor Equipment, in any administrative or judicial forum and which are alleged to have arisen out of Subtenant's occupancy under this 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 Lessee or by any of the contractors or subcontractors using the premises for any activity, whether within or outside the scope of activities authorized by Subtenant. The provisions contained in this paragraph shall not be given effect if the active negligence of ARRC or Craig Taylor Equipment or any of the named entities' employees is the sole proximate cause of any injury or damage done to the party asserting the claim.

6. Term: The term of this agreement shall be for Four years (4) and Eight (8) months commencing May 1, 2018 and terminate December 31, 2022. Subtenant shall have the right to extend the term for Five (5) year(s) at then current market rents at the expiration of this sublease.

7. **Renewal Term:** Ninety days prior to the termination of this sublease Subtenant is to notify the Lessor of intent to renew the lease or to vacate the premises. If the notice is not given in writing the Lessor may begin to actively market the premises for lease.

8. Rent: The Subtenant shall pay to the Lessor as rent for the Premises the sum of Four Thousand Five Hundred Dollars ($ 4,500.00) per month. Payment of rent

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shall be in advance and due on the 1st day of the month without demand. Rent not received at the address for Lessor above within 5 days of the due date shall bear a 10 percent (10%) late fee. Any increases in the State of Alaska Railroad lease after the base rate in May 2018 are to be paid in full by the Subtenant. Subtenant shall take possession of the premises on May 1, 2018.

9. Craig Taylor Sublease Rent Payment Confirmation:
Lessor agrees to promptly provide the Subtenant on the 1st day of each month a copy of the receipt of rents paid to Craig Taylor Equipment by the Lessor. If the Lessor fails to provide a monthly receipt, Lessor expressly authorizes Craig Taylor Equipment to provide a rent receipt copy directly to Subtenant, upon Subtenant's request.

10. Security Deposit: Lessee agrees to deposit a security deposit with Lessor prior to or concurring with Lessee's occupancy of the premises in the amount of NONE. Said Deposit shall be held by the Lessor without interest until the termination of this lease and shall be refunded in full to Lessee less any recoverable damages to the premises, normal wear and tear excepted. Security deposit cannot be considered any part of the last month's rent. Security deposit will be returned to Lessee within 15 days of Lessor's satisfactory inspection of the condition of the premises after the Lessee has vacated the premises and is current with all obligations under the terms of this lease.

11. Use of the Premises: The allowed uses of the premises under the sublease shall include any uses allowed under the ARRC Ground Lease No. 3202. Without limiting the generality of the foregoing, said allowed uses shall include the production of State of Alaska AMCO licensed marijuana infused edible and beverage products and office space. Subtenant shall comply with all the sanitary laws, ordinances, rules, and orders of appropriate governmental authorities affecting the cleanliness, occupancy and preservation of the premises during the Term of this Sublease.

12. Acknowledgment by Lessor of AMCO regulations prohibiting non-licensed persons from taking possession of or removing marijuana or marijuana products from a licensed facility in default of Lease Agreements:

12a. Morgan Evans, the Lessor, acknowledges that the property at 1409 Well Street is used for a licensed marijuana product manufacturing facility.

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12b. Morgan Evans, the Lessor, will not take possession or remove marijuana or marijuana products from the premises if subtenant, Arctic Bakery, LLC., should default Morgan Evans will contact AMCO if tenant should default.

13. Quiet Enjoyment: Lessor covenants that on paying the rent and performing the covenants herein contained, Subtenant shall peacefully and quietly have, hold and enjoy the premises. Lessor guarantees access to property free of congestion for the term of the lease.

14. Condition of Premises. Subtenant stipulates that it has examined the demised premises, including the grounds and all buildings and improvements, and that Subtenant accepts the premises in an "AS IS" condition.

15. Right to Enter. Lessor shall have the right, at all reasonable times, with reasonable notice, if possible, to enter the premises to inspect the same and to make such repairs and alterations, as the Lessor shall see fit.

16. Utilities, Repair and Maintenance. The Lessor and Subtenant shall pay the following utility and service expenses, as assigned below.

Lessor	Subtenant	Expense
0%	100%	Heating, including heating fuel, routine furnace maintenance and annual furnace inspection and electrical service.
0%	100%	Ventilation and air-conditioning, maintenance, and related expenses.
0%	100%	Normal maintenance and repair expenses.
0%	100%	Water and sewer expenses.
0%	100%	Telephone and telecommunications services.
0%	100%	Sales taxes, if any, operations of the Sublessee and personal property taxes and real estate taxes.
0%	100%	Garbage removal services.
0%	100%	Snow removal.

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17. Surrender: Subtenant agrees to surrender the premises at the termination of the tenancy in the same condition as when received by the Subtenant, reasonable wear and tear thereof excluded.

18. Sub-letting and Assignment: Subtenant shall not sub-let or assign its lease without the prior written consent of Lessor.

19. Taxes: Subtenant shall pay sales taxes, income taxes, payroll taxes, duties and charges placed by any government or regulatory agency upon the premises or upon the fixtures, inventory and other personal property of Subtenant, or any other levies on the premises associated with Subtenant's use of the premises. Lessor shall pay all other taxes and assessments as they become due, including property taxes.

20. Indemnification: Subtenant agrees to indemnify, hold harmless and defend Lessor and it's agents form any and all liability to any person or persons for damages, claims, suits, liabilities, costs and expenses arising from Subtenant's occupancy and use of the premises, including without limitation the use of all property, inventory and equipment of Subtenant, and/or arising from acts by the Subtenant, its agents, servants, employees, customers and contractors.

21. Insurance: Subtenant shall at its own cost and expense maintain insurance coverages only from an insurance company or companies qualified to do business in the State of Alaska. Subtenant agrees to carry liability insurance naming Morgan Evans, Craig Taylor Equipment and ARRC as additional insureds in an amount not less than Two Million Dollars ($2,000,000.00) for injury or death to any one person, Four Million Dollars ($4,000,000.00) for injury or death per any number of persons in any one accident, and Two Hundred Fifty Thousand Dollars ($250,000.00) for property damage or destruction. Liability insurance shall include, but not be limited to, coverage protecting against liability arising from or related to the cultivation, manufacture and/or wholesale of marijuana and/or marijuana products. Additional insurance shall be for the full replacement value of the improvements. Morgan Evans, Craig Taylor Equipment and ARRC shall all be named as additional insureds under each policy of insurance and copies of insurance shall be delivered to Lessor. Subtenant will maintain policies of insurance in effect throughout the term of this lease.

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22. <u>Fire Insurance:</u> Subtenant will during said Term keep all improvements now or hereafter erected on said Property insured against loss or damage by fire and any hazards, casualty, or contingency for which insurance is procurable which Subtenant may be able to insure with an insurance company or companies pursuant to paragraph 23 herein, in the name of the Subtenant in an amount equal to the full replacement cost of said improvements, and will pay all premiums thereon at the time and place the same are payable. Annually, Subtenant shall review the amount of insurance coverage to assure the improvements are insured for the full replacement cost. Every policy shall be made payable in case of loss or damage to the parties as their interest may appear, and all compensation, indemnity or other monies paid on account of any loss or damage, other than rental value insurance, shall with all convenient speed be laid out in rebuilding, repairing, or otherwise reinstating the same improvements in a good and substantial manner according to the plan and elevation of the improvements so destroyed or damaged, or according to such modified plan as shall be previously approved by the Lessor in writing. In the event the insurance payout is not enough, by itself, to rebuild the premises, the Lessor and Subtenant will negotiate a settlement to apportion additional funds to rebuild in order to protect the marijuana edible products manufacturing license held by the Subtenant which is based on use of this particular premises.

