

## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (“**Agreement**”) is entered into effective as of May 31, 2018 (the “**Effective Date**”), by and between (i) Chemistree Washington Ltd., a Washington corporation (“**Purchaser**”), on the one hand, and (ii) Elite Holdings Inc., a Washington corporation (“**Seller**”), and Mark Brinn, a married individual residing in Washington (“**Brinn**”), on the other hand. Purchaser and Seller may be referred to individually as “**Party**” or collectively as the “**Parties**”.

### RECITALS

WHEREAS, Purchaser desires to own the equipment and other assets necessary to operate a “turn key” facility for the production and processing of recreational marijuana;

WHEREAS, Seller owns certain assets useful in connection with the operation of a “turn key” facility for the production and processing of recreational marijuana; and

WHEREAS, Seller desires to sell to Purchaser, and Purchaser desires to purchase, all Seller’s assets useful in connection with the operation a “turn key” facility for the production and processing of recreational marijuana.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

### AGREEMENT

#### 1. DEFINITIONS

For purposes of this Agreement, the following terms have the meanings specified or referred to in this Section 1:

“**Applicable Contract**” – any Contract under which the Assets are or may become bound.

“**Assets**” – any and all tangible and intangible property and rights in property that are owned by Seller and related to or used in the Business, as specifically set forth on **Exhibit A** attached hereto. All other Assets of Seller are specifically excluded from this transaction.

“**Identified Liabilities**” – those particular obligations and liabilities as specifically set forth on **Exhibit B** attached hereto of Sellers as of the Effective Date.

“**Best Efforts**” – the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to ensure that such result is achieved as expeditiously as possible; provided, however, that an obligation to use Best Efforts under this Agreement does not require the Person subject to that obligation to take actions that would result in a materially adverse change in the benefits to such Person of this Agreement and the Contemplated Transaction.

“**Business**” – The marijuana production and processing businesses, which utilizes the assets

owned by Seller and operated by Sugarleaf Farm, LLC, a Washington limited liability company (“**Sugarleaf**”), in Sedro-Woolley, Washington.

“**Breach**” – a “Breach” of a representation, warranty, covenant, obligation, or other provision of this Agreement or any instrument delivered pursuant to this Agreement will be deemed to have occurred if there is or has been (a) any inaccuracy in or breach of, or any failure to perform or comply with, such representation, warranty, covenant, obligation, or other provision, or (b) any claim (by any Person) or other occurrence or circumstance that is or was inconsistent with such representation, warranty, covenant, obligation, or other provision, and the term “Breach” means any such inaccuracy, breach, failure, claim, occurrence, or circumstance.

“**Closing**” – as defined in Section 2.3.

“**Closing Date**” – the date and time as of which the Closing actually takes place, which shall take place on or before June 29, 2018, subject to extension pursuant to Section 2.2.

“**Consent**” – any approval, consent, ratification, waiver, or other authorization (including any Governmental Authorization).

“**Contemplated Transaction**” – the transaction contemplated by this Agreement, including:

- a. the sale of the Assets by Seller to Purchaser; and
- b. the performance by Purchaser and Seller of their respective covenants and obligations under this Agreement.

“**Contract**” – any agreement, contract, obligation, promise, or undertaking (whether written or oral and whether express or implied) that is legally binding.

“**Damages**” – as defined in Section 10.2.

“**Encumbrance**” – any charge, claim, community property interest, condition, equitable interest, lien, option, pledge, security interest, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership.

“**Escrow Agent**” – means Martin Davis, PLLC, a Washington professional limited liability company, with offices at 1200 Westlake Ave N, Suite 802, Seattle, WA 98109.

“**Governmental Authorization**” – any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Body, including, but not limited to, the WSLCB, or pursuant to any Legal Requirement.

“**Governmental Body**” – shall mean the State of Washington and the applicable bodies therein with jurisdiction over the Assets, including any such:

- a. county, city, town, village, or district within the State of Washington;

b. state, local, municipal, or other government within the State of Washington; or

c. governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal) that is a part of the Washington State government.

**“Holdback”** – as defined in Section 10.8.

**“Holdback Amount”** – as defined in Section 10.8.

**“Holdback Period”** – as defined in Section 10.8.

**“Holdback Claim”** – as defined in Section 10.8.

**“Holdback Claim Notice”** – as defined in Section 10.8.

**“Holdback Expiration Date”** – as defined in Section 10.8.

**“Undisputed Holdback Amount”** – as defined in Section 10.8.

**“Disputed Holdback Amount”** – as defined in Section 10.8.

**“Unclaimed Holdback Amount”** – as defined in Section 10.8.

**“Indemnified Persons”** – as defined in Sections 10.2 and 10.3.

**“Knowledge”** – an individual will be deemed to have “Knowledge” of a particular fact or other matter if such individual is actually aware of such fact or other matter, or, in the case of such Party, would be expected to discover or otherwise become aware of such fact or subject matter after conducting a reasonable inquiry by the Party’s key employee(s) most likely to possess knowledge of the subject matter in question.

**“Legal Requirement”** – any foreign or domestic federal, state, local, municipal, or other administrative order, constitution, law, ordinance, principle of common law, regulation or statute, including the Foreign Corrupt Practices Act.

**“Liability”** – any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for liens or encumbrances.

**“License”** – means the Washington State “Tier 3” Production and Processing License No. 423406 owned solely by Sugarleaf.

**“License Purchase Agreement”** – means that certain Asset Purchase Agreement by and between Seller, Umbrella Industries USA, LLC, a Washington limited liability company, Sugarleaf, and Brinn for the purchase and sale of the License.

**“Losses”** – means losses, damages, liabilities, deficiencies, actions, judgments, interest, awards, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys’ fees and the

cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers.

**“Material Adverse Effect”** – means any event, change, circumstance, effect or other matter that has, or could reasonably be expected to have, either individually or in the aggregate with all other events, changes, circumstances, effects or other matters, with or without notice, lapse of time or both, a material adverse effect on (a) the business, Assets, Liabilities, properties, condition (financial or otherwise), operating results, operations or prospects of the Seller, taken as a whole, or (b) the ability of Seller to perform its obligations under this Agreement or to consummate timely the Contemplated Transactions.

**“Order”** – any award, decision, injunction, judgment, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Body or by any arbitrator.

**“Person”** – any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Body.

**“Proceeding”** – any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

**“Property”** – the property having the street address of 609 A Sunset Park Drive, Sedro Woolley, Washington 98284.

**“Purchase Price”** – as defined in Section 2.1.

**“Purchaser”** – as defined in the first paragraph of this Agreement.

**“Purchaser’s Closing Documents”** – as defined in Section 4.2(a).

**“Representative”** – with respect to a particular Person, any director, officer, employee, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

**“Seller”** – as defined in the first paragraph of this Agreement.

**“Seller’s Closing Documents”** – as defined in Section 3.2(a).

**“Threatened”** – a claim, Proceeding, dispute, action, or other matter will be deemed to have been “Threatened” if any demand or statement has been made (orally or in writing) or any notice has been given (orally or in writing), or if any other event has occurred or any other circumstances exist with respect to a specific person, that would lead a prudent Person to conclude that such a claim, Proceeding, dispute, action, or other matter is likely to be asserted, commenced, taken, or otherwise pursued in the future by such person.

**“WSLCB”** – the Washington State Liquor and Cannabis Board.

## 2. SALE AND CLOSING

### 2.1. PURCHASE PRICE

a. Subject to the other provisions of this Agreement, at Closing, Seller shall sell, convey, transfer, assign, and deliver to Purchaser, free and clear of all Encumbrances and Liabilities whatsoever, all of the Seller's right, title and interest in and to the Assets. Purchaser shall pay the aggregate purchase price of One Million U.S. Dollars (\$1,000,000.00) (the "**Purchase Price**") for the Assets.

b. Purchaser shall deliver the Purchase Price as follows:

- i. To Seller, Five Hundred and Seventy-Five U.S. Dollars (\$575,000.00), less the Holdback Amount, at Closing (the "**Initial Payment**");
- ii. To Brinn, Two Hundred and Twenty-Five Thousand U.S. Dollars (\$225,000.00) at Closing (the "**Brinn Payment**"); and
- iii. To Seller, four (4) equal installment payments as follows: (a) Fifty Thousand U.S. Dollars (\$50,000.00) on or before the last day of the first full month after Closing; (b) Fifty Thousand U.S. Dollars (\$50,000.00) on or before the last day of the second full month after Closing; (c) Fifty Thousand U.S. Dollars (\$50,000.00) on or before the last day of the third full month after Closing; and (d) Fifty Thousand U.S. Dollars (\$50,000.00) on or before the last day of the fourth full month after Closing.

c. Purchaser shall deliver the Purchase Price in accordance with the wire transfer instructions attached hereto as **Exhibit C**.

d. The Parties agree to allocate the Purchase Price among the Assets as shown on **Exhibit D** attached hereto and made a part hereof. The Parties shall take no income tax reporting position that is inconsistent with such purchase price allocation and shall provide each other with any information required to be reported under section 1060 of the Internal Revenue Code, including related Treasury Regulations.

### 2.2. CLOSING

a. The purchase and sale provided for in this Agreement will take place at the offices of Purchaser's counsel, Martin Davis, PLLC, 1200 Westlake Ave N, Suite 802, Seattle, WA 98109, as of 11:59pm (local time) on the Closing Date (the "**Closing**"). The Closing may be accomplished by electronic means as mutually agreed to by the Parties. If Purchaser has not received all written approvals from the Canadian Stock Exchange ("**CSE**") necessary to consummate the Closing on or before June 30, 2018, then Purchaser may elect, in its sole discretion and upon prior written notice to Seller, to extend the Closing Date until July 15, 2018.

b. The Purchaser shall have the option to close prior to any scheduled Closing, but is not obligated to do so.

### 2.3. CLOSING DELIVERIES

Upon Closing:

- a. Seller shall deliver to Purchaser:
  - i. All Assets;
  - ii. One signed counterpart of a bill of sale conveying the Assets to Purchaser (the “**Bill of Sale**”), duly executed by Seller, substantially in the form attached hereto as **Exhibit E**;
  - iii. One signed counterpart of an assignment of the Lease Agreement dated April 1, 2016, by and between Elite and Sisters Venture, LLC (“**Sisters**”), for the Property (the “**Lease**”), assigning the Lease to Purchaser (the “**Assignment of Lease**”), duly executed by Seller and consented to in writing by an authorized representative of Sisters, substantially in the form attached hereto as **Exhibit F**.
  - iv. An updated, complete, and accurate list of Identified Liabilities (defined below) as of Closing;
  - v. One signed counterpart of the License Purchase Agreement duly executed by Seller; and
  - vi. Such other documents and instruments to be executed and/or delivered by or on behalf of Seller as provided or contemplated by this Agreement.
- b. Purchaser shall deliver:
  - i. To Seller, the Initial Payment, less the Holdback Amount;
  - ii. To Seller, one signed counterpart of the License Purchase Agreement duly executed by Purchaser; and
  - iii. To Brinn, the Brinn Payment.

### 2.4. MARK BRINN BUYOUT

On the date of full execution of this Agreement, (i) Seller and Brinn shall execute the First Amended Membership Interest Purchase Agreement, attached hereto as Schedule I (the “**Membership Purchase Agreement**”); and (ii) Brinn shall deliver to Purchaser and Seller one signed counterpart of the License Purchase Agreement duly executed by Brinn. Immediately upon the Closing of the purchase and sale provided for in this Agreement, Seller and Brinn shall proceed towards closing pursuant to the terms of said Membership Purchase Agreement.

### **3. REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller represents and warrants to Purchaser as follows:

#### **3.1. ORGANIZATION AND GOOD STANDING**

a. Seller is a corporation duly organized, validly existing, and in good standing under the laws of Washington, with full power and authority to conduct its business as it is now being conducted, to own or use the License that it purports to own or use, and to perform all its obligations under Applicable Contracts.

#### **3.2. AUTHORITY; NO CONFLICT**

a. This Agreement constitutes the legal, valid, and binding obligation of Seller, enforceable against Seller in accordance with its terms. Upon the execution and delivery by Seller of the Agreement and any other documents required to complete the Contemplated Transaction (collectively, the “**Seller’s Closing Documents**”), the Seller’s Closing Documents will constitute the legal, valid, and binding obligations of Seller, enforceable against Seller in accordance with their respective terms. Seller has the absolute and unrestricted right, power, authority, and capacity to execute and deliver this Agreement and the Seller’s Closing Documents and to perform its obligations under this Agreement and the Seller’s Closing Documents.

b. To the best of Seller’s knowledge, neither the execution nor delivery of this Agreement nor the consummation or performance of the Contemplated Transaction will, directly or indirectly (with or without notice or lapse of time):

- i. contravene, conflict with, or result in a violation of, or give any Governmental Body or other Person the right to challenge the Contemplated Transaction or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which the Assets owned or used by the Company, may be subject;
- ii. contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by Seller or that otherwise relates to the business of, or the Assets; or
- iii. result in the imposition or creation of any Encumbrance upon or with respect to the Assets.

c. Seller will not be required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of the Contemplated Transaction, other than to the WSLCB as required to effect the transfer of the License to Purchaser.

