



June 22, 2017

Kenai Peninsula Borough  
Attn: Johni Blankenship  
VIA Email: [jblankenship@kpb.us](mailto:jblankenship@kpb.us)  
CC: [micheleturner@kpb.us](mailto:micheleturner@kpb.us)

<b>License Number:</b>	10025
<b>License Type:</b>	Standard Marijuana Cultivation Facility
<b>Licensee:</b>	Budding Alaska, LLC
<b>Doing Business As:</b>	BUDDING ALASKA, LLC
<b>Physical Address:</b>	32273 Old Nash Rd. Seward, AK 99664
<b>Designated Licensee:</b>	Bruce Martin
<b>Phone Number:</b>	907-491-0395
<b>Email Address:</b>	buddingalaskallc@gmail.com

AMCO has received a complete renewal application for the above listed license (see attached application documents) within your jurisdiction. This is the notice required under 3 AAC 306.035(c)(2).

To protest the approval of this application pursuant to 3 AAC 306.060, you must furnish the director **and** the applicant with a clear and concise written statement of reasons for the protest within 60 days of the date of this notice, and provide AMCO proof of service of the protest upon the applicant.

3 AAC 306.060 states that the board will uphold a local government protest and deny an application for a marijuana establishment license unless the board finds that a protest by a local government is arbitrary, capricious, and unreasonable.

At the May 15, 2017, Marijuana Control Board meeting, the board delegated to me the authority to approve renewal applications with no protests, objections, or notices of violation. However, if a timely protest or objection is filed for this application, or if any notices of violation have been issued for this license, the board will consider the application. In those situations, a temporary license will be issued pending board consideration.

If you have any questions, please email [amco.localgovernmentonly@alaska.gov](mailto:amco.localgovernmentonly@alaska.gov).

Sincerely,

*Erika McConnell*

Erika McConnell  
Director

## BUDDING ALASKA, LLC OPERATING AGREEMENT

THIS OPERATING AGREEMENT is made effective as of the 17 day of August, 2015, by, Bruce Martin. Mr. Martin has agreed to organize and operate this LLC in accordance with the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, Bruce Martin, intending legally to be bound, agrees as follows:

### DEFINITIONS

For purposes of this Operating Agreement, and unless the context clearly otherwise indicates, the following terms shall have the following meanings:

"Act" – The Alaska Limited Liability Company Act, AS 10.50. et. al., as may be amended from time to time.

"Agreement" -- This Operating Agreement, as may be amended from time to time.

"Code" -- The Internal Revenue Code of 1986, as amended, or any corresponding provision of any succeeding law.

"Company" – Budding Alaska, LLC, the company formed in accordance with this agreement.

"Member(s)" – Bruce Martin, as the initial Member of the Company, and any other person or persons who may subsequently be designated as a Member of this Company pursuant to the further terms of this Agreement.

"Membership Interest" -- The rights of a Member in distributions and allocations of profits, losses, gains, deductions and credits.

"Membership Rights" -- The all rights of a Member in the Company, including: (1) his or her Membership Interest, (2) right to inspect the Company's books and records; (3) right to participate in the management of and vote on matters coming before the Company; and (4) unless this Agreement or the Articles of Organization provide to the contrary, right to act as an agent of the Company.

"Person(s)" – Individual(s), partnership(s), corporation(s), limited liability company(ies), limited liability partnership(s), unincorporated association(s), trust(s), estate(s) and any other type of entity.

### ARTICLE I ORGANIZATION AND PURPOSE

1.1. Organization. Bruce Martin, has organized this LLC pursuant to the Act and the provisions of this Agreement and, has caused the Articles of Organization to be executed and filed for record with the State of Alaska.

1.2. Name of the Company. The name of the Company shall be "Budding Alaska, LLC." The Company may do business under that name and under any other name that the members select. If the Company does business under a name other than that set forth in its Articles of Organization, then the Company shall file an assumed business name as required by law.

1.3. Purpose. The Company is organized for any lawful purpose and to do any and all things necessary, convenient, or incidental to that purpose.

1.4. Term. The term of the Company shall begin upon the acceptance of the Articles of Organization by the State and shall be perpetual.

1.5. Principal Office. The principal office of the Company in the State of Alaska shall be located at 32295 Old Nash Rd., (PO Box 724) Seward, AK 99664, or at any other place within the State of Alaska that the members select.

1.6. Registered Agent. The name and address of the Company's registered agent in the State of Alaska shall be Bruce Martin, PO Box 724, Seward, AK 99664.

1.7. Members. The name, present mailing address, and Percentage of each Members' percentage of ownership in the Company are set forth on Exhibit A.

1.8. Agreement. It is the express intention of the Members and Company that this Agreement be the agreement of the parties, and, except where a provision of the Agreement expressly incorporates sections of the I.R.S. Code or Regulations or is prohibited or ineffective under the Act, the Agreement shall govern, even when inconsistent with, or different from, the provisions of the Act or any other law or rule.