23. Insurance Rating & Certificates of Insurance: Subtenant, at its own cost and expense, shall obtain the insurance coverages from an insurance company or companies qualified to do business in the State of Alaska.

24. Non - liability of Lessor: Lessor shall not be responsible or liable to Subtenant for any loss or damage that may be occasioned by or through either the acts or omissions of persons occupying adjoining premises, persons occupying adjoining premised, persons occupying any part of the building adjacent to or connected with the premises, or tenants in any other part of the building on the demised premises, if any. Nothing herein shall preclude Subtenant from bringing any action necessary to obtain damages from either the occupants or tenants of adjoining or connected buildings if damages are caused by their acts.

25. Permanent Improvements: Subtenant shall not construct or install permanent improvements without the prior written consent of Lessor. All work to be performed by a licensed, bonded contractor.

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26. Removal of Improvements: Subtenant shall remove all improvements made by it prior to the termination of this lease except permanent improvements.

27. Subordination: This lease is subordinate to any and all deeds of trust given by the Lessor that encumber or may encumber the premises.

28. Right to Show Premises: Subtenant agrees that prior to the date of termination of this lease as provided for herein, upon 24-hour notice to Subtenant, Lessor or his agent may show the premises to any party which the Lessor may deem appropriate.

29. Environmental Compliance and Hazardous Substances:

29a. Except for ordinary and reasonable products and those substances reasonably necessary to sell, store or use to support the activities on the Premises anticipated by this Sublease, Subtenant shall not use, generate, store, release or discharge any Hazardous Substances shall comply with all Federal, State, or Municipal Laws or Regulations.

29b. Lessor represents and warrants to Subtenant that, as of the date of execution of this Sublease, the Premises are not in violation of or harbor any Hazardous Substances in violation of any Federal, State or Municipal Law or Regulation.

29c. Subtenant shall only be responsible (in any Manner) for costs or damages relating to Hazardous Substances that occur as a result of Subtenant's activities on the Premises. Lessor shall defend, indemnify and save Subtenant harmless from all costs, loss or damage relating to Hazardous Substance not resulting from Subtenant's activities on the Premises.

29d. For the Purpose of this Sublease, Hazardous Substances shall be broadly interpreted to include any hazardous or toxic substance, which during Subtenant's occupancy of the Premises is a substance, material or waste, which is regulated under applicable Local, State or Federal Law or Regulations.

30. Complete Agreement. This agreement sets out the entire agreement between the parties and no modifications may be made to it except in writing signed by both parties.

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Lessor Morgan Evans by Emelia Hudson Date 11/19/18
his P.O.A.
Morgan Evans – Lessor

State of Alaska Fourth Judicial District
THIS IS TO CERTIFY that on this 19 of November, 2018, before me the undersigned, A Notary Public in and for the State of Alaska duly commissioned and sworn as such personally appeared: Morgan Evans known to me to be the person(s) who signed the foregoing and acknowledged to me that he/they signed and sealed the same freely and voluntarily for the uses therein mentioned.

WITNESS my hand and official seal the day and year in this Certificate first above written.

NOTARY PUBLIC
S. Quintana
STATE OF ALASKA
Exp November 23, 2019

Notary Public in and for Alaska

My Commission Expires: 11/23/2019

Lessor Date 11/19/2018
Arctic Bakery, LLC. – Subtenant
Brian Simpson – General Manager

State of Alaska Fourth Judicial District
THIS IS TO CERTIFY that on this 19 of November, 2018, before me the undersigned, A Notary Public in and for the State of Alaska duly commissioned and sworn as such personally appeared: Brian Simpson known to me to be the person(s) who signed the foregoing and acknowledged to me that he/they signed and sealed the same freely and voluntarily for the uses therein mentioned.

WITNESS my hand and official seal the day and year in this Certificate first above written.

NOTARY PUBLIC
S. Quintana
STATE OF ALASKA
Exp November 23, 2019

Notary Public in and for Alaska

My Commission Expires: 11/23/2019

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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:	Arctic Bakery, LLC	**License Number:**	16006		
License Type:	Marijuana Product Manufacturing Facility				
Doing Business As:	ARCTIC BAKERY, LLC				
Physical Address:	1409 Well Street				
City:	Fairbanks	**State:**	AK	**Zip Code:**	99701 - 2822
Designated Licensee:	Brian Simpson				
Email Address:	noainc@mosquitonet.com				

Section 2 – Attached Items

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

Attached Items:	Proof of Possession for Proposed Premises: 1) Alaska Railroad Corporation - Letter of Non Objection to Sublease Agreement 2) Sublease Agreement Craig Taylor Equipment - Morgan Evans - Arctic Bakery, LLC. 3) Craig Taylor Authorization 4) Fairbanks North Star Borough Property Summary

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ALASKA
RAILROAD

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

November 7, 2018

Craig Taylor Equipment
Chris Devine
733 Whitney Road
Anchorage, AK 99501

Re: Alaska Railroad Corporation (ARRC) Ground Lease, Contract No. 3202
Craig Taylor Equipment
Non-objection to Sublease Agreement

Dear Mr. Devine:

The Alaska Railroad Corporation ("ARRC") received information indicating your intention to amend the Sublease Agreement between Craig Taylor Equipment ("Lessee") and Morgan Evans, an individual ("Subtenant") to allow authorized occupants; Arctic Bakery LLC occupancy. During our review of the proposed Sublease Agreement, it was noted that that agreement does require the Subtenant to attorn to a ground lessor who succeeds to Lessee's interest in the leased premises, known as ARRC Contract No. 3202 (the "Ground Lease")and provides that the Sublease Agreement is subordinate to the Ground Lease.

Please accept this follow up letter of non-objection to the Sublease Agreement dated January 15, 2018, subject to the conditions listed below.

- The Sublease Agreement is subject to and subordinate to all the terms and provisions of the Ground Lease, which is more specifically described as that certain lease dated September 1, 1988, between the Alaska Railroad Corporation, as lessor, and Lessee, administered as ARRC Contract No. 3202. In the event of any inconsistency between the provisions of the Ground Lease and the Sublease Agreement, the Ground Lease shall control.

- The allowed uses of the premises under the sublease shall include any uses allowed under the Ground Lease. Without limiting the generality of the foregoing, said allowed uses shall include the production of baked goods and office space.

- If the Ground Lease is terminated by reason of a default by Lessee under the Ground Lease, or for any other reason, Subtenant and its authorized occupants, 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 and its authorized occupants' right to possession of the property. Subtenant and its authorized

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

- Subtenant and its authorized occupants 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 and its authorized occupants' 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 and its authorized occupants 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 and its authorized occupants shall maintain insurance and provide a certificate of insurance in an amount satisfactory to Alaska Railroad, naming Alaska Railroad Corporation as additional insured on any insurance coverage provided to Lessee by Subtenant and its authorized occupants. 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. If applicable to the nature of Subtenant's and authorized occupants' use of the subleased premises, the liability insurance coverage described above shall include, but not be limited to, coverage protecting against liability arising from or related to the cultivation, manufacture and/or wholesale sale of marijuana and/or marijuana products.

Occupants authorized by this letter are:

MORGAN EVANS
ARCTIC BAKERY LLC

Please have MORGAN EVANS and ARCTIC BAKERY LLC indicate their understanding of and commitment to adhere to the above-stated conditions by signing a copy of this letter and returning it to the undersigned.

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

Sincerely,

Andrew Donovan
Director, Real Estate

Agreement to be Bound:

By authorized signature hereto, the undersigned acknowledges the above-listed conditions are binding upon MORGAN EVANS.

MORGAN EVANS

Dated: 11/19/18

By: Morgan Evans by Pamela D. Hiroaki his P.O.A.

By authorized signature hereto, the undersigned acknowledges the above listed conditions are binding upon the undersigned.