### **3.3. LIABILITIES**

At Closing, Seller shall have no Liabilities or Encumbrances of any nature with respect to the Assets, other than those listed in **Exhibit G**. Purchaser acknowledges and understands that the Identified Liabilities may increase between the Effective Date and Closing Date.

### **3.4. COMPLIANCE WITH LEGAL REQUIREMENTS; GOVERNMENTAL AUTHORIZATIONS**

a. The following requirements must be met in order for the Contemplated Transaction to be completed:

- i. Seller is in compliance with each Legal Requirement that is or was applicable to it or the ownership or use of the Assets;
- ii. to the Knowledge of Seller, no event has occurred or circumstance exists that (with or without notice or lapse of time) may constitute or result in a violation by Seller of, or a material failure on the part of Seller to comply with, any Legal Requirement related to the License associated with the Contemplated Transaction, or any remedial action of any nature;
- iii. Seller has not received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any material actual, alleged, possible, or potential violation of, or failure to comply with, any Legal Requirement, or (B) any material actual, alleged, possible, or potential obligation on the part of Seller to undertake, or to bear all or any portion of the cost of, any remedial action that relates to the Assets associated with the Contemplated Transaction.

b. Nothing contained in this Section 3.4 shall abrogate, reduce, nullify, or mitigate Seller's liability or indemnity obligations contained elsewhere herein to the extent there is a breach of any other representation, warranty, or indemnity which covers more specific matters.

### **3.5. LEGAL PROCEEDINGS; ORDERS**

a. There is no pending Proceeding:

- i. that has been commenced by or against Seller that relates to or may affect the Assets; or
- ii. that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, the Contemplated Transaction.

b. To the Knowledge of Seller, no such Proceeding has been Threatened and no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such Proceeding.



c. By signing this Agreement, Seller confirms that Seller is not subject to any Order that relates to the Assets or Contemplated Transaction.

### **3.6. CONTRACTS; NO DEFAULTS**

Seller has delivered to the Purchaser or its Representatives true and complete copies of all the Applicable Contracts (including all amendments, supplements, or other modifications thereof) relating to the Assets associated with the Contemplated Transaction. With respect to each Applicable Contract: (i) Seller and, to the Seller's Knowledge, each other party to such Contract have performed all obligations required to be performed by them under such Contract, no party is in breach or default, and no event has occurred which with notice or lapse of time or both would constitute a breach or default, or permit termination, modification or acceleration, under such Contract; and (ii) no party has repudiated any provision of such Contract, which breach, default, event or occurrence would result in Material Adverse Effect. Seller is not party to any contract material to the Assets which is not disclosed.

### **3.7. CERTAIN PAYMENTS**

Neither Seller nor any director, officer, agent, or employee of Seller or any other Person associated with or acting for or on behalf of Seller, has directly or indirectly made any bribe, payoff, influence payment, or kickback to any Person, private or public, regardless of form, in relation to the Assets.

### **3.8. DISCLOSURE**

No representation or warranty by Seller concerning Seller in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading. There is no fact known to Seller (other than general economic or industry conditions) that materially adversely affects the Assets that has not been set forth in this Agreement.

### **3.9. BROKERS OR FINDERS**

Except as provided for herein, Seller has incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with the Assets of the Contemplated Transaction.

### **3.10. TITLE TO ASSETS**

Seller has good and marketable title to the Assets, and the Assets are free and clear of all Liabilities and Encumbrances. Seller owns no right, title, or interest in or to intellectual property useful in connection with the operation of the Business.

## **4. REPRESENTATIONS AND WARRANTIES OF PURCHASER**

Purchaser represents and warrants to Seller as follows:

#### **4.1. ORGANIZATION AND GOOD STANDING**

- a. Purchaser is a corporation duly organized, validly existing, and in good standing under the laws of Washington State.
- b. Purchaser has full power and authority to conduct its business and to perform all its obligations under this and all other Applicable Contracts.

#### **4.2. AUTHORITY; NO CONFLICT**

a. This Agreement constitutes the legal, valid, and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms. Upon the execution and delivery by Purchaser of this Agreement and any other documents required to complete the Contemplated Transaction and transfer the Purchase Price (collectively, the “**Purchaser’s Closing Documents**”), Purchaser’s Closing Documents will constitute the legal, valid, and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms. Purchaser has the absolute and unrestricted right, power, and authority to execute and deliver this Agreement and Purchaser’s Closing Documents and to perform its obligations under this Agreement and Purchaser’s Closing Documents.

b. Neither the execution and delivery of this Agreement by Purchaser nor the consummation or performance of the Contemplated Transaction by Purchaser will give any Person the right to prevent, delay, or otherwise interfere with the Contemplated Transaction pursuant to:

- i. any Legal Requirement or Order to which Purchaser may be subject in relation to the Assets; or
- ii. any Contract to which Purchaser is a party or by which Purchaser may be bound in relation to the Assets.

c. Purchaser is not and will not be required to obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of the Contemplated Transaction, other than to the WSLCB as required to effect the transfer of the License to Purchaser.

#### **4.3. COMPLIANCE WITH LEGAL REQUIREMENTS; GOVERNMENTAL AUTHORIZATIONS**

a. The following requirements must be met in order for the Contemplated Transaction to be completed:

- i. Purchaser is in compliance with each Legal Requirement that is or was applicable to it or the ownership or use of the Assets;
- ii. to the Knowledge of Purchaser, no event has occurred or circumstance exists that (with or without notice or lapse of time) may constitute or result in a violation by Purchaser of, or a material failure on the part of

Purchaser to comply with, any Legal Requirement related to the License associated with the Contemplated Transaction, or any remedial action of any nature;

iii. Purchaser has not received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any material actual, alleged, possible, or potential violation of, or failure to comply with, any Legal Requirement, or (B) any material actual, alleged, possible, or potential obligation on the part of Purchaser to undertake, or to bear all or any portion of the cost of, any remedial action that relates to the Assets associated with the Contemplated Transaction.

b. Nothing contained in this Section shall abrogate, reduce, nullify, or mitigate Purchaser's liability or indemnity obligations contained elsewhere herein to the extent there is a breach of any other representation, warranty, or indemnity which covers more specific matters.

#### **4.4. LEGAL PROCEEDINGS; ORDERS**

a. There is no pending Proceeding:

- i. that has been commenced by or against Purchaser that relates to or may affect the transfer of the Assets; or
- ii. that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, the Contemplated Transaction.

b. To the Knowledge of Purchaser, no such Proceeding has been Threatened and no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such Proceeding.

c. By signing this Agreement, Purchaser confirms that Purchaser is not subject to any Order that relates to the Assets or Contemplated Transaction.

#### **4.5. CONTRACTS; NO DEFAULTS**

Purchaser has delivered to the Seller or their Representatives true and complete copies of all the Applicable Contracts (including all amendments, supplements, or other modifications thereof) relating to the Purchase Price and Assets associated with the Contemplated Transaction. Except as disclosed to Purchaser, With respect to each Applicable Contract: (i) Purchaser and, to the Purchaser's Knowledge, each other party to such Contract have performed all obligations required to be performed by them under such Contract, no party is in breach or default, and no event has occurred which with notice or lapse of time or both would constitute a breach or default, or permit termination, modification or acceleration, under such Contract; and (ii) no party has repudiated any provision of such Contract, which breach, default, event or occurrence would result in Material Adverse Effect. Purchaser is not party to any contract material to the Assets which is not disclosed.

#### **4.6. CERTAIN PAYMENTS**

Neither Purchaser nor any director, officer, agent, or employee of Purchaser or any other Person associated with or acting for or on behalf of Purchaser, has directly or indirectly made any bribe, payoff, influence payment, or kickback to any Person, private or public, regardless of form, in relation to the Assets.

#### **4.7. DISCLOSURE**

No representation or warranty by Purchaser concerning Purchaser in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading. There is no fact known to Purchaser (other than general economic or industry conditions) that materially adversely affects the Assets that has not been set forth in this Agreement.

#### **4.8. BROKERS OR FINDERS**

Except as provided for herein, Purchaser has incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with the Assets or the Contemplated Transaction.

### **5. COVENANTS OF SELLER PRIOR TO CLOSING DATE**

#### **5.1. INVESTIGATION**

Between the date of this Agreement and the Closing Date, Seller will, and will cause their Representatives to, (a) afford Purchaser and its Representatives and prospective lenders and their Representatives (collectively, "**Purchaser's Advisors**") full and free access to information on Assets to be sold, (b) furnish Purchaser and Purchaser's Advisors with copies of all such contracts, records, and other existing documents and data as Purchaser may reasonably request, and (c) furnish Purchaser and Purchaser's Advisors with such additional data and information as Purchaser may reasonably request. All such information shall be treated as confidential information of Seller. Between the date of this Agreement and the Closing Date, Seller will use their Best Efforts to preserve intact the Assets.

#### **5.2. REQUIRED APPROVALS**

As promptly as practicable after the date of this Agreement, Seller will make all filings required by Legal Requirements to be made by them in order to consummate the Contemplated Transaction. Between the date of this Agreement and the Closing Date, Seller will cooperate with Purchaser with respect to all filings that Purchaser elects to make or is required by Legal Requirements to make in connection with the Contemplated Transaction.

#### **5.3. NOTIFICATION**

Between the date of this Agreement and the Closing Date, Seller will promptly notify Purchaser in writing if Seller become aware of any fact or condition that causes or constitutes a Breach of

any of Seller's representations and warranties as of the date of this Agreement, or if Seller become aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any disclosure, Seller will promptly deliver to Purchaser a written disclosure specifying such change. During the same period, Seller will promptly notify Purchaser of the occurrence of any Breach of any covenant of Seller in this Section 5 or of the occurrence of any event that may make the satisfaction of the conditions in Section 7 or 8 impossible or unlikely.

#### **5.4. NO NEGOTIATION**

Until such time, if any, as this Agreement is terminated pursuant to Section 9, neither Seller nor their Representatives will directly or indirectly solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or consider the merits of any unsolicited inquiries or proposals from, any Person (other than Purchaser) relating to any transaction involving the sale of the Assets.

#### **5.5. BEST EFFORTS**

Between the date of this Agreement and the Closing Date, Seller will use its Best Efforts to cause the conditions in Sections 7 and 8 to be satisfied.

### **6. COVENANTS OF PURCHASER PRIOR TO CLOSING DATE**

#### **6.1. APPROVALS OF GOVERNMENTAL BODIES**

As promptly as practicable after the date of this Agreement, Purchaser will make all filings required by Legal Requirements to be made by them to consummate the Contemplated Transaction. Between the date of this Agreement and the Closing Date, Purchaser will cooperate with Seller with respect to all filings that Seller is required by Legal Requirements to make in connection with the Contemplated Transaction, and cooperate with Seller in obtaining all required consents; provided that this Agreement will not require Purchaser to dispose of or make any change in any portion of its business or to incur any other burden to obtain a Governmental Authorization.

#### **6.2. NOTIFICATION**

Purchaser will promptly notify Seller in writing if Purchaser becomes aware of any fact or condition that causes or constitutes a Breach of any of Purchaser's representations and warranties as of the date of this Agreement, or if Purchaser becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any disclosure, Purchaser will promptly deliver to Seller a written disclosure specifying such change. During the same time period, Purchaser will promptly notify Seller of the occurrence of any event that may make the satisfaction of the conditions in Section 7 or 8 impossible or unlikely.

### **6.3. NO NEGOTIATION**

Until such time, if any, as this Agreement is terminated pursuant to Section 9, neither Purchaser nor its Representatives will directly or indirectly solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or consider the merits of any unsolicited inquiries or proposals from, any Person (other than Seller) relating to any transaction involving the sale of the Assets.

### **6.4. BEST EFFORTS**

Between the date of this Agreement and the Closing Date, Purchaser will use its Best Efforts to cause the conditions in Sections 7 and 8 to be satisfied.