## **ARTICLE II CONTRIBUTIONS**

2.1 Initial Contributions. The initial capital contributions to the Company shall be made concurrently with the Members' execution and delivery of this Agreement. The Members' initial capital contributions include a contribution of \$ 100,000. The Members shall not be required to make additional capital contributions.

2.2 Loans. In the event the capital needs of the Company exceed the capital contributions provided by section 2.1, the Members may, but are not required to, loan additional monies to the Company in amounts and on terms and conditions to be agreed upon by the Company and the Members. The Members or the Members' employees may also cause a loan to be made to the Company in any amount and on those terms upon which the Company and the Members agree. No indebtedness shall be contracted on behalf of the Company unless authorized by Member resolution. Such authority may be general or specific.

2.3 Interest on and Return of Capital Contribution. The Members shall not be entitled to interest on any capital contribution, or to a return of any capital contribution, except as specifically provided for herein.

2.4 Limitation of liability. The Members' liability for debts and obligations of the LLC in their capacity as members of the LLC shall be limited to the value of the Contribution and any subsequent contributions that they may make to the LLC.

## **ARTICLE III DISTRIBUTIONS**

3.1 Distributions. Cash distributions shall be made in such amounts and at such times as may be determined by the Members in their discretion.

3.2 Limitations on Distributions. No distribution shall be declared or paid unless, after the distribution is made, the Company's assets exceed the Company's liabilities. Liabilities to the Members on account of their Membership Interest shall not be a Company liability for purposes of this section.

## ARTICLE IV RIGHTS AND DUTIES OF MEMBERS

4.1 Management Rights. The Company shall be member managed. The Members are the Company's agents and shall have authority to take all actions, including incurring debt, entering contracts, and acquiring and transferring property, on the Company's behalf and such actions shall bind the Company.

4.2 Liability of Member. The Members shall not be liable, responsible or accountable in damages or otherwise to the Company or the Members for any act or omission by any such Person performed in good faith pursuant to the authority granted to such Person by this Agreement or in accordance with its provisions, and in a manner reasonably believed to be within the authority granted to such Person and in the best interest of the Company; provided, however, that such Person shall retain liability for acts or omissions that involve intentional misconduct, a knowing violation of the law, a violation of AS 10.50.320, or for any transaction from which the Person will personally receive a benefit in money, property, or services to which the person is not legally entitled.

4.3 Indemnification. To the fullest extent permitted by applicable law, a Member shall be entitled to indemnification from the Company for any loss, damage, or claim incurred by reason or any act or omission performed or omitted by such Member in good faith on behalf of the Company and in a manner reasonably believed to be within the authority conferred on such Member by this Agreement; *provided, however*, that any indemnity shall be provided out of and to the extent of Company assets only, and no other Member shall have any personal liability on account thereof.

## ARTICLE V BOOKS, RECORDS AND ACCOUNTING

5.1 Bank Accounts. All Company revenues shall be deposited in the Company bank accounts at such financial institutions as determined by the Members.

5.2 Books and Records. The Managing Member shall cause complete and accurate books and records of the Company be kept regarding the Company's business. The records shall include complete and accurate information regarding the financial condition of the Company, a copy of the Articles of Organization and this Agreement and all amendments thereto, a current list of the names and last known business, residence, or mailing addresses of all Members; and the Company's returns. The books and records shall be available at the Company's principal office for examination by any Member or the Member's duly authorized representative at any and all reasonable times during normal business hours.

5.3 Reports. The Members shall file a biennial report as required by the Department.

5.4 Annual Accounting Period. The annual accounting period of the Company shall be its taxable year. The Company's taxable year shall be selected by the Members, subject to the requirements and limitations of the Code.

5.5 Tax Elections. The Managing Member shall have the authority to make all Company elections permitted under the Code, including, without limitation, elections of methods of depreciation and elections under Section 754 of the Code. The decision to make or not make an election shall be at the Managing Member's sole and absolute discretion.



5.6. Title to Company Property. All real and personal property acquired by the Company shall be acquired and held by the Company in its name.

5.7. Contracts. The Members may authorize any Member or agent of the Company, to enter into any contract or execute any instrument in the name of and on behalf of the Company, and such authority may be general or confined to specific instances.

5.8. Accountant. An Accountant may be selected from time to time by the Members to perform such tax and accounting services as may, from time to time, be required.

5.9. Legal Counsel. One or more Attorney(s) at Law may be selected from time to time by the Members to review the legal affairs of the Company and to perform such other services as may be required and to report to the Members with respect thereto.

## **ARTICLE VI TRANSFER OF MEMBERSHIP INTEREST**

6.1 Transfer. The Members may sell, hypothecate, pledge, assign or otherwise voluntarily, during the Members' lifetime or upon death, transfer any part or all Membership Interest or Membership Rights in the Company to any other person. In the event a Member transfers his or her entire Membership Interest, the transferee(s) shall become a member without any further action, unless the Member and the transferee agree otherwise.