ARCTIC BAKERY LLC

Dated: 11/14/18

By: _____

Its: General Manager

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SUBLEASE AGREEMENT

FOR 1409 and 1415 Wells St Fairbanks AK 99701

THIS SUBLEASE ("Lease"), made in Fairbanks, Alaska, with **an effective date of May 1 , 2018,** between **Craig Taylor Equipment.**, whose business and post office address is 733 Whitney Rd, Anchorage, Alaska 99501, herein referred to as **"Lessor"** and Morgan-Evans whose business and post office address is: 3550 Airport Way , Fairbanks, AK 99709 hereinafter referred to as **"Lessee."**

WITNESSETH:

Description of Property. Lessor hereby leases to Lessee and Lessee leases from Lessor on the rent, terms, covenants and conditions as set forth herein, exclusive use of (a) the lease agreement to property at 1409 and 1415 Well St, Fairbanks, Alaska, Alaska Railroad Corporation (hereinafter referred to as ARRC) Contract No. 3202 (additional terms of ground lease defined below), hereto and by this reference incorporated herein (hereinafter referred to as the "Property"), (b) the building, structures and improvements (together "Building") located thereon and (c) the parking area ("Parking Area") surrounding the Building shown double cross-hatched in the attached Exhibit A (Property, the Building and Parking Area together "Property").

1. ARRC Ground Lease. The property is secured through ground lease contract No. 3202 signed September 1, 1988 with the ARRC; the below subsections define terms of this lease(hereinafter referred to as the "ground lease"). In the event of any inconsistency between the provisions of the ground lease and sublease agreement, the ground lease controls.

1.1. In the event that the ground lease is terminated with Lessor, Lessee, upon notice of such termination shall attorn to the ARRC and shall recognize ARRC as it's 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 sub tenant's right to possession of the property. Subtenant shall execute and deliver, at any time after termination of the Ground lease and upon request of ARRC, any instruments necessary or appropriate to evidence such attornment.

1.2. Lessee must conform to the terms and conditions of the ground lease, which terms and conditions ARRC shall enforce upon Lessor. No agreement entered by lessor with lessee, including but not limited to the Lease Agreement, shall be binding upon ARRC and in no event will ARRC or Lessor be liable for any obligations in this agreement that does not conform to the Ground Lease.

1.3. Subtenant shall indemnify, defend and hold harmless ARRC and its employees, agents and contractors from any and all claims and/or judgements 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

Lessor Initials _____ Lessee Initials _____

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of Subtenant's occupancy under this 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 lessee 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.

1.4. Lessee must maintain insurance in an amount satisfactory to ARRC, naming Alaska Railroad Corporation as additional insured on any insurance coverage provided to lessor.

2. **Delayed Occupancy of 1415 Wells St.** The Building and property with the address 1415 wells street will not be available for immediate occupancy. The lessor maintains access to the building until the lessor can move possessions from the building. Lessor will have possessions moved by June 1st.

3. **Business Purpose.** The Property is to be used the purpose of **baking goods, including but not limited to marijuana edible products, and for office space of** Lessee, and for no other business or purpose, without the written consent of Lessor. These uses are always subject to the allowed uses under the Ground Lease.

4. **Term & Rent.** The term ("Term") of this lease shall be for 36 months and shall commence on May 1, 2018 and expire on May 31, 2021 inclusive. Rent payments shown below

May 1st, 2018 to October 31st, 2018 shall be $1,000.00 per month
November 1st 2018 to May 31st, 2018 shall be $3,000 per month

Total Base Rent Lease Payments:	2018	$12,000.00
	2019	$36,000.00
	2020	$36,000.00
	2021	$15,000.00
Total Base Rent Lease Payment:	All Months	$99,000.00

Lessee covenants and agrees to pay Lessor as rent for said Property as above commencing on May 1st, 2018 in lawful money of the United States, without deduction or offset, in advance on the first day of each calendar month of the lease Term. The rent amount shall be prorated using a 365 calendar day period. The rent shall be considered delinquent if not paid by the tenth (10th) day of each month, payable to Lessor at the address specified above or at such other

Lessor Initials CD Lessee Initials MF

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place as Lessor may hereafter designate. If said rent is not paid by the tenth (10th) day of each calendar month Lessor may charge Lessee an additional Ten Percent (10%) of minimum monthly rental rate as a late charge. The parties agree that such late charges represent a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Interest shall not be payable on late charges to be paid by Lessee under this lease. The payment of interest on such amounts shall not excuse or cure any default by Lessee under this lease.

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

4. **Options.** While not in default of any of the terms of this lease, Lessee shall have an option to purchase the building during the lease period for the amount of $150,000, this price is an as is where is price. A portion of the rent paid during the duration of this lease will be applied toward the purchase price. The portion of rent eligible toward the purchase price is listed below by year.

2017	All rent eligible	Estimated at $2,000
2018	All rent eligible	Estimated at $16,000
2019	Rent amount paid minus $6,000 dollars*	Estimated at $30,000
2020	Rent amount paid minus $10,000 dollars*	Estimated at $26,000
2021	eligible rent not to exceed $15,000 dollars*	Estimated at $15,000

Estimated rent eligible towards purchase price, for this term and the previous rental term of 6 months, is 97,000 dollars.

5. **Additional Rent.**

A. In the event that a sales tax on rental income is adopted by any governmental agency during the Term of this Lease or any extended period hereof, Lessee agrees to pay to Lessor, as additional rental, the increased amount of said tax.

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

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

Lessor Initials (D) Lessee Initials

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D. In the event that the land lease amount to the ARRC is increased those increase will be pass to lessee.

6. **Security Deposit.** Lessee shall deposit upon execution of this Lease with Lessor the sum of Dollars ($ 0.00) as security for the full performance of all the provisions of this Lease. If at any time during the Term, or the Term as it may be extended, Lessee shall be in default in payment of rent or any other sum due Lessor as additional rent, Lessor may appropriate all or part of the security deposit for such payment. Lessor may also appropriate all or part of the deposit to repair damages to the Property caused by Lessee or defray any and all reasonable expenses incurred by Lessor in cleaning the Property upon the termination of the tenancy created by this Lease. Upon use of any part or all of the security deposit, Lessor shall provide Lessee an accounting of all sums used, along with any documentation evidencing such use. Within seven (7) days of receiving all such documentation, Lessee shall pay to Lessor, on demand, a like sum or additional security. Lessor's obligation with respect to the deposit is that of a debtor, not a trustee, and the deposit may be commingled or dissipated, or both, and no interest shall accrue thereon. If Lessee shall have fully complied with all of the covenants and conditions of this lease, (including cured defaults and late charges), but not otherwise, such sum shall be repaid to Lessee within thirty (30) days after the expiration or termination of this lease.

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

   electric, heating oil, water, sewer, snow removal & winter sanding, maintenance and repairs of all portions of the interior of the Building's walls, columns, plumbing limited to faucets and toilets, windows, floors and floor coverings, recharging of fire extinguishers, interior of the Building janitorial services, repairs to lighting fixtures and equipment (including replacement of tubes, ballasts, and bulbs), and cost of garbage dumping fees and refuse removal, heating and electrical systems, structure, including the roof, parking lot maintenance, repairs to water, sewer, electrical and storm lines.

8. **Real Property Tax** shall be paid in full by, and are the responsibility of the Lessor.

9. **Utilities.** Lessee, upon mutual execution of this Lease, will put all utilities into the Lessee's name and take full responsibility during the Term of this Lease for payment of the same. Water will remain in the Lessor name and a bill and all supporting documentation (if any) shall be provided semi- annually from Lessor to Lessee for payment for their Building only, unless the water is separately metered from the other building occupied on the same lot. Lessee shall pay such water invoice within fourteen (14) days of receipt of the same.