## **7. CONDITIONS PRECEDENT TO PURCHASER'S OBLIGATION TO CLOSE**

Purchaser's obligation to purchase the Assets and to take the other actions required to be taken by Purchaser at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Purchaser, in whole or in part):

### **7.1. ACCURACY OF REPRESENTATIONS**

All of Seller's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), must have been accurate in all material respects as of the date of this Agreement, and must be accurate in all material respects as of the Closing Date as if made on the Closing Date, except to the extent such warranties and representations may have been affected by changes specifically permitted by this Agreement.

Each of Seller's representations and warranties in Section 3 must have been accurate in all respects as of the date of this Agreement, and must be accurate in all respects as of the Closing Date as if made on the Closing Date, except to the extent such warranties and representations may have been affected by changes specifically permitted by this Agreement.

### **7.2. SELLER'S PERFORMANCE**

All of the covenants and obligations that Seller is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), must have been duly performed and complied with in all material respects.

Each document required to be delivered pursuant to Section 2.4 must have been delivered, and each of Seller's other covenants and obligations in Section 8 must have been performed and complied with in all respects.

### **7.3. NO PROCEEDINGS**

Since the date of this Agreement, there must not have been commenced or Threatened against Purchaser, or against any Person affiliated with Purchaser, any Proceeding (a) involving any

challenge to, or seeking damages or other relief in connection with, the Contemplated Transaction, or (b) that may have the effect of preventing, delaying, making illegal, or otherwise interfering with the Contemplated Transaction.

#### **7.4. FURTHER AGREEMENTS**

Purchaser shall have secured legal rights to the Property such that Purchaser is able to lease or sublease the Property to a marijuana production and/or processing company on a “turn-key” basis.

#### **7.5. CSE APPROVAL**

Purchaser shall have obtained all written approvals from the CSE necessary to effect the Contemplated Transaction and/or otherwise effect the Closing.

### **8. CONDITIONS PRECEDENT TO SELLER’S OBLIGATION TO CLOSE**

Seller’s obligation to sell the Assets and to take the other actions required to be taken by Seller at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Seller, in whole or in part):

#### **8.1. ACCURACY OF REPRESENTATIONS**

All of Purchaser’s representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date as if made on the Closing Date, except to the extent such warranties and representations may have been affected by changes specifically permitted by this Agreement.

#### **8.2. PURCHASER’S PERFORMANCE**

All of the covenants and obligations that Purchaser is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), must have been performed and complied with in all material respects.

#### **8.3. NO INJUNCTION**

There must not be in effect any Legal Requirement or any injunction or other Order that (a) prohibits the sale of the Assets by Seller to Purchaser, and (b) has been adopted or issued, or has otherwise become effective, since the date of this Agreement.

#### **8.4. NO PROCEEDINGS**

Since the date of this Agreement, there must not have been commenced or Threatened against Seller, or against any Person affiliated with Seller, any Proceeding (a) involving any challenge to, or seeking damages or other relief in connection with, the Contemplated Transaction, or (b)

that may have the effect of preventing, delaying, making illegal, or otherwise interfering with the Contemplated Transaction.

## **9. TERMINATION**

### **9.1. TERMINATION EVENTS**

- a. This Agreement may, by notice given prior to or at the Closing, be terminated:
  - i. by either Purchaser or Seller if a material Breach of any provision of this Agreement has been committed by the other Party and such Breach has not been cured (if curable) within ten (10) days of receipt of written notice by the defaulting Party adequately describing the alleged Breach or the Breach has not been waived by the defaulting Party;
  - ii. by Purchaser if any of the conditions in Section 7 or 8 have not been satisfied as of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of Purchaser to comply with its obligations under this Agreement) and Purchaser has not waived such condition on or before the Closing Date;
  - iii. by Seller, if any of the conditions in Section 8 have not been satisfied as of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of Seller to comply with their obligations under this Agreement) and Seller has not waived such condition on or before the Closing Date;
  - iv. by mutual written consent of Purchaser and Seller; or
  - v. by either Purchaser or Seller if the Closing has not occurred (other than through the failure of any Party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before the Closing Date.

### **9.2. EFFECT OF TERMINATION**

Each Party's right of termination under Section 9.1 is in addition to any other rights they may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 9.1, all further obligations of the Parties and Brinn under this Agreement will terminate, except that the obligations in Section 11 will survive and provided, that if this Agreement is terminated by a Party because of the Breach of the Agreement by the other Party or because one or more of the conditions to the terminating Party's obligations under this Agreement is not satisfied as a result of the other Party's failure to comply with its obligations under this Agreement, the terminating Party's right to pursue all legal remedies will survive such termination unimpaired.



## 10. INDEMNIFICATION; REMEDIES

### 10.1. SURVIVAL

All representations and warranties in this Agreement will survive the Closing until thirty (30) days after the date on which any applicable statute of limitations with respect to such representation and warranty has lapsed.

### 10.2. INDEMNIFICATION AND PAYMENT OF DAMAGES BY SELLER

Seller will indemnify, defend, and hold harmless Purchaser and its respective Representatives, members, controlling persons, and affiliates (collectively, the “**Seller Indemnified Persons**”) for, and will pay to the Seller Indemnified Persons the amount of, any loss, liability, claim, damage (including incidental and consequential damages), penalties, fines, judgments (at equity or at law, including statutory and common), damages whenever arising or incurred (including amounts paid in settlement and costs of investigation) expenses (including costs of investigation and defense and reasonable attorneys’ fees) or diminution of value, whether or not involving a third-party claim (collectively, “**Damages**”), arising, directly or indirectly, from or in connection with:

- a. any Breach (or alleged breach) of any representation or warranty made by Seller in this Agreement (determined for purposes of this Section 10.2 without regard to any qualification as to materiality, material, or similar term or phrase);
- b. any Breach (or alleged breach) by Seller of any covenant, undertaking, or obligation of Seller in this Agreement;
- c. any facts alleged by a third party deemed to be true and accurate by a court of law related to activities conducted by Seller or Seller’s Representatives prior to the Closing; and
- d. any misrepresentation and/or failure to disclose by Seller of any information pertaining to the Assets or any Encumbrance or Proceeding related to the Assets.

Under no circumstances shall the amount of Damages for which Seller is liable to a Seller Indemnified Person exceed the fair market value of the Purchase Price at Closing.

### 10.3. INDEMNIFICATION AND PAYMENT OF DAMAGES BY PURCHASER

Purchaser will indemnify, defend, and hold harmless Seller and its respective Representatives, members, controlling persons, and affiliates (collectively, the “**Purchaser Indemnified Persons**”) for, and will pay to the Purchaser Indemnified Persons the amount of, any loss, liability, claim, damage (including incidental and consequential damages), penalties, fines, judgments (at equity or at law, including statutory and common), damages whenever arising or incurred (including amounts paid in settlement and costs of investigation) expenses (including costs of investigation and defense and reasonable attorneys’ fees) or diminution of value, whether or not involving a third-party claim (collectively, “**Damages**”), arising, directly or indirectly, from or in connection with:

- a. any Breach (or alleged breach) of any representation or warranty made by Purchaser in this Agreement (determined for purposes of this Section 10.2 without regard to any qualification as to materiality, material, or similar term or phrase);
- b. any Breach (or alleged breach) by Purchaser of any covenant, undertaking, or obligation of Purchaser in this Agreement;
- c. any facts alleged by a third party deemed to be true and accurate by a court of law related to activities conducted by Purchaser or Purchaser's Representatives prior to the Closing; and
- d. any misrepresentation and/or failure to disclose by Purchaser of any information pertaining to the Assets or any Encumbrance or Proceeding related to the Assets.

**10.4. PROCEDURE FOR INDEMNIFICATION – THIRD PARTY CLAIMS**

Promptly after receipt by an indemnified Party under Section 10.2 or 10.3 of notice of the commencement of any Proceeding against him, her or it, such indemnified Party will, if a claim is to be made against an indemnifying Party under such Section, give written notice to the indemnifying Party of the commencement of such claim, which may include electronic mail (“e-mail”) but the failure to notify the indemnifying Party will not relieve the indemnifying Party of any liability that he, she or it may have to any indemnified Party, except to the extent that the indemnifying Party demonstrates that the defense of such action is prejudiced by the indemnified Party's failure to give such notice.

If any Proceeding referred to in Section 10.2(a) is brought against an indemnified Party and such indemnified Party gives notice to the indemnifying Party of the commencement of such Proceeding, the indemnifying Party will, unless the claim involves taxes, be entitled to participate in such Proceeding and, to the extent that it wishes (unless (i) the indemnifying Party is also a party to such Proceeding and the indemnified Party determines in good faith that joint representation would be inappropriate, or (ii) the indemnifying Party fails to provide reasonable assurance to the indemnified Party of its financial capacity to defend such Proceeding and provide indemnification with respect to such Proceeding), to assume the defense of such Proceeding with counsel reasonably satisfactory to the indemnified Party and, after notice from the indemnifying Party to the indemnified Party of its election to assume the defense of such Proceeding, the indemnifying Party will not, as long as it diligently conducts such defense, be liable to the indemnified Party under this Section 10 for any fees of other counsel or any other expenses with respect to the defense of such Proceeding, in each case subsequently incurred by the indemnified Party in connection with the defense of such Proceeding, other than reasonable costs of the indemnified Party's initial investigation. If the indemnifying Party assumes the defense of a Proceeding, no compromise or settlement of such claims may be effected by the indemnifying Party without the indemnified Party's consent unless (x) there is no finding or admission of any violation of Legal Requirements or any violation of the rights of any Person and no effect on any other claims that may be made against the indemnified Party, (y) the sole relief provided is monetary damages that are paid in full by the indemnifying Party, and (z) the indemnified Party will have no liability with respect to any compromise or settlement of such claims effected without his, her or its consent. If notice is given to an indemnifying Party of the

commencement of any Proceeding and the indemnifying Party does not, within ten (10) business days after the indemnified Party's notice is given, give notice to the indemnified Party of its election to assume the defense of such Proceeding, the indemnifying Party will be bound by any determination made in such Proceeding or any compromise or settlement effected by the indemnified Party.

Notwithstanding the foregoing, if an indemnified Party determines in good faith that there is a reasonable probability that a Proceeding may adversely affect such indemnified Party or his, her or its affiliates other than as a result of monetary damages for which he, she or it would be entitled to indemnification under this Agreement, the indemnified Party may, by notice to the indemnifying Party, assume the exclusive right to defend, compromise, or settle such Proceeding, and the indemnifying Party shall be bound by any determination of a Proceeding so defended or any compromise or settlement effected without its consent (which may not be unreasonably withheld).

#### **10.5. PROCEDURE FOR INDEMNIFICATION – OTHER CLAIMS**

A claim for indemnification for any matter not involving a third-party claim may be asserted by notice to the Party from whom indemnification is sought, including a detailed statement of the basis for the claim.

#### **10.6. NO CIRCULAR RECOVERY**

Seller hereby agree with respect to any claim that is brought by a Seller Indemnified Person against Seller and relates directly to this Agreement or the Contemplated Transaction, that Seller (a) will not make any claim for indemnification against the Purchaser, and (b) expressly waive any right of subrogation, contribution, advancement, indemnification, or other claim against Purchaser with respect to any amounts owed by Seller pursuant to Section 10.

Purchaser hereby agrees with respect to any claim that is brought by a Purchaser Indemnified Person against Purchaser and relates directly to this Agreement or the Contemplated Transaction, that Purchaser (a) will not make any claim for indemnification against the Seller, and (b) expressly waive any right of subrogation, contribution, advancement, indemnification, or other claim against Seller with respect to any amounts owed by Seller pursuant to Section 10.

#### **10.7. EXCLUSIVE REMEDY**

The indemnification provisions in this Section 10 shall be the exclusive remedy for damages for breach of any representation or warranty contained in this Agreement except for instances of fraud, intentional misrepresentation, willful misconduct, or to enforce an indemnification obligation contained in this Agreement. Except as provided herein, no other representations or warranties are being provided by either Party with respect to the transactions contemplated hereby, and neither Party may rely on any communication, document or information, oral or written, not expressly set forth or referenced herein. Otherwise, the rights of each of the indemnified Parties under Section 10 are cumulative, and the indemnified Parties will have the right in any particular circumstance, in its sole discretion, to enforce any provision of Section 10 without regard to the availability of a remedy under any other provision of Section 10.