## **ARTICLE VII DISSOLUTION AND LIQUIDATION**

7.1. Events of Dissolution. The Company shall be dissolved upon the unanimous written agreement of the Members.

7.2. Procedure for Winding Up and Dissolution. If the Company is dissolved, the Managing Member shall wind up its affairs. On winding up of the Company, following an accounting, the assets of the Company shall be distributed and applied in the following order:

7.2.1 to pay all liabilities of the Company (other than liabilities to Members), including costs relating to dissolution, winding up, and liquidation and distribution of assets;

7.2.2 to establish such reserves as reasonably may be necessary to provide for contingent liabilities of the Company;

7.2.3 to discharge any liabilities of the Company to the Members other than on account of their interests in Company capital or profits;

7.2.4 to distribute the remaining assets to the Members.

7.3 Termination. The Managing Member shall comply with any requirements of applicable law pertaining to the winding up of the affairs of the Company and the final distribution of its assets. Upon completion of the winding up, liquidation and distribution of the assets, the Company shall be deemed terminated.

**ARTICLE VIII  
MISCELLANEOUS PROVISIONS**

8.1. Amendment. This Agreement may be amended by a vote of the members holding 51% percent of the capital accounts of all of the Members, *provided however* that no amendment that materially reduces the distributions that may be made to a Member (or changes the Profit or Loss allocation to such Member) may be made without such Member's consent.

8.2. Complete Agreement. This document constitutes the complete and exclusive Agreement of the Members. It supersedes all prior written and oral statements, including any prior representation, statement, condition, or warranty. Except as expressly provided otherwise herein, this Agreement may not be amended without written consent of all Members.

8.3. Applicable Law, Jurisdiction and Venue. This Agreement shall be governed by the laws of the State of Alaska. Any suit under this Agreement shall be brought in the Alaska Superior Court at Fairbanks.

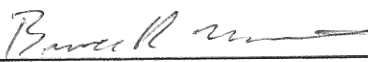
8.4. Section Titles. Headings are inserted as a matter of convenience only and do not define, limit, or describe the scope of this Agreement or the intent of the provisions hereof.

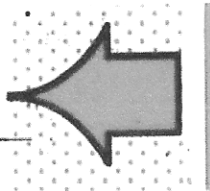
8.5. Binding Provisions. This Agreement is binding upon, and inures to the benefit of parties hereto and their respective heirs, executors, administrators, personal and legal representatives, successors, and permitted assigns.

8.6. Terms. Common nouns and pronouns shall be deemed to refer to the masculine, feminine, neuter, singular, and plural, as the identity of the Person may in the context require.

8.7. Separability of Provisions. Each provision of this Agreement shall be considered separable; and if, for any reason, any provision or provisions herein are determined to be invalid by law, such invalidity shall not impair the operation of or affect those portions of this Agreement that are valid.

IN WITNESS WHEREOF, Bruce Martin hereto has executed this Agreement as of the date and year first above written.

  
\_\_\_\_\_  
Bruce Martin, Member



**EXHIBIT A  
Members**

<b>Member/Address</b>	<b>Contribution</b>	<b>Percentage Ownership Interest</b>
Bruce Martin PO Box 724 Seward, AK 99664	<u>\$ 100,000</u>	100%



Alaska Marijuana Control Board

**Form MJ-20: Renewal Application Certifications**

**What is this form?**

This renewal application certifications form is required for all marijuana establishment license renewal applications. Each person signing an application for a marijuana establishment license must declare that he/she has read and is familiar with AS 17.38 and 3 AAC 306. A person other than a licensee may not have direct or indirect financial interest (as defined in 3 AAC 306.015(e)(1)) in the business for which a marijuana establishment license is issued, per 3 AAC 306.015(a).

**This form must be completed and submitted to AMCO's main office by each licensee (as defined in 3 AAC 306.020(b)(2)) before any license renewal application will be considered complete.**

**Section 1 – Establishment Information**

Enter information for the licensed establishment, as identified on the license application.

Licensee:	Budding Alaska LLC	License Number:	10025
License Type:	Standard Cultivation		
Doing Business As:	Budding Alaska LLC		
Premises Address:	32293 Old Nash Rd		
City:	Seward	State:	AK
		ZIP:	99664

**Section 2 – Individual Information**

Enter information for the individual licensee who is completing this form.

Name:	Bruce R Martin
Title:	Owner

**Section 3 – Changes to Licensed Marijuana Establishment**

Read each line below, and then sign your initials in the box to the right of **only the applicable statement**:

Initials

I certify that **no changes have been made**, except for those that have been previously reported or requested on a form prescribed by the Board, to this licensed establishment's business name, ownership, licensed premises diagram, or operating plan, and (for marijuana product manufacturers) that I do not wish to request Board approval for production of any new proposed marijuana products.

I certify that **a change has been or will be made** to one or more of the items listed above for this establishment, and I understand that an additional form(s) and fee(s) must be submitted to AMCO before any renewal application for this license can be considered complete.