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10. **Lessee's Improvements.** Lessee shall not make any improvements to the Property without the express prior written consent of Lessor, which consent shall not be unreasonably withheld. All Lessee improvements shall be made at Lessee's sole cost and expense. Lessee has plan to adapt building for bakery needs, modifications to be agreed to on an additional addendum.

11. **Acceptance of Property.** Lessee has fully investigated the condition of the Property or waived its right to do so and is fully familiar with the physical condition of the Property and every part thereof, and Lessee accepts the same "as is." Lessor made no express representations or warranties and disclaims any implied representations or warranties relating to the condition of the Property, or any part thereof, including, without limitation, the building systems, the IAQ within the building and the environmental condition of the building. Lessor shall not be liable for any latent or patent defects therein; provided, however, to the best of Lessor's knowledge, information and belief no known Hazardous Materials have ever been released and/or discharged on the Property.

    Lessee shall comply with all current and future federal, state, and local environmental and IAQ laws, regulations, and industry standards, including, without limitation, any restrictions on smoking in the workplace. Lessee agrees there is to be no smoking in the building.

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

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

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

Lessee will not bring, generate, treat, store, or dispose of any chemicals, materials, or other potential pollution sources without Lessor's prior consent. It is the intent of Lessee to store all of his equipment and have offices in the space. Notwithstanding the foregoing, the levels of these chemicals, materials, or other potential pollution sources shall not exceed legal limits.

All materials used in connection with the alteration or refurbishment of the Property, including, without limitation, paint, carpet, wall, or window coverings, carpet glues, and other chemicals, shall be subject to Lessor's prior approval, which shall not be unreasonably withheld. Any such

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approval shall not be deemed a representation or warranty that the materials so approved are in compliance with laws or that the same do not affect Property.

Lessee will cooperate with Lessor and will, at any time with 24 hour advanced notice, allow Lessor and Lessor's representative's access to any Lessee's records with respect to the Property for environmental inspection purposes only.

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

12. **Use.** Lessee shall continuously conduct and carry on in said Property, during each and every business day of the Term hereof, the business for which said Property are leased, and that no stock of goods will be carried, or anything done in or about the Property which will increase the present rate of insurance. The rental contained herein is predicated on, among other things, Lessor's existing insurance premiums and in the event that the Lessee's usage shall cause an increase in the insurance rate or rating, Lessee shall pay for any resulting increase. Lessee agrees that it has determined, to Lessee's satisfaction, that the Property can be used for the purpose for which they are leased. Lessee shall not commit or allow to be committed any waste upon the Property or any public or private nuisance or other act or thing which disturbs the quiet enjoyment of any other Lessees in the adjoining Property. Lessee shall not cause or permit any Hazardous Material to be generated, produced, brought upon, used, stored, treated or disposed of in or about the Property by Lessee, its agents, employees, contractors, sub-lessees or invitees without the prior written consent of Lessor. Lessor shall be entitled to take into account such other factors or facts as Lessor may reasonably determine to be relevant in determining whether to grant or withhold consent to Lessee's proposed activity with respect to Hazardous Material; however, in no event shall Lessor be required to consent to such proposed activity.

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

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

14. **Assignment.** Lessee shall not assign this lease or any part thereof and shall not let or sublet the whole or any portion of the Property without the written consent of Lessor which shall not be unreasonably withheld. This lease shall not be assignable by operation of law. If Lessee is a corporation, then any transfer of this lease from Lessee by merger, consolidation or liquidation and any change in the ownership of, or power to vote, the majority of its outstanding voting stock shall constitute an assignment for the purposes of this paragraph. If the Lessee is a partnership or other entity, a withdrawal or change, voluntary, involuntary, or by operation of law, of the partner or partners, or members owning more than fifty percent (50%) of the partnership or other entity, or the dissolution of the partnership or other entity, shall be deemed a voluntary assignment. Any assignment of this lease shall not extinguish or diminish the liability of Lessee herein. If consent is once given by Lessor to the assignment of this lease, or any interest therein, Lessor shall not be barred from afterwards refusing to consent to any further assignment.

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

15. **Access.** Lessor shall have the right, but not the obligation, at all reasonable times with notice during the Lease Term to inspect the Property and conduct such tests and investigations to evaluate the Property and or the Building. — Lessee will allow Lessor or Lessor's agent free access at all reasonable times in and to said Property for the limited purpose of inspection, or of making repairs, additions or alterations to the Property or any property owned by or under the control of Lessor, but this right shall not be construed as an agreement on the part of Lessor to make any repairs.

16. **Maintenance and Repairs.** Lessor shall have the right to place and maintain "For Rent," "For Lease," or "For Sale" signs in a conspicuous place on said Property within the last six (6) months of this Lease term excluding if Lessee is in default. The Lessee will promptly make good any defects for which the Lessee may be responsible hereunder within thirty (30) days after written notice thereof, or sooner if the nature of such condition or the delay in its repair would cause, or create the risk of further damages to the Property. If the Lessee refuses or neglects to commence such repairs and complete the same within said period, the Lessor may, but shall not be obligated to make or cause such repairs to be made and shall not be responsible

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to the Lessee for any loss or damage that may accrue to the property, profession, occupation or business of the Lessee or of any third party by reason thereof, and if the Lessor make or cause such repairs to be made, the Lessee hereby agrees to pay forthwith on demand to the Lessor as additional rent the costs thereof, plus twenty percent (20%) of such costs to cover overhead and administrative expenses, with interest at the rate described in **paragraph 40** herein calculated from the date of completion of repairs by Lessor until fully paid by Lessee.

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

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

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

19. **Damage or Destruction.** In the event the Property are damaged to such an extent as to render the same unleasable in whole or in a substantial part thereof, or are destroyed, it shall be optional with Lessor to repair or rebuild the same; and after the happening of any such event, Lessee shall give Lessor or Lessor's agent immediate written notice thereof. Lessor shall have not more than thirty (30) days after the date of such notification to notify Lessee in writing of

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Lessor's intention to repair or rebuild said Property, or the part so damaged as aforesaid, and if Lessor elects to repair or rebuild said Property, Lessor shall prosecute the work of such repairing or rebuilding without unnecessary delay, and during such period, the rent shall be abated in the same ratio that the portion of the Property rendered for the time being unfit for occupancy shall bear to the whole of the lease Property. Lessee shall have the right to terminate lease if Property becomes unleasable for more than sixty (60) days or if Lessor shall fail to give the notice as aforesaid, Lessee shall have the right to declare this lease terminated by written notice served upon Lessor or Lessor's agent.

20. **Liability Insurance.** Lessee agrees to carry liability insurance naming Lessor and ARRC as an additional insured, in an amount not less than TWO MILLION ($2,000,000.00) for injury or death to any one person, FOUR MILLION DOLLLARS ($4,000,000.00) for injury or death per any number of persons in any one accident, and TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000.00) for property damage or destruction. Liability insurance shall include, but not limited to, coverage protecting against liability arising from or related to the cultivation, manufacture and/or wholesale sale of marijuana and/or marijuana products.

21. **Fire Insurance.** Lessor will during said Term keep all improvements now or hereafter erected on said Property insured against loss or damage by fire and any hazards, casualty, or contingency for which insurance is procurable which Lessor may be able to insure with an insurance company or companies pursuant to **paragraph 22** herein, in the name of the Lessor in an amount equal to the full replacement cost of said improvements, and will pay all premiums thereon at the time and place the same are payable. Annually, Lessor shall review the amount of insurance coverage to assure the improvements are insured for the full replacement cost. Every policy shall be made payable in case of loss or damage to the parties as their interest may appear, and all compensation, indemnity or other monies paid on account of any loss or damage, other than rental value insurance, shall with all convenient speed be laid out in rebuilding, repairing, or otherwise reinstating the same improvements in a good and substantial manner according to the plan and elevation of the improvements so destroyed or damaged, or according to such modified plan as shall be previously approved by the Lessor in writing. In the event the insurance payout is not enough to rebuild or if Lessor determines they will not re-build, Lessor has the option to cancel this Lease by giving Lessee written notice within thirty (30) days of the casualty.