## 10.8. PROCEDURE FOR HOLDBACK

a. The sum of Five Hundred and Forty Thousand U.S. Dollars (\$540,000.00) (the “**Holdback Amount**”) shall be held back from the Initial Payment in an interest bearing account with Escrow Agent for the purposes of discharging any and all amounts due or owing by Seller under the Identified Liabilities (the “**Holdback**”), until such time as the Identified Liabilities have been fully discharged (the “**Holdback Period**”). In the event the Identified Liabilities, in the aggregate, exceed the Holdback Amount at Closing, the Holdback Amount shall be adjusted to equal the Identified Liabilities.

b. Seller acknowledges and agrees that Escrow Agent, on behalf of Seller, may satisfy any and all amounts due or owing under the Identified Liabilities out of the Holdback Amount. Purchaser shall use commercially reasonable efforts to satisfy all Identified Liabilities out of the Holdback within three (3) business days of Closing. Purchaser shall provide written proof of payment of Identified Liabilities, including the name of the payee and dollar amount, to both Seller and Brinn at the notice addresses specified below.

c. If at any time from and after the full execution of this Agreement through the Holdback Period, Seller breaches any of its representations, warranties, or covenants contained in this Agreement, Purchaser shall have the right to retain from the Holdback Amount an amount equal to any Losses arising out of or related to the Identified Liabilities (the “**Holdback Claim**”). Purchaser shall give notice to Seller of any Holdback Claim by delivering a written notice (the “**Holdback Claim Notice**”) to Seller as soon as reasonably practicable after Purchaser has knowledge of the facts underlying the Holdback Claim. The Holdback Claim Notice shall set forth a description of the Holdback Claim and the amount to be satisfied out of the Holdback as a result of the Holdback Claim (which may be an estimate if the exact amount has not been determined). No Holdback Claim Notice will be timely made if made after the last day of the Holdback Period (the “**Holdback Expiration Date**”). Seller may dispute the validity or amount of a Holdback Claim by delivering to Purchaser, within five (5) days after delivery to Seller of the Holdback Claim Notice, a written notice setting forth its basis for disputing the Holdback Claim, the portion of the Holdback Claim that it disputes, and (if applicable) the portion of the Holdback Claim that it does not dispute. The sum of all amounts relating to Holdback Claims that Seller does not dispute shall be referred to herein as the “**Undisputed Holdback Amount**”, the sum of all amounts relating to Holdback Claims that Seller does dispute shall be referred to herein as the “**Disputed Holdback Amount**” and the amount, if any by which the Holdback Amount exceeds the sum of the Undisputed Holdback Amount and the Disputed Holdback Amount shall be referred to as the “**Unclaimed Holdback Amount**”. On the Holdback Expiration Date, the Holdback Amount shall be disbursed to Seller, or retained by Purchaser, as follows: (i) the Undisputed Holdback Amount shall be retained by Purchaser; (ii) the Unclaimed Holdback Amount shall be disbursed to Seller; and (iii) the Disputed Holdback Amount shall be retained by Purchaser pending mutual agreement of Seller and Purchaser as to its disposition or, in the absence of such agreement, a final, non-appealable order of a court of competent jurisdiction respecting the disposition thereof, at which time Purchaser will retain or disburse the Disputed Holdback Amount in accordance with such agreement or order, as the case may be. The provisions of this Section 10.8 are intended to facilitate Purchaser’s right to be indemnified and are not a limitation on Purchaser’s right to be indemnified under Section 10 with respect to any breach.

## 11. GENERAL PROVISIONS

### 11.1. EXPENSES

Except as otherwise expressly provided in this Agreement, each Party to this Agreement and Brinn will bear its respective expenses incurred in connection with the preparation, execution, and performance of this Agreement and the Contemplated Transaction, including all fees and expenses of agents, representatives, counsel, and accountants.

### 11.2. PUBLIC ANNOUNCEMENTS

Except as required by the Legal Requirements, any public announcement or similar publicity with respect to this Agreement or the Contemplated Transaction by Purchaser, Seller, or their respective Representatives will be made, if at all, at such time and in such manner as Purchaser and Seller jointly determine.

### 11.3. NOTICES

All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by facsimile (with electronic confirmation of receipt) (c) delivered by registered or certified mail, return receipt requested and received, (c) or when received by the addressee, if sent by a nationally recognized commercial delivery service or (d) sent by e-mail (with electronic confirmation of receipt). Delivery will in by any of the forgoing methods shall be as follows (or to such other addresses and facsimile/email numbers as either Party may designate, from time to time, by written notice to the other Parties as set forth below):

Seller: Elite Holdings Inc.  
1822 Lindsay Loop,  
Mount Vernon, WA 98274

Purchaser: Chemistree Washington Ltd.  
Suite 810 – 609 Granville Street  
PO Box 10322, Pacific Centre Vancouver  
BC V6C 2T4 Canada

with a copy to: Martin Davis, PLLC  
Attn: David M. Otto  
1200 Westlake Ave N, Suite 802

Seattle, WA 98109

[dotto@maratindavislaw.com](mailto:dotto@maratindavislaw.com)

Brinn: Chmelik Sitkin & Davis PS

Attn: Seth A. Woolson

1500 Railroad Avenue

Bellingham, WA 98225

#### **11.4. JURISDICTION; COSTS**

This Agreement shall be governed in accordance with the laws of the State of Washington without reference to its conflicts of laws rules or principles. Each of the Parties consent to the exclusive jurisdiction of either (i) the Washington State Superior Court in and for King County or (ii) the federal court for the Western District of the State of Washington in connection with any dispute arising under this Agreement and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions.

The prevailing Party, or Brinn should he prevail, in any suit, action or proceeding arising out of or relating to this Agreement shall be reimbursed by the non-prevailing Party or Parties for its reasonable attorneys' fees and other costs and expenses, including travel, incurred in the investigation, preparation, defense, and prosecution of such suit, action, or proceeding.

#### **11.5. FURTHER ASSURANCES**

The Parties agree (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such other documents, and (c) to do such other acts and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement.

#### **11.6. WAIVER**

The rights and remedies of the Parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any Party in exercising any right, power, or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged by one Party, in whole or in part, by a waiver or renunciation of the claim or right

unless in writing signed by such Party; (b) no waiver that may be given by a Party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one Party will be deemed to be a waiver of any obligation of such Party or of the right of the Party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

**11.7. ENTIRE AGREEMENT AND MODIFICATION**

This Agreement supersedes all prior agreements between the Parties with respect to the subject matter of the Agreement and constitutes (along with the documents and/or agreement referred to in this Agreement or incident hereto) a complete and exclusive statement of the terms of the agreement between the Parties with respect to its subject matter. This Agreement may not be amended except by a written agreement executed by all Parties to this Agreement.

**11.8. SUCCESSORS AND NO THIRD-PARTY RIGHTS**

Nothing expressed or referred to in this Agreement will be construed to give any Person other than the Parties to this Agreement and their successors and assigns any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

**11.9. SEVERABILITY**

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

**11.10. SECTION HEADINGS, CONSTRUCTION**

The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to “Section” or “Sections” refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word “including” does not limit the preceding words or terms.

**11.11. TIME OF ESSENCE**

With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

**11.12. ASSIGNMENT**

This Agreement shall not be assignable by any Party hereto, nor shall the performance of any of the duties hereunder be delegable by any Party hereto, without the written consent of all the other Parties. This Agreement shall not be assignable by operation of law. Any transfer of this Agreement by merger, consolidation or liquidation, or any change in the ownership of, or power to vote, the majority of the Party’s ownership interests or shares shall constitute an assignment for the purposes of this Section. This Agreement shall be binding upon and inure to the benefit

of the respective Parties, and their legal representatives, successors, assigns and heirs.

### **11.13. COUNTERPARTS**

This Agreement may be executed in one or more counterparts, and executed counterparts may be delivered by facsimile or scanned and emailed, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

*[Remainder of page left blank intentionally; signature page to follow]*



IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**SELLER:**

ELITE HOLDINGS INC.

  
By: \_\_\_\_\_  
Its:

**PURCHASER:**

CHEMISTREE WASHINGTON LTD.

\_\_\_\_\_  
By:  
Its:

**MARK BRINN:**

\_\_\_\_\_  
An individual

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.


**SELLER:**

ELITE HOLDINGS INC.

\_\_\_\_\_  
By:  
Its:

**PURCHASER:**

CHEMISTREE WASHINGTON LTD.

  
\_\_\_\_\_  
By: Douglas E. Ford  
Its: Secretary

**MARK BRINN:**

\_\_\_\_\_  
An individual

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**SELLER:**

ELITE HOLDINGS INC.


\_\_\_\_\_  
By:  
Its:

**PURCHASER:**

CHEMISTREE WASHINGTON LTD.

\_\_\_\_\_  
By:  
Its:

**MARK BRINN:**

  
\_\_\_\_\_  
An individual

## EXHIBIT A

### Assets

1. The following tangible property:

| Mother Room Equipment |                   |  | Quantity |
|-----------------------|-------------------|--|----------|
|                       | 5g Pots           |  | 128      |
|                       | 18" Wall Fans     |  | 5        |
|                       | 1000l Tote        |  | 1        |
|                       | Well Pump         |  | 1        |
|                       | Pressure Switch   |  | 1        |
|                       | 20g Pressure Tank |  | 1        |

| Clone Room Equipment |                     |  | Quantity |
|----------------------|---------------------|--|----------|
|                      | Cloning Machines    |  | 4        |
|                      | Cloning Carts       |  | 2        |
|                      | Cloning Lights      |  | 8        |
|                      | Stainless Tables    |  | 1        |
|                      | Cutting Board       |  | 1        |
|                      | Scalpals/Misc Tools |  | 1        |
|                      | Spare Pump          |  | 1        |
|                      | Wire Racks          |  | 3        |
|                      | Clone Trays         |  | 50       |
|                      | Clone Domes         |  | 50       |
|                      | Clone Cubes         |  | 800      |
|                      | Spare Pucks         |  | 144      |

| Pre-Veg Equipment |                |     | Quantity |
|-------------------|----------------|-----|----------|
|                   | 1g Pots        |     | 1152     |
|                   | Pre-Veg Lights |     |          |
|                   |                | LED | 16       |
|                   | Pre-Veg Racks  |     | 4        |
|                   | Pre-Veg Trays  |     | 8        |
|                   | Air King Fans  |     | 4        |

| Veg Room Equipment |            |  | Quantity |
|--------------------|------------|--|----------|
|                    | 5g Pots    |  | 536      |
|                    | Veg Lights |  |          |

|  |                   |         |    |
|--|-------------------|---------|----|
|  |                   | LED     | 90 |
|  |                   | Gavitta | 8  |
|  | Rolling Benches   |         | 4  |
|  |                   |         |    |
|  | Air Conditioning  |         | 1  |
|  | 18" Wall Fans     |         | 9  |
|  | Dehumidifier      |         | 1  |
|  | 1000l Tote        |         | 2  |
|  | Well Pump         |         | 2  |
|  | Pressure Switch   |         | 2  |
|  | 20g Pressure Tank |         | 1  |
|  | 50' hose w/wand   |         | 1  |
|  | Touch Screen SOP  |         | 1  |

| Bloom Room Equipment |                            |          | Quantity |
|----------------------|----------------------------|----------|----------|
|                      | 5g Pots                    |          | 2144     |
|                      | Bloom Lights               |          |          |
|                      |                            | LED      | 127      |
|                      |                            | Gavitta  | 150      |
|                      | Rollng Benches             |          | 27       |
|                      | Air Conditioning           |          | 6        |
|                      | Dehumidifiers              |          | 3        |
|                      | 18" Wall Fans              |          | 16       |
|                      | Exhaust Fans<br>w/filters  |          | 3        |
|                      | Trellis Posts              |          | 270      |
|                      | Irrigation System          |          | 1        |
|                      |                            | Emitters | 4288     |
|                      | Enviroboss Dehu            |          | 1        |
|                      | Rain Bird Controllers      |          | 8        |
|                      | Touch Screen SOP           |          | 1        |
|                      | Roll of Trellis<br>Netting |          | 1        |

| Bay / Nutrients |               |  | Quantity |
|-----------------|---------------|--|----------|
|                 | Micro         |  | 1        |
|                 | Grow          |  | 1        |
|                 | Bloom         |  | 1        |
|                 | Jurassic Acid |  |          |