If you have selected the second certification, please list any and all of the five types of changes that need to be reported/requested:



Alaska Marijuana Control Board

# Form MJ-20: Renewal Application Certifications

## Section 4 – Certifications

Read each line below, and then sign your initials in the box to the right of any applicable statements:

Initials

I certify that I have **not** been convicted of any criminal charge in the previous two calendar years.

*BMM*

I certify that I have **not** committed any civil violation of AS 04, AS 17.38, or 3 AAC 306 in the previous two calendar years.

*BMM*

Sign your initials to the following statement **only if you are unable to certify one or both of the above statements:**

Initials

I have attached a written explanation for why I cannot certify one or both of the above statements, which includes the type of offense, as required under 3 AAC 306.035(b)(4).

Read each line below, and then sign your initials in the box to the right of each statement:

Initials

I certify that no person other than a licensee listed on my marijuana establishment license renewal application has a direct or indirect financial interest, as defined in 3 AAC 306.015(e)(1), in the business for which the marijuana establishment license has been issued.

*BMM*

I certify that this establishment complies with any applicable health, fire, safety, or tax statute, ordinance, regulation, or other law in the state.

*BMM*

I certify that I have not violated any restrictions pertaining to this particular license type, and that this license has not been operated in violation of a condition or restriction imposed by the Marijuana Control Board.

*BMM*

I certify that I understand that providing a false statement on this form, the online application, or any other form provided by or to AMCO is grounds for rejection or denial of this application or revocation of any license issued.

*BMM*

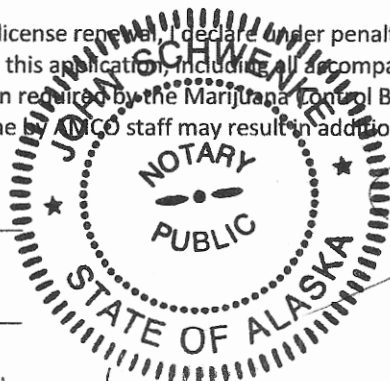
As an applicant for a marijuana establishment license renewal, I declare under penalty of unsworn falsification that I have read and am familiar with AS 17.38 and 3 AAC 306, and that this application, including all accompanying schedules and statements, is true, correct, and complete. I agree to provide all information required by the Marijuana Control Board in support of this application and understand that failure to do so by any deadline given to me by AMCO staff may result in additional fees or expiration of this license.

*Bruce R. Martin*

Signature of licensee

*Bruce R Martin*

Printed name of licensee



*Joseph Schweitzer*

Notary Public in and for the State of Alaska

My commission expires: 3/25/2020

Subscribed and sworn to before me this 14<sup>th</sup> day of June, 2017.

# Alcohol & Marijuana Control Office

**License Number:** 10025

**License Status:** Active

**License Type:** Standard Marijuana Cultivation Facility

**Doing Business As:** BUDDING ALASKA, LLC

**Business License Number:** 1025295

**Designated Licensee:** Bruce Martin

**Email Address:** buddingalaskallc@gmail.com

**Local Government:** Kenai Peninsula Borough

**Community Council:**

**Latitude, Longitude:** 60.140862, -149.411040

**Physical Address:** 32273 Old Nash Rd.  
Seward, AK 99664  
UNITED STATES

## Licensee #1

**Type:** Entity

**Alaska Entity Number:** 10031509

**Alaska Entity Name:** Budding Alaska, LLC

**Phone Number:** 907-491-0395

**Email Address:** buddingalaskallc@gmail.com

**Mailing Address:** PO Box 724  
Seward, AK 99664  
UNITED STATES

## Entity Official #1

**Type:** Individual

**Name:** Bruce Martin

[REDACTED]  
[REDACTED]

**Phone Number:** 907-491-0395

**Email Address:** buddingalaskallc@gmail.com

**Mailing Address:** 32273 Old Nash Rd  
PO Box 724  
Seward, AK 99664  
UNITED STATES

**Note:** No affiliates entered for this license.



## Commercial Building Lease Agreement

THIS AGREEMENT, made and entered into this 1st day of January 2016 by and between,  
Frostbite Lease Services LLC, the Landlord, whose address, for the purpose of this lease is:

PO Box 724, (mailing), 32295 Old Nash Road, (physical)  
Seward, Alaska 99664

And

Budding Alaska LLC, the Tenant, whose address is,

PO Box 724 Seward Alaska 99664

**1. PREMISES AND TERM.** Landlord leases to Tenant under a "Full Service Agreement", the following real estate, situated at 32273 Old Nash Rd. Seward AK in Kenai Peninsula Borough, Alaska, together with all improvements thereon, and all rights, easements and appurtenances thereto belonging, for a term beginning on the 1st day of, January, 2016, and ending on the 31st day of December, 2021, (a duration of five years), upon the condition that Tenant performs as provided in this lease. The lease may be extended for an additional term, up to 5 years, upon mutual agreement between the Landlord and Tenant of any changes, omissions or revisions to the lease terms as set forth by either party.