22. **Insurance Rating & Certificates of Insurance.** Lessor, at its own cost and expense, shall obtain the insurance coverages from an insurance company or companies qualified to do business in the State of Alaska.

23. **Condemnation.** If all of the Property or such portion of any building wherein the Property may be located as may be required for the reasonable use of the Property, is taken by eminent domain, this lease shall automatically terminate as of the date Lessee is required to vacate the

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

24. **Notices.** All notices to be given by the parties hereto shall be in writing and may either be served personally or deposited in the United States mail, postage prepaid, either by registered, certified, or regular mail with certificate of mailing obtained; and if to be given Lessor, to be addressed to Lessor at the address specified above. Notice shall be deemed to be delivered when received by the Lessor or, if to be given Lessee, may be addressed to Lessee at the leased Property or the address specified above. Notice shall be deemed to be delivered when received by the Lessee.

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

Each of the following events shall constitute a default:

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

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

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

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

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

26. **NOT USED.**

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

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possession of said Property by Lessor shall be construed as an election on its part to terminate this Lease unless a written notice of such intention is given to Lessee or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any such re-letting without termination, Lessor may at any time thereafter elect to terminate this Lease for such previous breach.

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

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

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

31. **Removal of Property.** In the event of any entry in or taking possession of the Property as aforesaid, Lessor shall have the right, but not the obligation to remove from the Property all personal property located therein, and may store the same in any place selected by Lessor, including but not limited to, a public warehouse, at the expense and risk of the owners thereof, with the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, the proceeds of such sale to be applied first to the cost of such sales, second to the payment of charges for storage, if any, and third to the payment of any other sums of money which may then be due from Lessee to Lessor under any of the terms hereof, the balance, if any, to be paid to Lessee.

    Lessee hereby waives all claims for damages that may be caused by Lessor's re-entering and taking possession of the Property or removing and storing the property of Lessee as provided in this lease, and will save Lessor harmless from loss, costs or damages occasioned by Lessor thereby, and such re-entry shall not be considered or construed to be forcible entry.

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32. **Surrender Of Property**

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

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

In the event Lessee does not provide its notice to exercise their option the Lessee will allow the Lessor during the last six months of the Term hereof, or during any holdover period, to show the Property during Lessor's business hours to prospective tenants with 24 hour advance notice.

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

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

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

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

35. **Holdover.** If Lessee shall, with the consent of Lessor, hold over after the expiration of the Term of this lease, such tenancy shall be for an indefinite period of time on a month-to-month tenancy, which tenancy may be terminated as provided by laws of the State of Alaska. During such tenancy, Lessee agrees to pay Lessor one hundred twenty five percent (125%) of the rent payable immediately prior to such expiration, unless a different rate is agreed upon, and to be bound by all the terms, covenants and conditions as herein specified, so far as they are applicable.

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

37. **Attornment.** If Lessor's interest in the property is acquired by any ground Lessor, beneficiary under a deed of trust, mortgagee, or purchase at a foreclosure sale, Lessee shall attorn to the transferee of or successor to Lessor's interest in the property and recognize such transferee or successor as Lessor under this lease. Lessee waives the protection of any statute or rule of law, which gives or purports to give Lessee any right to terminate this lease or surrender possession of the property upon the transfer of Lessor's interest.

38. **Estoppel Certificates.** Upon Lessor's written request, Lessee shall execute, acknowledge and deliver to Lessor a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been canceled or terminated; (iii) the last date of payment of the Rent and other charges and the time period covered by such payment; (iv) that Lessor is not in default, under this Lease (or, if Lessor is claimed to be in default, stating why); and (v) such other representations or information with respect to Lessee or the Lease as Lessor may

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reasonably may require. Lessee shall deliver such statement to Lessor within ten (10) days after Lessor's request. Lessor may give any such statement by Lessee to any prospective purchaser or encumbrancer of the Property. If Lessee does not deliver such statement to Lessor within such ten (10) day period, Lessor, and any prospective purchaser or encumbrancers, may conclusively presume and rely upon the following facts: (I) that the terms and provisions of this Lease have been changed except as otherwise represented by Lessor; (ii) that this Lease has not been canceled or terminated except as otherwise represented by Lessor; (iii) that not more than one month's Rent or other charges have been paid in advance; and (iv) that Lessor is not in default under the Lease. In such event, Lessee shall be estopped from denying the truth of such facts.

39. **Costs and Attorney's Fees.** If Lessee or Lessor shall bring any action for any relief against the other, declaratory or otherwise, arising out of this lease, including any suit by Lessor for the recovery of rent or possession of the Property, the losing party shall pay the successful party a reasonable sum for attorney's fees in such suit, and such attorney's fees shall be deemed to have accrued on the commencement of such action. In case of any breach by Lessee of its covenants herein contained, Lessor may at any time without notice, cure such breach for the account and at the expense of Lessee. Lessee will pay to Lessor within 10 days after the date of Lessor making personal delivery of statements therefore, (a) all reasonable and actual costs and expenses, including reasonable attorney's fees incurred or paid by Lessor, but required to be paid by Lessee under any covenant herein contained or paid or incurred by Lessor in enforcing any of the covenants and conditions of this Lease, in protecting itself against any breach thereof, in remedying any breach thereof, incurring any breach by Lessee of its covenants herein contained, in recovering possession of the demised Property or any part thereof or in collecting any delinquent rent or other charges payable hereunder by Lessee, or in connection with any litigation (other than condemnation proceedings) commenced by or against Lessee to which Lessor shall without fault be made party, and (b) a reasonable fee for reviewing and processing any request by Lessee for Lessor's consent or approval, , including without limitation reasonable fees of attorneys and other consultants retained by Lessor

40. **Interest.** The Lessee shall pay to Lessor, on demand, interest on all sums payable by Lessee to Lessor pursuant to the provisions of this Lease, from the date due until paid, at the rate of twelve percent (12%) per annum; provided, however, that in no event shall the interest rate charged by Lessor exceed the maximum rate per annum allowed by applicable law for said period.

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

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

Lessor Initials CD Lessee Initials

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

44. **Other Miscellaneous Conditions**, Upon payment by Lessee of the rent hereinafter reserved and upon observance and performance of the covenants by Lessee herein contained, Lessee shall peaceably hold and enjoy the demised Property for said Term without hindrance or interruption by Lessor or any other persons lawfully or equitably claiming by, through or under it except as herein expressly provided.
Lessee agrees to operate all of the leased Property during the entire Term of this lease with due diligence and efficiency, unless prevented from doing so by causes beyond Lessee's control.

45. **Option to Purchase:** If Lessor decides to sell the Property, which decision is at Lessors sole discretion, at any time during the lease Term, Lessee shall be given written notice and provided thirty (30) days to negotiate the sales price with Lessor in good faith. If a Purchase and Sale Agreement cannot be reached between the parties in the time provided, the Property may be listed on the open market for sale.

46. **Craig Taylor Equipment** Lessor and Morgan Evans Lessee grant permission to further sublet to Arctic Bakery, LLC.

47. **Landlord/Lessor may not take possession** or remove marijuana and marijuana products from the premises, and AMCO will be contacted in the event that this is necessary.