|                     |  |     |
|---------------------|--|-----|
| Pro Guard           |  |     |
| Ionic PK            |  | 2   |
| GenR8               |  |     |
| Cal Mag             |  |     |
| Clonex Gel          |  |     |
| Clonex Solution     |  |     |
| Storage Tanks       |  | 24  |
| Storage Frames      |  | 1   |
| RO System           |  | 1   |
| Nutrient Meters     |  | 15  |
| Pumps               |  | 8   |
| Pressure Switches   |  | 8   |
| Pressure Tanks      |  | 16  |
| Storage Racks       |  | 2   |
| Mixing Pumps        |  | 2   |
| Atomizer            |  | 1   |
| Mop & Bucket        |  | 1   |
| 16' Commercial Rack |  | 1   |
| Waste Bins          |  | 2   |
| Compliance Computer |  | 1   |
| compliance Scanner  |  | 1   |
| Plant Tag Printer   |  | 1   |
| Waste Tag Printer   |  | 1   |
| Wet Vac             |  | 1   |
| Dry Vac             |  | 1   |
| Spare 5g Pots       |  | 116 |
| Spare 1g Pots       |  | 800 |
| Spare Emitters      |  | 280 |
| Double Sink         |  | 1   |

| Joint Station Equipment |                          | Quantity |
|-------------------------|--------------------------|----------|
|                         | Stainless Tables         | 2        |
|                         | Futurola Knockbox Filler | 1        |
|                         | Smoke Cones Filler       | 1        |
|                         | Grinders                 | 2        |
|                         | 1g Manifold              | 6        |
|                         | .5g Manifold             | 2        |

|  |                |     |
|--|----------------|-----|
|  | 1g Fill Tubes  | 2   |
|  | .5g Fill tubes | 2   |
|  | Scale          | 1   |
|  | Clear Tubes    | 700 |

| Packaging Station Equipment |                  | Quantity |
|-----------------------------|------------------|----------|
|                             | Scales           | 5        |
|                             | Stainless Tables | 3        |
|                             | 1g Bags          | 139029   |
|                             | 7g Bags          | 3918     |
|                             | 3.5g Jars        | 768      |
|                             | 7g Jars          | 288      |
|                             | 14g Jars         | 212      |
|                             | 28g Jars         | 96       |
|                             | Cartons - Small  | 156      |
|                             | Cartons - Large  | 128      |

| Trimming Station Equipment |                  | Quantity |
|----------------------------|------------------|----------|
|                            | Green Broz 210   | 2        |
|                            | Grading Screen   | 2        |
|                            | Stainless Tables | 2        |
|                            | Spare Blade      | 1        |

| Shipping / Receiving Equipment |                        | Quantity |
|--------------------------------|------------------------|----------|
|                                | Computer Station       | 1        |
|                                | Konica Minolta Printer | 1        |
|                                | Cash Counter           | 1        |
|                                | Filling Cabinet        | 2        |
|                                | Zebra Label Printer    | 1        |
|                                | Heat Sealer            | 2        |
| Curing Room Equipment          |                        | Quantity |
|                                | Curing Shelves         | 10       |
|                                | Dessicant Dehu         | 1        |
|                                | Stainless Tables       | 1        |
|                                | Air Conditioning       | 1        |
|                                | Drying Screens         | 10       |

|  |                   |    |
|--|-------------------|----|
|  | 4' Stainless Rack | 1  |
|  | Scale             | 1  |
|  | 1 Zone curing     | 30 |

| Quarantine Room Equipment |                      | Quantity |
|---------------------------|----------------------|----------|
|                           | Computer Station     | 1        |
|                           | Safe                 | 1        |
|                           | Clear Bin - Small    | 6        |
|                           | Clear Bin - Large    | 1        |
|                           | Stainless Racks      | 9        |
|                           | Waste Buckets        | 3        |
|                           | Bulk Storage Buckets | 95       |
|                           | Air Conditioning     | 1        |

| Miscellaneous Equipment |                               | Quantity |
|-------------------------|-------------------------------|----------|
|                         | Reception Computer Station    | 1        |
|                         | Hash Press                    | 1        |
|                         | Black Bin - Small             | 2        |
|                         | Black Bin - Large             | 4        |
|                         | Hash Bags                     | 8        |
|                         | Ice Wax Machine               | 1        |
|                         | Complete Security System      | 1        |
|                         | Complete RFID System          | 1        |
|                         | Kief Screens                  | 4        |
|                         | Label Rack Filled with Labels | 1        |



## EXHIBIT B

### Identified Liabilities

1. The following liabilities as accrued on or before the Effective Date:

| <b>Elite Holdings Inc. Accounts Payables As Of 5.3.18</b> |                 |
|---|-----------------|
| Tom/Programming (SOP program)                             | \$ (4,200.00)   |
| FMC (wholesale commission)                                | \$ (5,768.00)   |
| Security Services (new side security)                     | \$ (2,518.26)   |
| Sisters Venture   | \$ (29,700.03)  |
| Power (approximate)                                       | \$ (48,000.00)  |
| Uline   | \$ (3,504.18)   |
| Testing Company (will be a bit higher)                    | \$ (12,425.00)  |
| Columbia Farm and Labor                                   | \$ (12,307.50)  |
| 1047685 BC LTD.   | \$ (37,166.10)  |
| Nutralife   | \$ (10,043.63)  |
| Jenson Lee Construction                                   | \$ (150,000.00) |
| Credit Cards  | \$ (58,668.70)  |
| Callum Herdson  | \$ (130,000.00) |
| Nordic Temperature Controls                               | \$ (13,000.00)  |
| Berresford Booth  | \$ (12,457.09)  |
| Sasquatch Logistics                                       | \$ (585.00)     |
| Rite Way Plumbing   | \$ (193.13)     |
| Chemistree Technology                                     | \$ (2,400.00)   |
|   | <hr/>           |
| Net Payables:   | \$ (532,936.62) |

**EXHIBIT C**

**Wire Instructions**

**Seller's Wire Instructions:**

OBEE Credit Union

3900 Cleveland Ave SE

Tumwater, WA 98501

Routing Number: 325180977

Account Number: 789430806669

**Brinn's Wire Instructions:**

Key Bank

Bellingham Office

1221 N. State Street

Bellingham, WA 98225

Routing Number is 125000574

Account Number is 0351715222

Phone: 360-527-4453

**EXHIBIT D**

**Purchase Price Allocation**

|        |              |
|--------|--------------|
| Assets | \$           |
| Total  | \$ 1,000,000 |

**EXHIBIT E**

**Form of Bill of Sale**

(see attached.)

## BILL OF SALE

THIS BILL OF SALE (“**Bill of Sale**”) is made this \_\_ day of June 2018, by and between Chemistree Washington Ltd., a Washington corporation (“**Purchaser**”), on the one hand, and Elite Holdings Inc., a Washington corporation (“**Seller**”), on the other hand. Purchaser and Seller may be referred to hereinafter individually as “**Party**” or collectively as “**Parties**”.

WHEREAS, Purchaser and Seller entered into an Asset Purchase Agreement dated May \_\_, 2018 (the “**Agreement**”), providing for the sale, transfer, and assignment by Seller to Purchaser of all of Seller’s right, title, and interest in, to, and under the Assets (as such term is defined in the Agreement).

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree as follows:

1. Transfer of Assets. Seller hereby sells, grants, conveys, bargains, transfers, assigns, and delivers to Purchaser all of Seller’s right, title, and interest, legal and equitable, throughout the world, in and to the Assets. This is a transfer and conveyance by Seller to Purchaser of the Assets, free and clear of all liens or encumbrances except as provided in the Agreement or Exhibits attached thereto. Subject to the conditions and limitations contained in the Agreement, Seller hereby covenants and agrees to warrant and defend the Assets against any and all claims whatsoever, other than Seller’s claim of ownership, to the extent represented and warranted to in the Agreement.

2. Further Assurances. Seller agrees that it shall, at Purchaser’s request at any time and from time to time after the date hereof and without further consideration, do, execute, acknowledge and deliver or shall cause to be done, executed, acknowledged and delivered all such further acts, deeds, assignments, transfers, conveyances, powers of attorney and other instruments and assurances as may be reasonably considered by Purchaser to be necessary or proper to better effect the sale, conveyance, transfer, assignment, assurance, confirmation, and delivery of ownership of the Assets to Purchaser, or to aid and assist in collecting and reducing to the possession of Purchaser, the Assets.

3. Amendment or Termination; Successors and Assigns. This Bill of Sale may not be amended or terminated except by a written instrument duly signed by each of the Parties hereto. This Bill of Sale shall inure to the benefit of, and be binding upon, each of the Parties hereto and their respective successors and assigns.

4. No Third Parties. Nothing in this Bill of Sale, expressed or implied, is intended or shall be construed to confer upon or give to any person, firm or corporation other than Purchaser and Seller, their successors and assigns, any remedy or claim under or by reason of this instrument or any term, covenant or condition hereof, and all of the terms, covenants, conditions, promises, and agreements contained in this instrument shall be for the sole and exclusive benefit of Purchaser and Seller, their successors and assigns.

5. Construction. This Bill of Sale, being further documentation of a portion of the conveyances, transfers and assignments provided for in and by the Agreement, neither supersedes, amends, or modifies any of the terms or provisions of the Agreement nor does it expand upon or

limit the rights, obligations or warranties of the Parties under the Agreement. In the event of a conflict or ambiguity between the provisions of this Bill of Sale and the Agreement, the provisions of the Agreement shall be controlling.

6. Governing Law and Venue. This Bill of Sale shall be governed by and interpreted in accordance with the laws of the State of Washington without reference to its conflicts of laws rules or principles. Each of the Parties consent to the exclusive jurisdiction of either (i) the Washington State Superior Court in and for King County or (ii) the federal court for the Western District of the State of Washington in connection with any dispute arising under this Agreement and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions.

7. Counterparts. This Bill of Sale may be executed in one or more counterparts and by facsimile, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

8. Closing Obligations. This Bill of Sale does not modify or amend the duties, obligations, rights, and/or responsibilities set forth in the Agreement. The Parties acknowledge that all terms and conditions of the Agreement, including any and all conditions precedent and/or obligations of the Parties, must be satisfied in order for Closing, as defined in the Agreement, to occur and the Assets to transfer from Seller to Purchaser.

*[This space intentionally blank. Signature page follows.]*

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**SELLER:**

ELITE HOLDINGS INC.

---

By:  
Its:

**PURCHASER:**

CHEMISTREE WASHINGTON LTD.

---

By:  
Its:





**EXHIBIT F**  
**Form of Assignment of Lease**

(See attached.)

## ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT

THIS ASSIGNMENT OF LEASE AGREEMENT (“**Assignment**”) is made this \_\_\_ day of June 2018, by and between Chemistree Washington Ltd., a Washington corporation (“**Assignee**”), on the one hand, and Elite Holdings Inc., a Washington corporation (“**Assignor**”), on the other hand. Assignee and Assignor may be referred to hereinafter individually as “Party” or collectively as “Parties”.

WHEREAS, Assignee and Assignor entered into an Asset Purchase Agreement dated May \_\_, 2018 (the “**Agreement**”), providing for the sale, transfer, and assignment by Assignor to Assignee of all of Assignor’s right, title, and interest in, to, and under the Lease (defined below).

WHEREAS, Assignor desires to transfer and assign to Assignee the leasehold interest of Assignor in and to the real property located at 609A Sunset Park Drive, Sedro Woolley, WA 98284 (the “**Premises**”), pursuant to that certain Lease Agreement effective April 1, 2016, together with any amendments and supplements thereto, by and between Sisters Venture, LLC, a Washington limited liability company (“**Landlord**”), as landlord, and Assignor, as tenant (the “**Lease**”). A copy of the Lease is attached hereto as **Exhibit A**; and

WHEREAS, Assignee desires to accept the rights and assume the obligations of Assignor under the Lease with respect to the Premises from and after the date of this Agreement, and to indemnify and hold Assignor harmless for its failure to perform said obligations.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, Assignor and Assignee hereby agree as follows:

1. **Assignment of Lease.** Assignor hereby irrevocably grants, conveys, bargains, transfers, assigns, and delivers to Assignee all of Assignor’s right, title, and interest, legal and equitable, throughout the world, in and to the Lease with respect to the Premises.
2. **Waiver.** Assignor waives any and all claims, right, title or interest in and to the Lease or to the Premises as of the Effective Date.
3. **Assumption of Lease Obligations.** Assignee hereby assumes and agrees to observe and perform any and all of the obligations and duties of Assignor, as tenant, under the Lease for that period of time from and after the Effective Date of this Agreement.
4. **WSLCB Compliance.** Assignee represents and warrants that, as of the Effective Date, the Premises satisfy any and all Washington State Liquor and Cannabis Board (“**WSLCB**”) requirements applicable to the holder of the Washington “Tier 3” Production and Processing License No. 423406, including, but not limited to, the requirements that:
  - a. The Premises substantially conform with the WSLCB-approved Site Plan, a copy of which is attached hereto as **Exhibit B**;
  - b. The Premises contain all required signage;

- c. The Premises contain the required security system; and
- d. The Premises contain any and all other equipment or materials required by the WSLCB.