**2. RENT.** Tenant agrees to pay Landlord as rent, (net lease), \$4 per SF of floor space or \$9000 per month, in advance commencing on the first day of January and on the first day of each month thereafter, during the term of this lease. Rent for any partial month shall be prorated as additional rent. In the event the tenant terminates the lease prematurely, this will in no way release the tenant from any liability or clause put forth in this lease agreement or liability for damage to the building done by the tenant.

All sums shall be paid at the address of Landlord, or at such other place as Landlord may designate in writing. Delinquent payments shall be subject to a charge of \$25 per day until paid in full. When the rent is delivered by mail it is the Tenants responsibility to mail payment early enough to reach the Landlord by the due date.

**Sales Tax: There is, levied by the Kenai Peninsula Borough, a consumer's sales tax of up to 3 percent maximum rate on all retail sales, on all rents, and on all services made or rendered within the borough, measured by the gross sales price of the seller. The sales tax referred to shall be applied only to the first \$500.00 of each separate sale, rent or service transaction.**

**3. POSSESSION.** Tenant shall be entitled to possession on the first day of the lease term, and shall yield possession to Landlord at the termination of this lease. SHOULD LANDLORD BE UNABLE TO GIVE POSSESSION ON SAID DATE, TENANT'S ONLY DAMAGES SHALL BE A PRO RATA ABATEMENT OF RENT.

**4. PROPERTY TAX** Landlord shall pay, prior to delinquency, all general real estate taxes and installments of special assessments coming due during the Lease term on the Leased Premises, and all personal property taxes with respect to Landlord's personal property, if any, on the Leased Premises. Tenant shall be responsible for paying all personal property taxes with respect to Tenant's personal property at the Leased Premises

**5. OCCUPIED SPACE.** The space occupied by the Tenant will be equal to 2250 SF of first floor space measured from the exterior of the building structure. Tenant will have driveway access to the exterior entrances of the building to include exterior (up to 4 vehicles) and/or interior vehicle parking.

Tenant shall use the premises only for business activities, storage of equipment related to tenants business.

**6. BUILD OUT.** The Landlord will provide interior alterations as agreed, to include interior walls, ventilation system, security system, etc.

**7. SIGNAGE.** Tenant may at its expense install a sign on the building to advertise the business, provided the sign does not damage the building.

### **8. CARE AND MAINTENANCE.**

**8.1 Tenant** takes the premises as is, except as herein provided.

**8.2 Landlord** shall keep the following in good repair: roof, exterior walls, foundation, sewer, plumbing, heating, wiring, windows and window glass, parking area and driveways to include reasonably smooth graded and snow removal to allow access to building. Landlord shall not be liable for failure to make any repairs or replacements unless Landlord fails to do so within a reasonable time after written notice from Tenant.

**8.3 Tenant** shall be responsible for the cost of repairs when damage is a result of actions of the Tenant or any of its agents, contractors, employees or invitees or as a result of any action related to the Tenants business activities on the premises.

**8.4 Tenant** shall maintain the premises in a reasonably safe, serviceable, clean and presentable condition, and except for the repairs and replacements provided to be made by Landlord in subparagraph (8.2) above, shall make all repairs, replacements and improvements to the premises, INCLUDING ALL CHANGES, ALTERATIONS OR ADDITIONS ORDERED BY ANY LAWFULLY CONSTITUTED GOVERNMENT AUTHORITY DIRECTLY RELATED TO TENANTS USE OF THE PREMISES. Tenant shall make no structural changes or alterations without prior written consent of the Landlord.

**9. UTILITIES AND SERVICES.** The Landlord shall pay for all utilities and services which may be used on the premises in the leased portion of the building. Independent heat and electrical systems will be provided to service the space leased by the Tenant. Landlord shall not be liable for damages for failure to perform as herein provided, or for any stoppage for needed repair or for improvements or arising from causes beyond the control of Landlord. Tenant is required to provide an electrical service account with Seward Public Utilities and an auto-fill heating oil account with Shoreside Petroleum or other heating oil supplier approved by the Landlord. A \$25 per day penalty will be charged for each account and each day starting at the first day of the agreement that the tenant fails to provide these required utility service accounts.

**10. SURRENDER.** Upon the termination of this lease, Tenant will surrender the premises to Landlord in good and clean condition, except for ordinary wear and tear or damage without fault or liability of Tenant. Continued possession, beyond the term of this Lease and before acceptance of a long term lease extension by both parties and the acceptance of rent by Landlord shall constitute a month-to-month extension of this Lease.

**11. ASSIGNMENT AND SUBLETTING.** No assignment or subletting, either voluntary or by operation of law, shall be effective without the prior written consent of Landlord, which consent shall not unreasonably be withheld.

**12. INSURANCE.** Tenant shall not be responsible to provide insurance documentation to the Landlord as set forth in 12.1 – 12.10 below. The Landlord will provide all insurance coverage required.