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

LESSOR:

Craig Taylor Equipment

By: Chris Devine

By: _____

LESSEE:

Morgan Evans

By: _____

Lessor Initials ____ Lessee Initials ____

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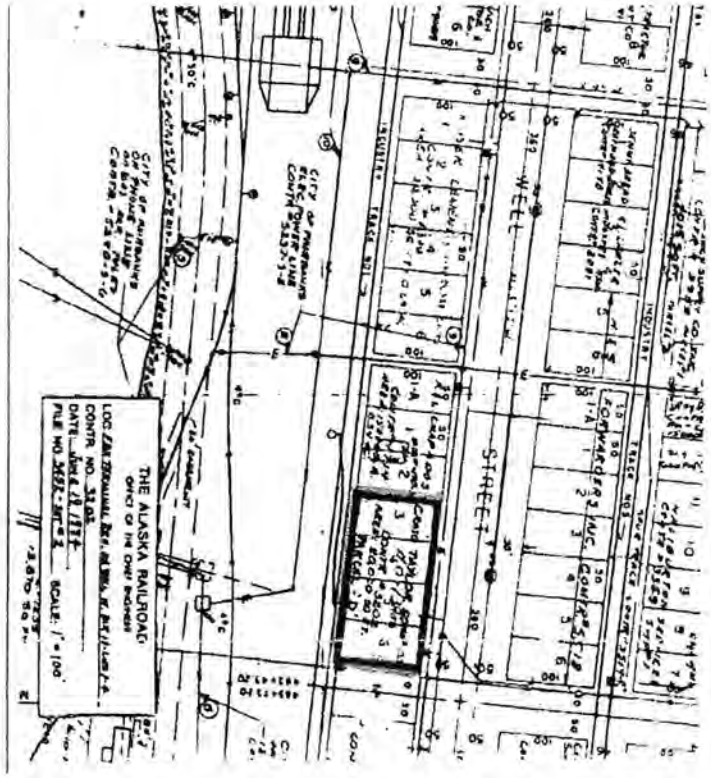
Exhibit A

For lots 3,4,5 & 6 Block J

630 Sq ft Concrete Pad
13,050 Sq ft Asphalt Paving
988 cu yds of Compacted Gravel
Paid water assessments 3221.64
1 ea Wood framed Metal Covered Building 3920 Sq ft.
1 ea Metal frame Building 2400 Sq ft.



Lessor Initials LD Lessee Initials MG

By Pamela D. Hoyt
POA

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Anchorage
(907) 276-5050
733 E Whitney Road

Fairbanks
(907) 452-1192
3419 S Cushman Street

Wasilla
(907) 376-3838
7860 W Buttercup Drive

Soldotna
(907) 262-5977
44170 Kalifornsky Beach Road

Mr. Evans,

Craig Taylor Equipment 'Lessor' received the request from Morgan Evans 'Lessee' to amend the current lease agreement. Please accept this letter as authorization to make the three changes listed below.

- You have our permission to change the title of the lease agreement title from 'Lease Agreement' to 'Sublease Agreement'. This is to better reflect the fact this lease is subject to the ARRC Master Ground lease No. 3202. The lease agreement to be referred to as 'Sublease' in this document.
- We are confirming the legal description of the of the two addresses below
    - The legal description for physical address location 1409 Well Street, Fairbanks, Alaska 99701, situated in the Fairbanks Recording District, Fourth Judicial District, State of Alaska is Lots 5 and 6, Block J, Railroad Subdivision, situated in the Fairbanks Recording District, Fourth Judicial District, State of Alaska.
    - The legal description for physical address location 1415 Well Street, Fairbanks, Alaska 99701, situated in the Fairbanks Recording District, Fourth Judicial District, State of Alaska is Lots 3 and 4, Block J, Railroad Subdivision, situated in the Fairbanks Recording District, Fourth Judicial District, State of Alaska.
- You have written authorization to sublease the property to Arctic Bakery under the condition
    - Any new agreement is subject to and subordinate to all terms and provision of our current sublease agreement between Craig Taylor Equipment and Morgan Evans.
    - If the Sublease is terminated by reason of default by Lessee or for any other reason, the authorized occupants, upon notice of such termination, shall then attorn to Craig Taylor Equipment and recognize Craig Taylor Equipment as its direct contracting party under any property agreements.

Sincerely,

Chris Devine
President
Craig Taylor Equipment

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Property Summary

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PAN	PROPERTY PHYSICAL DESCRIPTION - DO NOT RELY ON AS A LEGAL DESCRIPTION
0544922	UMB02 BLOCK J RAILROAD 2004 T/R ASSEMBLED LOTS 3, 4, 5 & 6 BLOCK J RAILROAD Assembled - 1/5/2004 Previously assessed as RAILROAD J 03&

NEIGHBORHOOD	BUSINESS	PROPERTY CLASS
0150 Alaska Railroad	ARCTIC HERBERY	Industrial
MILLAGE GROUP	**MOST RECENT MILLAGE RATE**	**STATUS**
0010 RAILROAD	19.8290	TAXABLE

FIRE SERVICE AREA	IS PARENT OF THE FOLLOWING:	ADDITIONAL INFORMATION
CITY OF FAIRBANKS		

LAND AREA

Parcel	
Lot 3	5000 Square Feet
Lot 4	5000 Square Feet
Lot 5	5000 Square Feet
Lot 6	5000 Square Feet

OWNER

NAME	INTEREST	See Children property for potential address BILLING
ALASKA RAILROAD CORPORATION,	OWNERSHIP	733 WHITNEY RD
CRAIG TAYLOR EQUIPMENT COMPANY,	Contract	ANCHORAGE AK 99501 1694

Documents

Documents are current as of 12-31-2016

The FNSB provides a link to view the recorded document at the State of Alaska Recorders Office through the instrument #. Current registered documents **not** showing may be seen at the State of The FNSB has no control over the contents posted on any external web sites and these sites may have separate terms of use and privacy policies. The inclusion of this web link does not imply endorsement by the FNSB of the site, its content, advertisers or sponsors.

DESCRIPTION	RECORD DATE	BOOK	PAGE	INSTRUMENT #
Deed of Trust	7/18/2014			2014-010008-0
Deed of Trust	7/18/2014			2014-010009-0
Record Survey	8/13/2009			2009-015365-0
Amendment of Contract	7/30/2008			
US Patent	10/5/2006			2006-025473-0

Assessment History

For questions regarding assessments, contact the FNSB Department of Assessing at 907-459-1428.

YEAR	LAND	STRUCTURES ETC.	FULL VALUE TOTAL	EXEMPTIONS TOTAL	TAXABLE
2018	$25,292	$204,728	$230,020	$0	$230,020
2017	$26,382	$137,784	$164,166	$0	$164,166
2016	$27,390	$139,164	$166,554	$0	$166,554
2015	$21,472	$140,544	$162,016	$0	$162,016
2014	$22,845	$141,924	$164,769	$0	$164,769

TAX HISTORY

Please call the Treasury-Budget Office @ 459-1441 or 459-1443 for correct payoff figures of delinquent property taxes. Information Online will be available beginning NOVEMBER 09, 2018.

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Property Summary

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PAN
0544957

PROPERTY PHYSICAL DESCRIPTION - DO NOT RELY ON AS A LEGAL DESCRIPTION
2004 T/R ASSEMBLED NOW KNOWN AS UMB02 BLOCK J RAILROAD LOT 6 BLOCK J RAILROAD Assembled - 1/5/2004 Previously assessed as RAILROAD J 03&

NEIGHBORHOOD
0150 Alaska Railroad

BUSINESS

PROPERTY CLASS
Assembled

MILLAGE GROUP
0010 RAILROAD

MOST RECENT MILLAGE RATE
19.8290

STATUS
Value Transferred.