5. Indemnity. Assignor hereby agrees to indemnify, defend, and hold Assignee harmless for, from, and against all claims, demands, losses, damages, actions and causes of actions, expenses, and costs, including, but not limited to, reasonable attorneys' fees and expenses actually incurred, arising out of or in connection with Assignor's failure to observe, perform, and discharge the obligations and liabilities of Assignor as Tenant under the Lease for the period of time prior to the Effective Date of this Agreement. Assignee hereby agrees to indemnify, defend, and hold Assignor harmless for, from, and against all claims, demands, losses, damages, actions and causes of actions, expenses, and costs, including, but not limited to, reasonable attorneys' fees and expenses actually incurred, arising out of or in connection with Assignee's failure to observe, perform, and discharge the obligations and liabilities of Assignee as Tenant under the Lease for the period of time following the Effective Date of this Agreement.

6. Governing Law. This Agreement shall be construed and enforced in accordance with and shall be governed by the laws of the state of Washington.

7. Binding Effect. This Agreement shall bind and inure to the benefit of the parties hereto and their respective heirs, executors, personal representatives, successors, and assigns.

8. Limitation on Assignment. Except as provided in Section 4, Assignee accepts the Premises "AS IS", and represents that it has undertaken its own inspection of the Premises or has waived its right to do so, and further, Assignee is not relying on any representation of Assignor. Assignor's interest in the Premises is conveyed and assigned subject to (i) all matters that could be revealed by an accurate survey and/or a visual inspection of the Premises, and (ii) all matters and encumbrances that could be revealed in the inspection of a title report on the real property of which the Premises is a part.

9. Closing Obligations. This Assignment does not modify or amend the duties, obligations, rights, and/or responsibilities set forth in the Agreement. The Parties acknowledge that all terms and conditions of the Agreement, including any and all conditions precedent and/or obligations of the Parties, must be satisfied in order for Closing, as defined in the Agreement, to occur and the Assets to transfer from Assignor to Assignee.

*[This space intentionally blank. Signature page follows.]*

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**ASSIGNOR:**

ELITE HOLDINGS INC.

---

By:  
Its:

**ASSIGNEE:**

CHEMISTREE WASHINGTON LTD.

---

By:  
Its:

**I, the undersigned, for and on behalf of SISTER VENTURE, LLC, consent to the foregoing assignment and assumption:**

SISTERS VENTURE, LLC:

---

By:  
Its:

**EXHIBIT A**

**Lease Agreement**

(See attached.)

## COMMERCIAL LEASE

### SECTION 1: BASIC LEASE TERMS.

Section 1 represents a summary of the basic terms of this Lease. In the event of any inconsistency between the terms contained in Section 1 and any specific clause of this Lease, the terms of the more specific clause shall prevail.

- 1.1 EFFECTIVE DATE OF LEASE: April 1, 2016
- 1.2 TENANT: Elite Holdings, LLC  
Address (Premises): 1822 Lindsay Loop, Mt Vernon Wa 98274  
Address (For Notices):
- 1.3 LANDLORD: Sisters Venture, LLC  
Address (For Notices):  
613 Sunset Park Drive  
Sedro Woolley WA 98284
- 1.4 TENANT'S USE OF PREMISES: I502 Washington Adult Recreational Marijuana
- 1.5 PREMISES AREA: 609A Sunset Park Drive, Sedro Woolley, Wa 98284. Included are 7 parking spaces 3 on the east end by building and 4 in the center.
- 1.6 BUILDING AREA: Same
- 1.7 PREMISES PERCENT OF BUILDING/TENANT'S PRO RATA SHARE: 50%-any additional property tax increases due to tenant improvements will be passed on to leasee.
- 1.8 INITIAL TERM:  
Commencement: April 1, 2016  
Expiration: March 31, 2019
- 1.9 EXTENDED TERM(S): Three year extention until 2022. You have the right of first refusal on purchase of the building at market value.
- 1.10 RENT COMMENCEMENT: April 1, 2016
- 1.11 BASE MONTHLY RENT: \$2,975-Construction rent for

- April, May and June will be \$2,000-no triple net
- 1.12 BASE MONTHLY RENT ADJUSTMENT: Triple Net Fees  
\$1.23 per square feet based on 5100 square feet.
- 1.13 OPERATING EXPENSES:
- 1.14 TOTAL SECURITY DEPOSIT: \$1000.00

## SECTION 2: BUILDING AND PREMISES.

2.1 **Building.** The Building known as 609 Sunset Park Drive Suite A (the "Building") on the real property legally described on the attached Exhibit A.

2.2 **Premises.** The space to be occupied by Tenant consists of approximately 5100 square feet (the "Premises") and is known as Suite A the Building. Tenant's prorated share of the entire net leaseable space in the Building is 50%.

## SECTION 3: TERM.

3.1 **Initial Term.** The initial term of this Lease is for the period set forth in Section 1 (the "Initial Term").

3.2 **Option to Renew.** Tenant shall have one option(s) to extend the Initial Term of this Lease for an additional period of three years each upon the same terms and conditions set forth herein except for Base Rent ("Extended Term") which shall be as set forth in Section 4; provided Tenant shall have delivered written notice to Landlord of the exercise of the option at least One Hundred Eighty (180) days prior to the end of the term then in effect, and provided further that:

(a) Tenant is not in default beyond any applicable cure period in the payment of rent or any other term or condition hereof at the time it gives such notice to Landlord or at the time the Extended Term begins; and

(b) Tenant has not previously defaulted under any term, provision or covenant of this Lease, irrespective of whether that prior default was cured, more than two (2) times in any given twelve (12) month period.

## SECTION 4: RENT.

4.1 **Base Monthly Rent.** Tenant shall pay Landlord base monthly rent in the amount set forth in Section 1, which shall be payable monthly in advance on the first day of each and every calendar month commencing with the rent commencement date set forth in Section 1.

4.2 **Base Monthly Rent Adjustment Based on CPI.**

(a) The Base Monthly Rent will be adjusted as of the effective dates set forth in Section 1.12 (each, an "Adjustment Date") by using the Consumer Price Index for All Urban Consumers for the Seattle-Tacoma-Bremerton area (the "CPI"). If the stated index is discontinued, Landlord will use the index promulgated

by the Department of Labor which in Landlord's opinion most closely approximates the above index, and the Base Monthly Rent will be adjusted accordingly.

(b) The latest available semi-annual CPI is identified in Section 1.11, and designates the initial CPI hereunder. To establish the Base Monthly Rent for each period following an Adjustment Date, the semi-annual CPI for the half year which most immediately precedes the beginning of that period will be determined; the percentage of change, if any, of the semi-annual CPI from the initial CPI will then be determined, and the Base Monthly Rent in effect immediately prior to the applicable Adjustment Date will be increased by the percentage change to establish the new Base Monthly Rent for the period. In no event will the new Base Monthly Rent be less than the Base Monthly Rent in effect immediately prior to the Adjustment Date.

4.3 Extended Terms. The Base Rent payable to Landlord during any Extended Term shall be the amount due by applying the Base Monthly Rent adjustment formula set forth in Section 4.2.

4.4 Late Payment Penalty and Interest. Tenant shall pay Landlord a late payment penalty of One Hundred Dollars (\$100.00) if any rent payment remains delinquent longer than ten (10) days from the date specified for payment by this Lease. In addition, all delinquent rent shall bear interest at the rate of one and one-half percent (1.5%) per month until paid.

#### SECTION 5: OPERATING EXPENSES.

5.1 Net Lease. The purpose of this Section 5 is to ensure that Tenant bears a proportionate share of all expenses related to the use, maintenance, ownership, repair and insurance of the Building of which the Premises are a part. Accordingly, in addition to the base monthly rent provided in Section 4, Tenant shall pay to Landlord that portion of Tenant's share of expenses related to the Building. All amounts due and owing pursuant to this Section shall be considered additional rent.

5.2 Expenses Defined. The term "expenses" shall mean all costs and expenses of the ownership, operation, maintenance, repair and insurance of the Building, including, without limitation, the following costs:

- (a) All supplies, materials, labor and equipment, used or related to the operation and maintenance of the Building;
- (b) All utilities, including, without limitation, water, electricity, gas, heating, lighting, sewer, waste disposal, security, air conditioning and ventilating costs and all charges relating to the use, ownership or operation of the Building which are not separately metered and billed to the Tenant;
- (c) All maintenance, management, janitorial and service agreements related to the Building;
- (d) All insurance premiums and costs including, but not limited to, the premiums and cost of fire, casualty and liability coverage, rental abatement and earthquake insurance related to the Building;
- (e) All maintenance and repair costs relating to areas within or around the Building, including, without limitation, sidewalks, parking lots, landscaping, service areas, walkways, Building exteriors (including painting, signs and directories; and including, for example, repairing and replacing roofs, walls, etc.);
- (f) Amortization (in accordance with generally accepted accounting principles) of capital improvements as Landlord may in the future install to comply with governmental regulations and rules or



undertaken in good faith with a reasonable expectation of reducing operating costs (the useful life of which shall be a reasonable period of time as determined by Landlord);

(g) Real property taxes including all taxes, assessments (general and special) and other impositions or charges which may be taxed, charged, levied, assessed or imposed upon all or any portion of or in relation to the Building. "Real property taxes" shall also include any form of assessment, charge or tax (other than estate, inheritance, net income or franchise taxes) imposed by any authority having a direct or indirect power to tax or charge, including, without limitation, any city, county, state, federal or any improvement or other district regardless of the source of taxing authority or incident of taxation.

5.3 Annual Estimate of Expenses. Prior to the commencement of each calendar year, Landlord shall prepare and deliver to Tenant an estimate of expenses for the Building for the coming year. Tenant's portion of said estimate of expenses shall be based on the Premises' percent of the Building set forth in Section 1.

5.4 Monthly Payment of Expenses. Tenant shall pay to Landlord as additional rent, Tenant's portion of said estimate of expenses monthly installments of 1/12th on the first day of each calendar month. As soon as practical following each calendar year, Landlord shall prepare an accounting of actual expenses incurred during the prior calendar year and such accounting shall reflect Tenant's share of expenses. If the additional rent paid by Tenant under this Section 5.4 during the preceding calendar year was less than the actual amount of Tenants' share of expenses, the Landlord shall so notify Tenant and Tenant shall pay such amount to Landlord within thirty (30) days of receipt of such notice. If Tenant's payments, based upon Landlord's estimate of Tenant's pro-rata share of expenses for the prior year was greater than the actual amount, then Landlord shall promptly so notify Tenant and such overpayment shall be promptly reimbursed to Tenant by Landlord.

5.5 Direct expenses. In addition to paying the proportionate share of the expense outlined above, Tenant shall also pay the full (as opposed to the proportionate share) of any cost or expense of any service provided directly and solely to the Tenant and the charges for any utilities separately metered and billed to the Tenant.

## SECTION 6: PREMISES CONDITION; USE OF PREMISES.

6.1 Use of Premises. Tenant shall use the Premises solely for the purposes set forth in Section 1 and for no other purposes without obtaining the prior written consent of Landlord. Tenant shall promptly comply with all laws, ordinances, orders and regulations affecting the Premises, including, without limitation, any reasonable rules and regulations which the Landlord may adopt from time to time. Tenant shall not do or permit anything to be done in or about the Premises or bring or keep anything in the Premises that will in any way increase the premiums paid by Landlord on its insurance related to the Premises. Tenant will not perform any act or carry on any practice that may injure the Premises or that may be a nuisance or menace.

6.2 Condition of Premises. Tenant has inspected all aspects of the Premises including without limitation the plumbing, lighting, air conditioning, heating, windows, interior walls, flooring and all other elements of the Premises prior to execution of this Lease. Based upon that inspection, Tenant accepts the Premises "as is" in the absence of any material change in its condition prior to the Commencement Date or the date the Tenant takes possession of the Premises, whichever is earlier. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Tenant's business. The Landlord shall not be responsible for any tenant improvements or modifications to the Premises.

6.3 Building Codes and Zoning. Tenant has investigated all applicable building and zoning codes, regulations and ordinances to determine whether Tenant's intended use of the Premises is permitted. Based upon this investigation, Tenant accepts the Premises "as is", subject to all applicable statutes, ordinances, rules and regulations governing Tenant's use of the Premises. Any and all expenses required to comply with all applicable statutes, ordinances, rules, regulations and requirements in effect during the term of this Lease or part thereof regulating Tenant's use of the Premises will be borne exclusively by Tenant. Tenant agrees to comply with all such statutes, ordinances, rules and regulations throughout the term of this Lease.