**12.1 General.** Tenant acknowledges that the Landlord has an interest in maintaining a comprehensive insurance program for the Building and its tenants.

**12.2 Liability Insurance; Indemnity.** Tenant shall obtain and keep in force during the term of this Lease an "occurrence-based" (and not a "claims-made") policy of Commercial General liability insurance insuring Tenant, and naming Landlord as an additional insured, against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all appurtenant areas. Such insurance shall be in an amount of not less than One Million Dollars (\$1,000,000.00) for injury, death or property damage. The limits of the insurance shall not, however, limit the liability of Tenant under this Lease.

**12.3 Property and Business Interruption Insurance.** Tenant shall, at its own expense, also obtain and keep in force during the term of this Lease a policy or policies of insurance covering loss or damage to Tenant's fixtures, equipment, office supplies and all other personal property of Tenant and its employees, agents, and invitees, and shall, at its own expense, obtain business interruption insurance with minimum limits of Fifty Thousand Dollars (\$50,000.00).

**12.4 Insurance Policies.** Tenant shall deliver to Landlord copies of policies of insurance or certificates evidencing the existence and amounts of insurance with the Landlord listed as an additional insured. Tenant shall, within thirty (30) days prior to the expiration of such policies, furnish Landlord with extensions, or Landlord may order such insurance and charge the cost to Tenant, which amount shall be payable by Tenant upon demand. Tenant shall not do or permit to be done anything which shall invalidate the insurance policies referred to in Article 12.

**12.5 Landlord's Insurance.** Landlord shall maintain on the Building a policy of insurance covering loss to the Building. The Landlord shall provide Tenant with a copy of the Policy of Insurance upon request.

**12.6 Waiver of Subrogation.** Notwithstanding any other Article or provision of this Lease, Landlord and Tenant each releases, relieves, and waives its entire right of recovery against, the other and the other's employees, agents and contractors, for loss of business, loss of rents, and damage to its property arising out of or incident to perils, to the extent covered by fire and extended coverage, and liability insurance endorsements approved for use in the State of Alaska, that occur in, on, or about the Premises, the Building common areas, parking areas and improvements, whether caused by the negligence of either party, their agents, employees, or contractors. Each party shall obtain from its insurer or insurers provisions permitting waiver of such claims against the other party for said loss or damage within the scope of the applicable insurance.

**12.7 Tenant's Hold Harmless.** To the extent not covered by insurance proceeds, Tenant shall indemnify, defend and hold Landlord and its officers, directors, shareholders, employees, agents and other representatives harmless from any and all claims arising from Tenant's use and/or possession of the Premises or from the conduct of its business or from any activity, work or things which may be permitted or suffered by Tenant in or about the Premises, except such work as is carried out at the request or direction of the Landlord, shall further indemnify, defend and hold Landlord harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the provisions of this Lease or arising from any negligence of Tenant or any of its agents, contractors, employees or invitees, and from any and all costs, attorney's fees, expenses and liabilities incurred in the defense of any such claims or any actions or proceedings. This obligation shall include, but not be limited to, the burden and expense of defending all claims, suits and administrative proceedings (with counsel reasonably approved by the indemnified parties), even if such claims, suits or proceedings are groundless, false or fraudulent, the conducting of all negotiations of any description, and the paying and discharging, when and as the same become due, any and all judgments, penalties or other sums due against the indemnified parties. The obligations of Tenant in this paragraph shall survive the expiration or termination of this Lease, the discharge of all other obligations owed by the parties to each other, and any transfer of title to the Premises (whether by sale, foreclosure, deed in lieu of foreclosure, or otherwise).

**12.8 Landlord's Hold Harmless.** To the extent not covered by insurance proceeds, Landlord (1) shall indemnify, defend and hold Tenant and its officers, directors, shareholders, employees, agents and other representatives harmless from any and all claims arising from Landlord's use and/or possession of the Building or from the conduct of its business or from any activity, work or things which may be permitted or suffered by Landlord in or about the Building or Premises, not including the business or activities of other tenants in the Building, (2) shall indemnify, defend and hold Tenant harmless from any failure by Landlord to meet its affirmative obligations under this Lease, such as proper maintenance of parking lots, sidewalks, and common areas, and (3) shall further



indemnify, defend and hold Tenant harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Landlord's part to be performed under the provisions of this Lease or arising from any negligence of Landlord or any of its agents, contractors, employees or invitees, not including other tenants in the Building, and from any and all costs, attorney's fees, expenses and liabilities incurred in the defense of any such claims or any actions or proceedings. This obligation shall include, but not be limited to, the burden and expense of defending all claims, suits and administrative proceedings (with counsel reasonably approved by the indemnified parties), even if such claims, suits or proceedings are groundless, false or fraudulent, and the conducting of all negotiations of any description, and the paying and discharging, when and as the same become due, any and all judgments, penalties or other sums due against the indemnified parties. The obligations of Landlord in this paragraph shall survive the expiration or termination of this Lease, the discharge of all other obligations owed by the parties to each other, and any transfer of title to the Premises (whether by sale, foreclosure, deed in lieu of foreclosure, or otherwise).