FIRE SERVICE AREA
CITY OF FAIRBANKS

IS SUBORDINATE OF:

ADDITIONAL INFORMATION
Building Details

LAND AREA
Parcel
Lot 6 5000 Square Feet

OWNER

NAME	INTEREST
CRAIG TAYLOR EQUIPMENT COMPANY, ALASKA RAILROAD CORPORATION,	Contract OWNERSHIP

ADDRESSES

SITUS
1409 WELL ST

BILLING
733 WHITNEY RD
ANCHORAGE AK 99501 1694

Documents

Documents are current as of 12-31-2016

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Amendment of Contract	7/30/2008			
US Patent	10/5/2006			

Assessment History

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TAX HISTORY

Please call the Treasury-Budget Office @ 459-1441 or 459-1443 for correct payoff figures of delinquent property taxes. Information Online will be available beginning NOVEMBER 09, 2018.

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Property Summary

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PAN
0043800

PROPERTY PHYSICAL DESCRIPTION - DO NOT RELY ON AS A LEGAL DESCRIPTION
2004 T/R ASSEMBLED NOW KNOWN AS UMB02 BLOCK J RAILROAD LOT 3 BLOCK J RAILROAD PREVIOUSLY ASSESSED AS LOT 3, 4, 5 & 6 BLOCK J ALASKA RAILROAD MINERAL SURVEY 9000 - 9007 & 9065 - 9074

NEIGHBORHOOD
0150 Alaska Railroad

BUSINESS

PROPERTY CLASS
Assembled

MILLAGE GROUP
0010 RAILROAD

MOST RECENT MILLAGE RATE
19.8290

STATUS
Value Transferred

FIRE SERVICE AREA
CITY OF FAIRBANKS

IS SUBORDINATE OF:

ADDITIONAL INFORMATION
Building Details

LAND AREA
Parcel
Lot 3 5000 Square Feet

OWNER

NAME	INTEREST
ALASKA RAILROAD CORPORATION,	OWNERSHIP
CRAIG TAYLOR EQUIPMENT COMPANY,	Contract

ADDRESSES

SITUS
1415 WELL ST

BILLING
733 WHITNEY RD
ANCHORAGE AK 99501 1694

Documents

Documents are current as of 12-31-2016

The FNSB provides a link to view the recorded document at the State of Alaska Recorders Office through the instrument #. Current registered documents **not** showing may be seen at the State of The FNSB has no control over the contents posted on any external web sites and these sites may have separate terms of use and privacy policies. The inclusion of this web link does not imply endorsement by the FNSB of the site, its content, advertisers or sponsors.

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TAX HISTORY

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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:	Arctic Bakery, LLC	**License Number:**		16006	
License Type:	Marijuana Product Manufacturing Facility				
Doing Business As:	ARCTIC BAKERY, LLC				
Physical Address:	1409 Well Street				
City:	Fairbanks	**State:**	AK	**Zip Code:**	99701 - 2822
Designated Licensee:	Brian Simpson				
Email Address:	noainc@mosquitonet.com				

Section 2 – Attached Items

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

Attached Items:	Proof of Possession for Proposed Premises: Alaska Railroad Ground Lease No 3202 - Craig Taylor Equipment

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

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GROUND LEASE

BETWEEN

ALASKA RAILROAD CORPORATION

AND

CRAIG TAYLOR EQUIPMENT COMPANY

CONTRACT NO. 3202

(Amended and Restated Contract No. 3202)

WPRE1416

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GROUND LEASE

THIS GROUND LEASE (herein called "this Lease") is made as of the 1st day of September, 1988, 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 CRAIG TAYLOR EQUIPMENT COMPANY, a(n) (Check as appropriate)

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

(herein called "Lessee"), whose principal place of business and mailing address is 733 Whitney Road, Anchorage, Alaska 99501-1694.

RECITALS

A. The Lessor has previously leased to Lessee four parcels of land designated as Parcels A, B, C and D, all of which are located in the Fairbanks Terminal Reserve, Fairbanks, Alaska, containing 95,294 square feet, more or less, under a long term lease dated September 6, 1967 which expires September 14, 2000.

B. By this document the Lessee and Lessor wish to amend and restate Lease Contract No. 3202 to make it consistent with the Lessor's current Long Term Lease Policy and extend the term thereof.

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 the existing lease dated September 6, 1967.

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

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ARTICLE 1

LEASED PREMISES AND TERM

1.01 Leased Premises. Lessor, for and in consideration of the rents, covenants and conditions hereinafter specified to be paid, performed and observed by Lessee, hereby leases to Lessee, and Lessee hereby leases from Lessor, the vacant, unimproved (except as noted in paragraph 1.03 below) land situated in the 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"). This Lease amends and restates the lease between the Lessor's predecessor in interest (The Alaska Railroad) as lessor and Craig Taylor Equipment Company as lessee dated September 6, 1967, which shall be of no further force and effect upon execution of this Lease.

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

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

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

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

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

See Exhibit A for ARR dosse 3202
ATTACHED.

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

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

ARTICLE 2

RENTS

2.01 Rents.

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

	Annual	Monthly
1. Lease years 1- 10 inclusive,	$8,184	$682 88-98

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2. Lease years 11 - 20 inclusive, Basic Rents will be at "fair market value" as determined by appraisal. However, this annual rent is not to exceed $11,458, 140% of the annual rent, as determined for lease years 1 - 10 inclusive, or at a minimum drop below the rent determined in lease years 1 - 10 inclusive. 98-08

3. Lease years 21 - 27 inclusive, Basic Rents will be at "fair market value" as determined by appraisal. However, this annual rent is not to exceed 140% of the rent as determined for lease years 11 - 20 inclusive, or at a minimum drop below the rent determined in lease years 11 - 20 inclusive. 08-15

4. Lease years 28 - 35 inclusive, Basic Rents will be at "fair market value" as determined by appraisal. However, this annual rent is not to exceed 128% of the rent as determined for lease years 21 - 27 inclusive, or at a minimum drop below the rent determined in lease years 21 - 27 inclusive. 15-23

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

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

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

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

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

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

ARTICLE 3

QUIET ENJOYMENT

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

ARTICLE 4

LESSEE'S COVENANTS

4.01 Real Property Taxes and Assessments.

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

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

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

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

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

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

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

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

4.03 Construction or Removal of Improvements, Additions and Alterations.

A. "Significant Work," as used in this paragraph 4.03, means all work on the Leased Premises costing more than $50,000.00, 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.

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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 4.02 with respect to improvements required by law and paragraph 11.02 with respect to removal of improvements upon expiration of the Lease Term or earlier termination of this Lease, Lessor has not authorized or required and does not authorize or require Lessee to improve the Leased Premises in any manner that permits Lessor's interest in and title to the Leased Premises to become subject to the liens of Lessee's mechanics and materialmen.

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

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4.05 Observance of Laws.

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

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

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

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

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

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

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

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4.10 Indemnification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 5

INSURANCE

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

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

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

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

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

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

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

ARTICLE 6

EMINENT DOMAIN

6.01 Effect of Eminent Domain on Lease.

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

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

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

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

6.02 Disposition of Proceeds.

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

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

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

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

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

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ARTICLE 7

ASSIGNMENTS, MORTGAGES, SUBLEASES AND SUBDIVISION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 8

ARBITRATION AND APPRAISAL PROCESS

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

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

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

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

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ARTICLE 9

DEFAULT AND DEFEASANCE

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

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

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

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

9.02 Notice and Right to Cure.

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 10

GENERAL PROVISIONS

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 11

DUTIES UPON TERMINATION OR EXPIRATION

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

11.02 Removal of Improvements upon Termination.

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

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

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

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

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

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

ARTICLE 12

EXECUTION AND MEMORANDUM OF LEASE

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

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

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

ALASKA RAILROAD CORPORATION

Dated: 9/26/88

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

Dated: 9-1-88

By: Larry J. Houle
Director, Real Estate

CRAIG TAYLOR EQUIPMENT COMPANY

Dated: 9-2-88

By: Jack H. Richardson
Its: President

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STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 20th day of September, 1988, by F. G. Turpin, President and Chief Executive Officer, of the Alaska Railroad Corporation, a public corporation created by Alaska Statute 42.40, on behalf of the corporation.