## SECTION 7: SECURITY DEPOSIT.

7.1 Deposit. Tenant shall deposit \$1000 as a security deposit for the performance of the provisions of this Lease.

7.2 Applications on Default. If Tenant is in default, Landlord may use said security deposit, or any portion thereof, to cure the default or to compensate Landlord for damages sustained by Landlord resulting from Tenant's default, including, but not limited to, the payment of rent and the cost of cleaning and/or repairing the Premises. Any payment to Landlord from the security deposit shall not be considered a payment of liquidated damages. Tenant shall within ten (10) days after written demand therefor deposit cash with Landlord in an amount sufficient to restore the security deposit to the full amount stated above, and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep the security deposit separate from its general accounts. If Tenant is not in default at the expiration of the term of this Lease and after Tenant has vacated the Premises. No trust relationship is created between Landlord and Tenant with respect to the security deposit.

## SECTION 8: LEASEHOLD IMPROVEMENTS, ALTERNATIONS AND ADDITIONS.

Tenant shall not make or permit any alteration, addition or improvement to the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Tenant shall pay any and all costs incurred by Landlord in reviewing and evaluating any request for the consent required by this Section. Any alteration, addition or improvement consented to by Landlord shall be made in a good and workmanlike manner at Tenant's sole cost and expense and shall comply with all applicable laws, codes, ordinances, rules and regulations. All alterations, additions or improvements (including but not limited to wall and window covering, paneling and built-in cabinet work, but excluding movable furniture and trade fixtures) shall at once become a part of the Premises belonging to the Landlord and shall be surrendered with the Premises at the expiration of this Lease, unless Landlord demands their removal as set forth below. Upon expiration or sooner termination of the lease, Tenant shall, at Tenant's sole cost and expense, with all due diligence, remove any alterations, additions or improvements made by Tenant and designated by Landlord to be removed; provided Landlord gives Tenant not less than thirty (30) days' advance written notice. Tenant shall, at its sole cost and expense, repair any damage to the Premises caused by such removal.

## SECTION 9: HAZARDOUS SUBSTANCES.

Tenant shall not generate, handle, store, or dispose of any Hazardous Substance on, under, or in the Premises, the Building, or the real property upon which the Premises are situated. As used herein, the term "Hazardous Substance" means any hazardous, toxic, or dangerous substance, waste, or material, which is or becomes regulated under any federal, state or local statute, ordinance, rule, regulation, or other law now or hereafter in effect pertaining to environmental protection, contamination, or cleanup. Tenant agrees to hold harmless, protect, indemnify, and defend Landlord from and against any damage, loss, claim, or liability resulting from any breach of this covenant, including any attorneys' fees and costs incurred. This indemnity will survive the termination of this Lease.

## SECTION 10: SIGNAGE.

Tenant shall not inscribe any inscriptions, or post, place, or in any manner display any sign, graphics, notice, picture, placard or poster, or any advertising matter whatsoever, anywhere in or about the Premises or the Building at places visible (either directly or indirectly as an outline or shadow on a glass pane) from anywhere

outside Tenant's occupied area or at entrance to the Premises without first obtaining Landlord's written consent to the advertising, which consent shall not be unreasonably withheld. Any such consent by Landlord shall be upon the understanding and condition that Tenant will remove the same at the expiration or sooner termination of this Lease and Tenant shall repair any damage to the Premises or the Building caused thereby, all at Tenant's sole cost and expense.

#### SECTION 11: PERSONAL PROPERTY TAXES.

Tenant shall pay before delinquency all taxes, assessments, license fees and public charges levied, assessed or imposed upon its business operations as well as upon all trade fixtures, leasehold improvements, merchandise and other personal property in and about the Premises.

#### SECTION 12: MAINTENANCE.

12.1 Landlord's Obligations. Landlord shall at Landlord's expense, maintain and repair the common areas and parking lots, roof, foundations, exterior walls, exterior roof structure and other structural portions of the Building including the basic plumbing, air conditioning, heating and electrical systems serving more than one tenant. Except as otherwise required by Section 14.4 regarding subrogation, if any of this maintenance and/or repair is required in whole or in part because of the negligence of the Tenant, its agents or invitees, Tenant shall pay to Landlord the reasonable cost of the repairs. Except as provided by Section 16 regarding destruction, there shall be no abatement of rent, and no liability of Landlord, due to any injury to or interference with Tenant's business arising from Landlord's performance of any maintenance or repair which it is required or permitted to perform to any portion of the Building or the Premises or in or to fixtures, appurtenances and equipment therein. Tenant waives any right which it may have under any current or future law or ordinance to make repairs at Landlord's expense.

12.2 Tenant's Obligations. Tenant shall, at Tenant's sole cost and expense, keep in good condition and repair all portions of the Premises not being maintained by Landlord under Section 12.1 including, without limitation, the maintenance, repair and replacement of all interior walls or partitions and interior portions of exterior walls and doors as well as plumbing, air conditioning, heating and electrical systems serving the Premises. Tenant shall, upon expiration or sooner termination of this Lease, surrender the Premises to Landlord in good and clean condition, ordinary wear excepted. Any damage to adjacent Premises caused by Tenant's use of the Premises shall be repaired at the sole cost and expense of Tenant. If Tenant fails to perform the maintenance, repair or replacement required by this Section 12.2 or to surrender the Premises in the condition required by this Section, Landlord shall have the right to perform the necessary work at Tenant's expense, and Tenant agrees to reimburse all costs incurred by Landlord.

12.3 Governmental Repairs. In the event any governmental agency requires major repairs or modifications to be made to the Premises, which repairs are the obligation of Landlord and cannot, in Landlord's judgment, be justified by the minimum rental, the Landlord shall have the right to cancel and terminate this Lease by giving Tenant ninety (90) days' written notice. Major repairs for purposes of this Section shall be repairs or modifications with a cost exceeding six (6) months' rent under this Lease. However, Tenant shall have the option to make these repairs at its sole cost and expense upon receipt of the ninety (90) days' notice of cancellation from Landlord, in which event this Lease shall remain in full force and effect.

#### SECTION 13: INDEMNIFICATION.

Tenant shall indemnify and hold Landlord harmless from and against all common law or statutory liabilities, damages, obligations, losses, claims, civil actions, costs or expenses, including attorney fees, arising from any

act, omission or negligence of Tenant or its officers, contractors, licensees, agents, servants, employees, guests, invitees, or visitors in or about the Building or Premises, or arising from any injury or damage to any person or property, occurring in or about the Building or Premises as a result of any act, omission or negligence of Tenant, or its officers, contractors, licensees, agents, employees, guests, or visitors, or arising from any breach or default under this Lease by Tenant. The foregoing provisions shall not be construed to make Tenant responsible for loss, damage, liability or expense resulting from injuries to third parties caused by the sole negligence of Landlord, or its officers, contractors, licensees, agents, employees, invitees or other tenants of the Building. This indemnity will survive the termination of this Lease.

#### SECTION 14: INSURANCE.

14.1 Liability Insurance. Tenant shall, throughout the term of this lease and any renewal hereof, at its own expense, keep and maintain in full force and effect, a policy of Commercial General Liability (occurrence form) insurance including Contractual Liability insuring Tenant's activities upon, in or about the Premises or the Building against claims from bodily injury or death or property damage or loss with a Combined Single Limit of not less than One Million Dollars (\$1,000,000) Per Occurrence and in the Aggregate. Landlord must be listed as an Additional Insured.

14.2 Property Insurance. Tenant shall throughout the term of this lease and any renewal hereof, at its own expense, keep and maintain in full force and effect, an "All Risk" or "Special" coverage (excluding Earthquake and Flood) on Tenant's Leasehold Improvements for not less than 100% of the replacement value. Tenant shall also maintain a policy of standard fire and extended coverage insurance with vandalism and malicious mischief endorsements and "All Risk" or "Special" coverage on all Tenant's personal property.

14.3 Evidence of Insurance. Tenant shall obtain the insurance required by this Section 14 from companies reasonably acceptable to Landlord. Before occupying the Premises, Tenant shall deliver to Landlord copies of policies of such insurance or certificates evidencing the existence and amounts of same and evidencing Landlord as Additional Insureds thereunder. If required, Tenant shall deliver the original policy to Landlord's lender. Not later than ten (10) days before expiration of these policies, the Tenant shall deliver to Landlord evidence that insurance required by this Section 14 has been continued. The policies shall not be cancellable or subject to reduction of coverage until after thirty (30) days' prior written notice to Landlord and Landlord's lender, if any. If Tenant fails to maintain the required insurance, Landlord may, but it is not required to, procure the same at Tenant's expense.

14.4 Waiver of Subrogation. Whether the loss or damage is due to the negligence of either Landlord or Tenant, their agents or employees, or any other cause, Landlord and Tenant do each hereby release and relieve the other, their agents or employees, from responsibility for, and waive their entire claim of recovery for (i) any loss or damage to the Real or Personal Property of either located anywhere in the Building, including the Building itself, arising out of or incident to the occurrence of any of the perils which are covered by their respective property and related insurance policies, and (ii) any loss resulting from business interruption at the Premises or loss of rental income from the Building, arising out of or incident to the occurrence of any of the perils which may be covered by any Business Interruption insurance policy or by any loss of Rental Income insurance policy by Landlord or Tenant.

All insurance required to be provided by Tenant under this Lease shall release Landlord from any claims for damage to any person or to the Premises and the Building, and to Tenant's fixtures, personal property, improvements and alterations in or on the Premises or in the Building, caused by or resulting from risks insured against under any insurance policy carried by Tenant and in force at the time of such damage, except for damage arising out of negligent acts of Landlord, his agents or employees, or breach of this agreement by Landlord.

Tenant's failure to provide evidence of such coverage to Landlord may, in Landlord's sole discretion, constitute a default under this Lease.

#### SECTION 15: LIENS.

Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant, and agrees to hold Landlord harmless from the same. Landlord may require, at Landlord's sole option, that Tenant provide, at Tenant's sole cost and expense, a materialman's labor and performance bond acceptable to Landlord in an amount equal to one and one-half (1½) times the estimated cost of any improvements, additions or alterations in the Premises which the Tenant desires to make, to insure Landlord against any liability for mechanics' and materialman's liens, and to insure completion of the work.

#### SECTION 16: DESTRUCTION.

If during the term of this Lease, the Premises or the Building are more than ten percent (10%) destroyed from any cause, or rendered inaccessible or unusable from any cause, Landlord may, in its sole discretion, terminate this Lease by delivery of notice to Tenant within thirty (30) days of such event without compensation to Tenant. If in Landlord's estimation, the Premises cannot be restored within ninety (90) days following such destruction, then Landlord shall immediately notify Tenant and Tenant may terminate this Lease by delivery of notice to Landlord within thirty (30) days of receipt of Landlord's notice. If Landlord does not terminate this Lease and if in Landlord's estimation the Premises can be restored within ninety (90) days, then Landlord shall commence to restore the Premises in compliance with then existing laws and shall complete such restoration with due diligence. In such event this Lease shall remain in full force and effect, but there shall be an abatement of rent between the date of destruction and the date of completion of restoration, based on the extent to which destruction interferes with Tenant's use of the Premises.

#### SECTION 17: CONDEMNATION.

17.1 Entire Taking. If all of the Premises or such portions of the Building as may be required for the reasonable use of the Premises are taken by eminent domain, this Lease shall automatically terminate as of the date Tenant is required to vacate the Premises and all rents shall be paid to that date.

17.2 Partial Taking. In the case of a taking of part of the Premises, or a portion of the Building not required for the reasonable use of the Premises, then this Lease shall continue in full force and effect and the rent shall be equitably reduced based on the proportion by which the floor area of the Premises is reduced, such rent reduction to be effective as of the date possession of such portion is delivered to the condemning authority.

17.3 Awards and Damages. Landlord reserves all rights to damages to the Premises for any partial or entire taking by eminent domain, and Tenant hereby assigns to Landlord any right Tenant may have to such damages or award, and Tenant shall make no claim against Landlord for damages from termination of the leasehold interest or interference with Tenant's business; provided, Tenant shall be entitled to receive such portion of any award as shall represent the value of any improvements made and paid for by Tenant and then existing on the Premises (but excluding any Tenant improvements paid for by Landlord); and Tenant shall have the right, however, to claim and recover from the condemning authority compensation for any loss to which Tenant may be put for Tenant's moving expense, business interruption or taking of Tenant's personal property (not including Tenant's leasehold interest) provided that such damages may be claimed only if they are awarded separately in the eminent domain proceedings and not as part of the damages recoverable by Landlord.