**12.9 Hazardous Substances.** Tenant agrees to indemnify, defend, save and hold Landlord harmless from any and all claims, liabilities, costs (including reasonable attorney's fees), and damages of whatsoever kind or nature, arising out of the release, threatened release, storage, generation, transportation, reclamation, recycling, or disposal of any hazardous waste, toxic substance, or any other regulated substance in, on or near the Premises caused by Tenant, its employees, agents, officers, directors, invitees or assigns use of the Premises during the term of the Lease or any extension. Notwithstanding the foregoing, Tenant's obligations and liabilities to Landlord shall be deemed not to extend to matters pre-existing at the time of the Lease, involving building components incorporated in the Building or the Premises, unless so incorporated by Tenant; or involving hazardous substances which flow, migrate or percolate into, onto, or under the Premises from locations outside the Premises. Such indemnification shall require Tenant to remediate at Tenant's sole cost and expense any such release or threatened release of hazardous waste or any regulated substance caused by Tenant to the satisfaction of the State's environmental authority department and any other governmental entity having jurisdiction, and shall require Tenant to comply with all federal, state and local statutes, rules, regulations, ordinances, orders and permits applicable to hazardous waste, toxic substance, or any other regulated substance. The Tenant agrees to provide copies of all permits require for the use, handling and storage of any controlled substance used, stored or handled on the Landlord's property leased by the Tenant. The provisions of this paragraph shall survive termination of this Lease as to any claim asserted arising out of an act or omission of Tenant prior to the termination of the Lease.

**12.10 Exemption of Landlord from Liability.** Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or for any loss of income or damage to the property of Tenant, Tenant's employees, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, storm, electricity, gas, water, rain or other acts of God, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said damage or injury results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Tenant acknowledges that its sole remedy from this kind of loss is the business interruption insurance required under Article 12.3.

### **13. DAMAGE OR DESTRUCTION.**

**13.1 Option to Terminate.** If the Premises or the Building are materially damaged or destroyed during the term of this Lease, Landlord may, at Landlord's option, cancel and terminate this Lease by giving sixty (60) days written notice to Tenant of Landlord's election to do so within sixty (60) days after the date of the occurrence of such damage.

**13.2 Abatement of Rent.** If the Premises are partially damaged or destroyed and Landlord repairs or restores it without terminating this Lease, the rent payable for the period during which such damage repair or restoration continues shall be abated in reasonable proportion to the degree to which the damage bears to the entire Premises. If damage to the Premises or the Building causes Tenant to involuntarily cease business operations, rent payable during the period of business cessation shall be abated. Landlord shall have a reasonable period of time under the circumstances to complete repairs.

### **14. Assignment and Subletting.**

**14.1 Landlord's Consent Required.** Tenant shall not voluntarily or by operation of law assign, transfer, or sublet all or any part of Tenant's interest in this Lease or in the Premises without Landlord's prior written consent, which shall not be unreasonably withheld. Any attempted assignment, transfer, or subletting without such consent shall be void and shall constitute a breach of this Lease.

**14.2 No Release of Tenant.** Regardless of Landlord's consent, no subletting or assignment shall release Tenant of Tenant's obligation to pay the rent and to perform all other obligations to be performed by Tenant for the term of this Lease, unless released in writing by Landlord. The acceptance of rent by Landlord from any other persons shall not be deemed to be a waiver by Landlord of any provision of this Lease. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting.

**15. LIABILITY FOR DAMAGE.** Each party shall be liable to the other for all damage to the property of the other negligently, recklessly or intentionally caused by that party (or their agents, employees or invitees), except to the extent the loss is insured and subrogation is waived under the owner's policy.

**16. IDEMNITY.** Except for the negligence of Landlord, Tenant will protect, defend, and indemnify Landlord from and against any and all loss, costs, damage and expenses occasioned by, or arising out of, any accident or other occurrence causing or inflicting injury or damage to any person or property, happening or done in, upon or about the premises, or due directly or indirectly to the tenancy, use or occupancy thereof, or any part thereof by Tenant or any person claiming through or under Tenant.

**17. MECHANICS' LIENS.** Neither Tenant, nor anyone claiming by, through, or under Tenant, shall have the right to file any mechanic's lien against the premises. Tenant shall give notice in advance to all contractors and subcontractors who may furnish, or agree to furnish, any material, service or labor for any improvement on the premises.