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

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 2nd day of September, 1988, by Larry J. Houle, Director of Real Estate, of the Alaska Railroad Corporation, a public corporation created by Alaska Statute 42.40, on behalf of the corporation.

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

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 2 day of September, 1988, by Jack H. Richardson, the President of Craig Taylor Equipment Company, a(n) Alaska corporation, on behalf of the corporation.

Elizabeth J. Tompkins
Notary Public in and for Alaska
My Commission expires: 9/19/89

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ARRC LEASE CONTRACT NO. 3202
CRAIG TAYLOR EQUIPMENT COMPANY

ALASKA RAILROAD CORPORATION

ENDORSEMENTS

Dated: 9-23-88 By: _____
Arnold T. Polanchek
Vice President, Operations

Dated: 8-31-88 By: _____
Marvin J. Yetter
Vice President, Finance

Dated: 8-29-88 By: _____
Phyllis C. Johnson
Associate General Counsel

Dated: 8/31/88 By: _____
Larry J. Houle
Director Real Estate

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SCHEDULE 1

LEGAL DESCRIPTION

Four parcels of land designated as Parcels A, B, C and D, all of which are located in the Fairbanks Terminal Reserve, Fairbanks, Alaska, as shown on the print attached hereto and made a part hereof:

Parcel A:

Lots 1, 2, 3 and 4, Block A, contains 27,440 square feet.

Parcel B:

Lots 1, 2, 3, 4 and 5, Block G, contains 27,854 square feet.

Parcel C:

Lots 1, 2, 3 and 4, Block H, contains 20,000 square feet.

Parcel D:

Lots 3, 4, 5 and 6, Block J, contains 20,000 square feet.

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

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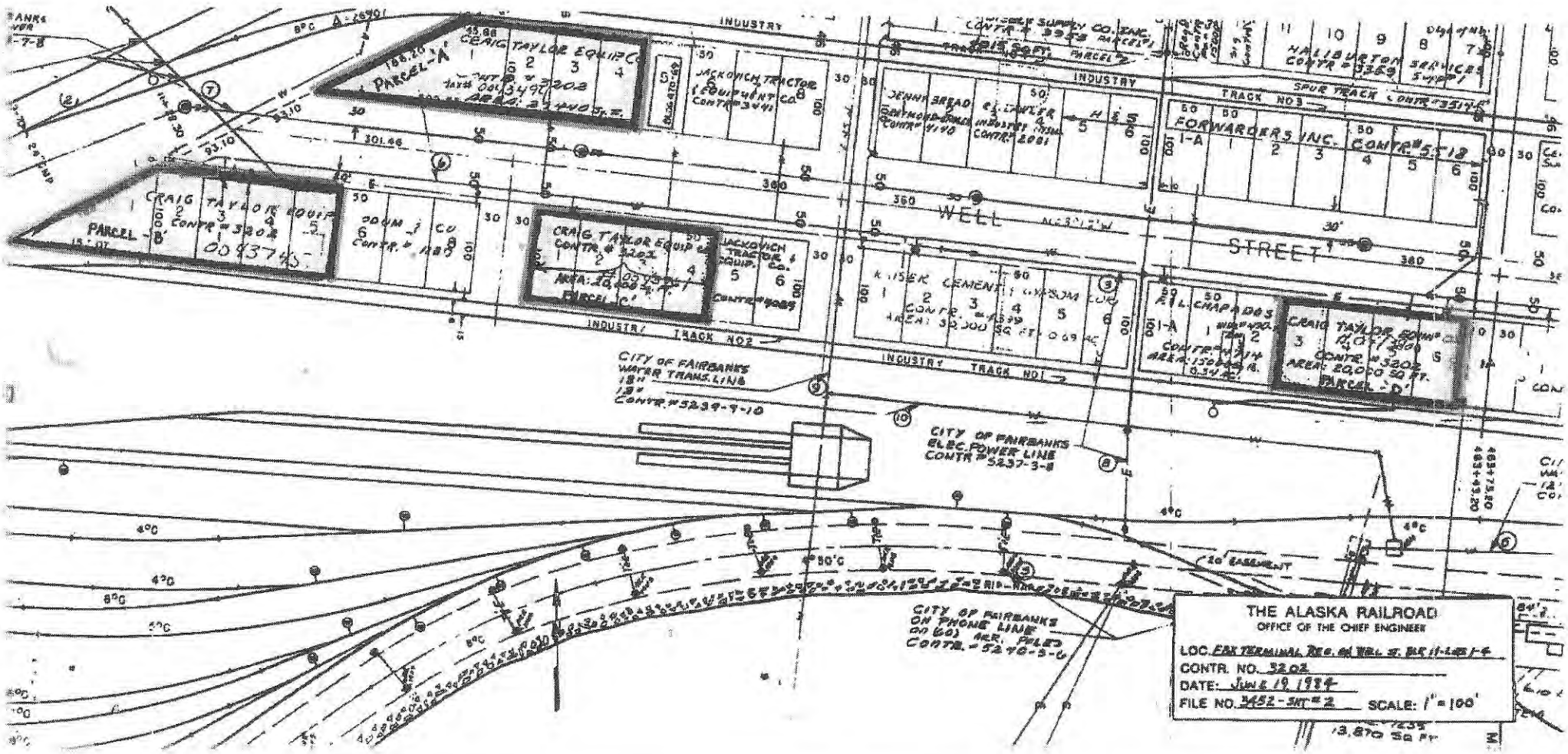

Exhibit A for ARR Lease 3202

For Lots 1,2,3, & 4 Block G

1 ea Concrete Block Building 9800 Sq Ft.

1671 cu yds compacted Gravel

4352 Sq Ft. Concrete Pavings

13,698 Sq Ft Asphalt Paving

Paid Water assessments for above lots 4486.70

For Lots 1,2,3, & 4 Block H

1540 Cu yds Compacted Gravel
Paid Water assessments for above lots 3527.00

For Lots 1,2,3, & 4. Block A

1200 Sq ft Concrete Pad
2652 Cu Yds compacted Gravel
Paid Water assessments for above lots 5477.97
1 ea Wood Frame Building 1008 Sq ft.
1 ea Metal Frame Pallet Rack 698 Sq ft.

For lots 3,4,5 & 6 Block J

630 Sq ft Concrete Pad
13,050 Sq ft Asphalt Paving
988 cu yds of Compacted Gravel
Paid water assessments 3221.64
1 ea Wood framed Metal Covered Building 3920 Sq ft.
1 ea Metal frame Building 2400 Sq ft.

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WAIVER

The undersigned member of the Alaska Railroad Leaseholders Association hereby waives the "current use" valuation required by Paragraph 2.A.(b) of the Agreed Guidelines for Settlement of Alaska Railroad Leaseholders Association Litigation and agrees that the appraisal of its leasehold under the Guidelines shall value the property at its highest and best use. The undersigned fully understands its right to a current use valuation under the Guidelines, knowingly waives the same, and intends that the Alaska Railroad Corporation may rely on this waiver in obtaining an appraisal of the leasehold.

Except as stated above, the Guidelines continue in full force and effect.

Dated: 8-1-88

Craig Taylor Equip Co.
Lessee

[if Lessee is corporation or partnership:

By: Jack H. Richardson
Its: President

3202

6822L

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