**18. DEFAULT, NOTICE OF DEFAULT AND REMEDIES.**

**18.1 Events of Default.** Each of the following shall constitute an event of default by Tenant: (1) Failure to pay rent when due; (2) failure to maintain utilities to the building, i.e. electricity and heating oil, (3) failure to observe or perform any duties, obligations, agreements, or conditions imposed on Tenant pursuant to the terms of the lease; (4) abandonment of the premises. "Abandonment" means the Tenant has failed to engage in its usual and customary business activities on the premises for more than fifteen (15) consecutive business days; (5) Institution of voluntary bankruptcy proceedings by Tenant; Institution of Involuntary bankruptcy proceedings in which the Tenant thereafter is adjudged a bankruptcy; assignment for the benefit of creditors of the interest of Tenant under this lease agreement; appointment of a receiver for the property or affairs of Tenant, where the receivership is not vacated within ten (10) days after the appointment of the receiver.

**18.2 Notice of Default.** Landlord shall give Tenant a written notice specifying the default and giving the Tenant ten (10) days in which to correct the default. If there is a default (other than for nonpayment of a monetary obligation of Tenant, including rent) that cannot be remedied in the (10) days by diligent efforts of the Tenant, Tenant shall propose an additional period of time in which to remedy the default. Consent to additional time shall not be unreasonably withheld by Landlord. Landlord shall not be required to give Tenant any more than three notices for the same default within any 365 day period.

**18.3 Remedies.**

In the event Tenant has not remedied a default in a timely manner following a Notice of Default, Landlord may proceed with all available remedies at law or in equity, including but not limited to the following: (1) Termination. Landlord may declare this lease to be terminated and shall give Tenant a written notice of such termination. In the event of termination of this lease, Landlord shall be entitled to prove claim for and obtain judgment against Tenant for the balance of the rent agreed to be paid for the term herein provided, plus all expenses of Landlord in regaining possession of the premises and the reletting thereof, including attorney's fees and court costs, crediting against such claim, however, any amount obtained by reason of such reletting; (2) Forfeiture. If a default is not remedied in a timely manner, Landlord may then declare this lease to be forfeited and shall give Tenant a written notice of such forfeiture, and may, at the time, give Tenant notice to quit.

**19. SIGNS.** Landlord, during the last ninety days of this lease, shall have the right to maintain on the premises either or both a "For Rent" or "For Sale" sign. Tenant will permit prospective tenants or buyers to enter and examine the premises.

**20. NOTICES AND DEMANDS.** All notices shall be given to the parties hereto at the addresses designated unless either party notifies the other, in writing, of a different address. Without prejudice to any other method of notifying a party in writing or making a demand or other communication, such notice shall be considered given under the terms of this lease when it is deposited in the U.S. Mail, registered or certified, properly addressed, return receipt requested, and postage prepaid.

**21. PROVISIONS BINDING.** Each and every covenant and agreement herein contained shall extend to and be binding upon the respective successors, heirs, administrators, executors and assigns of the parties hereto.

**22. ADDITIONAL PROVISIONS.** Tenant will be required to obtain and provide to the Landlord documentation of all insurances protecting the leased property and permits for the use handling and storage of and potentially hazardous materials used or stored in the course of tenants business activities.

**If Tenant shall fail to keep or perform any of the covenants or agreements herein contained, the Landlord may deliver written notice giving Tenant ten (10) days to cure the breach, failing which this Agreement will terminate in twenty (20) days and Landlord may seek a court order to recover possession. If Tenant fails to exercise due care and substantially the same breach occurs within six (6) months of the first occurrence, the Landlord may terminate the Agreement upon giving Tenant five (5) days written notice. Tenant acknowledges and agrees that this provision constitutes a continuing demand for Rent on the first (1<sup>st</sup>) day of each month during which it remains in effect.**

**23. Miscellaneous Provisions.**

*Amendments:* This Agreement may not be modified or amended except in writing and executed by both of the parties.

*Jurisdiction:* The parties agree that if any legal action pertaining to the enforcement of this Agreement or any of its provisions is initiated by any party to the subject Lease, the jurisdiction and venue for said action shall lie exclusively with the Courts of the Third Judicial District for the State of Alaska.

*Entire Agreement:* This Agreement shall constitute the entire agreement between the parties hereto, and no other agreement unless in writing and signed by the parties hereto shall be binding upon the parties with respect to the subject Premises. If the Landlord, its agents or employees have made any representations or promises with respect to any part of the Premises, the same shall not be valid unless reduced to writing and incorporated herein.

*Severability:* In the event any provision of this Agreement shall be held invalid, such provisions shall be deemed severable and the remaining provisions hereof shall remain in full force and effect.

*No Waiver:* No delay or failure on the part of the Landlord in insisting upon the strict performance of the terms hereof or in exercising any remedy or right under this Agreement shall operate as a waiver of such remedy or right.

**24. NOTICES.** All notices required or permitted to be given pursuant to this Agreement shall be delivered by hand to the party for which it is intended, or sent by regular mail to the party to the address for the party as set out in the preamble of this Agreement or to such other address as either party may stipulate by notice to the other.

TENANT

*Budding Alaska LLC*  
*Budding Alaska LLC*

Date 5/16/16 \_\_\_\_\_

Landlord J.A. Mason \_\_\_\_\_

Date 5/17/16 \_\_\_\_\_