## SECTION 18: ASSIGNMENT AND SUBLETTING.

Tenant shall not assign or encumber its interest in this Lease or the Premises or sublease all or any part of the Premises or allow any other person or entity (except Tenant's authorized representatives, employees, invitees or guests) to occupy or use all or any part of the Premises without first obtaining Landlord's consent, which Landlord may withhold in its sole discretion. The cumulative (i.e., in one or more sales or transfers, by operation of law or otherwise) transfer of an aggregate of more than 50% or more of the voting interest issued and outstanding on the date this Lease is executed by Landlord, including by creation or issuance of new stock and/or ownership interest, of an entity which is (i) Tenant, (ii) the entity assignee of Tenant, or (iii) any entity which is a general partner in a general or limited partnership which is Tenant or assignee of this Lease; shall be deemed a assignment of this Lease and shall be subject to the provisions of Section 18. For purposes of this Section 18 an entity shall include a corporation, Limited Liability Company and general and/or limited partnerships.

## SECTION 19. DEFAULT AND REMEDIES.

19.1 **Defaults.** The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

- (a) The vacating or abandonment of the Premises by Tenant.
- (b) The failure by Tenant to make any payment of rent or any other payment required to be made by Tenant under this Lease, as of when due, where such failure shall continue for a period of three (3) days after written notice of default from Landlord to Tenant. In the event that Landlord serves Tenant with a notice to pay rent or vacate pursuant to applicable and lawful detainer statutes, such notice to pay rent or vacate shall also constitute the notice required by this Section.
- (c) The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, other than those described above, including without limitation Tenant's maintenance obligations for a period of thirty (30) days after written notice of such default from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be at default if Tenant commence such cure within that thirty (30) day period and thereafter diligently prosecutes the cure to completion.
- (d) The Tenant becomes a "debtor" as defined in the Bankruptcy Code 11 USC Section 101 or any successor statute or a trustee or a receiver is appointed to take possession of substantially all of the Tenant's assets located at the Premises or of Tenant's interest in this Lease.
- (e) Any other occurrence defined as a material default by other provisions of this Lease.

19.2 **Remedies.** In the event a material default or breach by Tenant, Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such default or breach:

- (a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In this event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of



Tenant's default including, but not limited to, the cost of recovering possession of the Premises; expenses of reletting, (including necessary renovation and alteration of the Premises); reasonable attorney's fees and costs and any real estate commission actually paid; the worth at the time of award by court having jurisdiction thereof of any unpaid Base Monthly Rent or Additional Rent which had been earned at the time of termination; the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same that Tenant proves could reasonably be avoided; that portion of the leasing commission paid by Landlord according to this Lease applicable to the unexpired term of this Lease.

(b) Maintain Tenant's right to possession in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In this event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due under Lease.

(c) Pursue any other remedy now or afterwards available to Landlord under the laws or judicial decisions of the state where the Premises are located.

#### SECTION 20: ENTRY ON PREMISES.

Landlord and its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the following purposes:

(a) To determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease;

(b) To do any necessary maintenance and to make any restoration to the Premises or the Building that Landlord has the right or obligation to perform;

(c) To post "for sale" signs at any time during the term, to post "for rent" signs or "for lease" signs during the last ninety (90) days of the term, or during any period while Tenant is in default;

(d) To show the Premises to prospective brokers, agents, buyers, tenants, or persons interested in an exchange, at any time during the term; or

(e) To repair, maintain or improve the Building and to erect scaffolding and protective barricades around and about the Premises but not so as to prevent entry to the Premises and to do any other act or thing necessary for the safety or preservation of the Premises or the Building.

Landlord shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of Landlord's entry onto the Premises as provided in this Section 20. Tenant shall not be entitled to an abatement or reduction of rent if Landlord exercises any rights reserved in this Section 20. Landlord shall conduct its activities on the Premises as provided herein in a manner that will cause the least inconvenience, annoyance or disturbance to Tenant. For each of these purposes, Landlord shall at all times have and retain a key with which to unlock all the doors in, upon and about the Premises, excluding Tenant's vaults and safes, and any security codes necessary for entry into the Premises. Tenant shall also provide Landlord with current contact information for the Tenant or an authorized representative of Tenant so that Tenant or its representative can be reached in case of an emergency. Tenant shall not alter any lock or install a new or additional lock or bolt on any door of the Premises without prior written consent of Landlord. If Landlord shall give its consent, Tenant shall in each case furnish Landlord with a key for any such lock.



#### SECTION 21: SUBORDINATION.

Without the necessity of any additional document being executed by Tenant for the purpose of effecting a subordination, and at the election of Landlord or any mortgagee or any beneficiary of a deed of trust with a lien on the Premises, this Lease shall be subject and subordinate at all times to the lien of any mortgage or deed of trust which may now exist or hereafter be executed in any amount for which the Premises is specified as security.

In the event that any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, notwithstanding any subordination, attorn to or become the Tenant of the successor in interest to Landlord, at the option of such successor in interest. Tenant covenants and agrees to execute and deliver, upon demand by Landlord and in the form requested by Landlord, any additional documents evidencing the priority or subordination of this Lease with respect to any such ground lease or underlying leases or the lien of any such mortgage or deed of trust. Tenant hereby irrevocably appoints Landlord as attorney-in-fact of Tenant to execute, deliver and record any such document in the name and on behalf of Tenant.

#### SECTION 22: COMMON AREAS

The Premises are part of a Building occupied by other tenants and there are parts of the Building that are in common use by tenants (the "Common Areas"). Landlord hereby grants to Tenant, for the benefit of Tenant and its officers, employers, agents, customers and invitees during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time. Tenant agrees to conform to Landlord's rules and regulations as established and amended from time to time pertaining to the Common Areas. Tenant agrees to abide by the rules and to use its best efforts to cause its officers, employers, agents, customers and invitees to conform thereto. Landlord may temporarily close any Common Areas to make repairs or changes or for construction, repairs, or changes within the Building, or to prevent the acquisition of public rights in such areas; and may do such other acts in and to the Common Areas as in its judgment may be desirable. Tenant shall not interfere with the rights of Landlord or others to use any part of the Common Areas.

#### SECTION 23: ESTOPPEL CERTIFICATE.

Upon not less than ten (10) days' prior written notice from Landlord, Tenant shall execute, acknowledge and deliver to Landlord a written estoppel certificate stating certain facts including, but not limited to:

- (a) That this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect);
- (b) The date to which the rent and other charges are paid; and
- (c) That there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord (or specifying such defaults if any are claimed).

The statement shall be in any form that Landlord provides to Tenant. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Building or the real property upon which it is located.

SECTION 24: NOTICE.

Any notice, demand, request, consent, approval or communication desired by either party or required to be given, shall be in writing and served either personally or sent by prepaid certified first class mail, addressed as set forth in Section 1. Either party may change its address by notification to the other party. Notice shall be deemed to be communicated forty-eight (48) hours from the time of mailing, if mailed, or from time of service, if personally served, as provided in this Section 24.

SECTION 25: WAIVER.

No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver. No act or conduct of Landlord, including, without limitation, acceptance of the keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before expiration of the term. Only written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish termination of the Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provisions of the Lease.

SECTION 26: SURRENDER OF PREMISES; HOLDING OVER.

Upon expiration of the term, Tenant shall surrender to Landlord the Premises and all Tenant improvements and alterations in good condition, except for ordinary wear and tear and alterations Tenant has the right to remove according to other provisions of this Lease. Tenant shall remove all personal property, including, without limitation, all wallpaper, paneling and other decorative improvements or fixtures, and shall perform all restoration made necessary by the removal of any alterations or Tenant's personal property before the expiration of the term, including for example, restoring all wall surfaces to their condition prior to the commencement of this Lease. Landlord can elect to retain or dispose of in any manner Tenant's personal property not removed from the Premises by Tenant prior to the expiration of the term. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of Tenant's personal property. Tenant shall be liable to Landlord for Landlord's costs for storage, removal or disposal of Tenant's personal property.

If Tenant, with Landlord's consent, remains in possession of the Premises after expiration or termination of the term, or after the date in any notice given by Landlord to Tenant terminating this Lease, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable on thirty (30) days' notice at any time, by either party. All provisions of this Lease, except those pertaining to term and rent, shall apply to the month-to-month tenancy. Tenant shall pay monthly rent in an amount equal to one hundred twenty-five percent (125%) of rent for the last full calendar month during the regular term.

SECTION 27: LIABILITY OF LANDLORD.

Tenant agrees that no trustee, officer, employee, agent, or individual partner of Landlord, or its constituent entities, shall be personally liable for any obligation of Landlord hereunder, and that Tenant must look solely to the interests of Landlord, or its constituent entities in the Property for the enforcement of any claims against Landlord arising hereunder.

SECTION 28: QUIET ENJOYMENT

Landlord covenants that upon Tenant's paying Base Rent and Additional Rent, and all other amounts and charges due hereunder and observing and performing all the terms, covenants and conditions of this Lease on its part to be observed and performed, Tenant may peaceably and quietly enjoy the Premises, without disturbance by Landlord or by any person having an interest in the Premises paramount to Landlord's interest or by any person claiming through or under Landlord, subject, however, to the terms and conditions of this Lease.

SECTION 29: MISCELLANEOUS PROVISIONS.

29.1 Time of Essence. Time is of the essence of each provision of this Lease.

29.2 Successor. This Lease shall be binding on and inure to the benefit of the parties and their successors except as herein provided.

29.3 Landlord's Consent. Any consent required by Landlord under this Lease must be granted in writing and may be withheld by Landlord in its sole and absolute discretion unless otherwise stated herein.

29.4 Commissions. Each party represents that it has not had dealings with any real estate broker, finder or other person with respect to this Lease in any manner.

29.5 Attorney's Fees. In the event either party requires the services of an attorney in connection with enforcing the terms of this Lease, or in the event suit is brought for the recovery of any sums due under this Lease or for the breach of any covenant or condition of this Lease, or for the restitution of the Premises to Landlord or eviction of Tenant during the term or after the expiration thereof, the substantially prevailing party is entitled to reasonable attorney fees and all costs incurred in connection therewith, including, without limitation, the fees of accountants, appraisers and other professionals, whether at trial, on appeal or without resort to suit.

29.6 Landlord's Successors. In the event of a sale or conveyance by Landlord of the Building, the same shall operate to release Landlord from any liability under this Lease, and in such event Landlord's successor in interest shall be fully responsible for all obligations of Landlord under this Lease.

29.7 Interpretation. This Lease shall be construed and interpreted in accordance with the laws of the state in which the Premises are located. This Lease constitutes the entire agreement between the parties with respect to the Premises and the Building, except for such guarantees or modifications as may be executed in writing by the parties from time to time. When required by the context of this Lease, the singular shall include the plural, and the masculine shall include the feminine and/or neuter. "Party" shall mean Landlord or Tenant. If more than one person or entity constitutes Landlord or Tenant, the obligations imposed upon that party shall be joint and several. The enforceability, invalidity or illegality of any provision shall not render the other provisions unenforceable, invalid or illegal.

29.8 Counterparts. This document may be executed in counterparts each of which when taken together shall constitute one original.

IN WITNESS WHEREOF, this Lease has been executed the day and year first above written.

SIGNATURES TO FOLLOW

LANDLORD:

By: *Christine M. Thompson*  
Its: VP

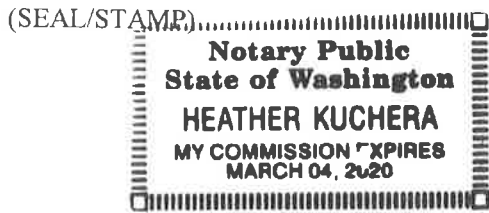
TENANT:

By: *[Signature]*  
Its: President  
By: *Rachelle Anderlini*  
Its: Secretary

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF SKAGIT )

I certify that I know or have satisfactory evidence that Cody Anderlini is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument, and acknowledged it as the 27<sup>th</sup> of May, a Washington resident to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this 27 day of May, 2016.



*Heather Kuchera*  
NOTARY PUBLIC  
Printed Name: Heather Kuchera  
My Appointment Expires: March 4, 2020

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF SKAGIT )

I certify that I know or have satisfactory evidence that Rachelle Anderlini is the person who appeared before me, and said person acknowledged that she/he signed this instrument, on oath stated that she/he was authorized to execute the instrument, and acknowledged it as the 27<sup>th</sup> of May, a Washington resident to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this 27 day of May, 2016.



*Heather Kuchera*  
NOTARY PUBLIC  
Printed Name: Heather Kuchera  
My Appointment Expires: March 4, 2020

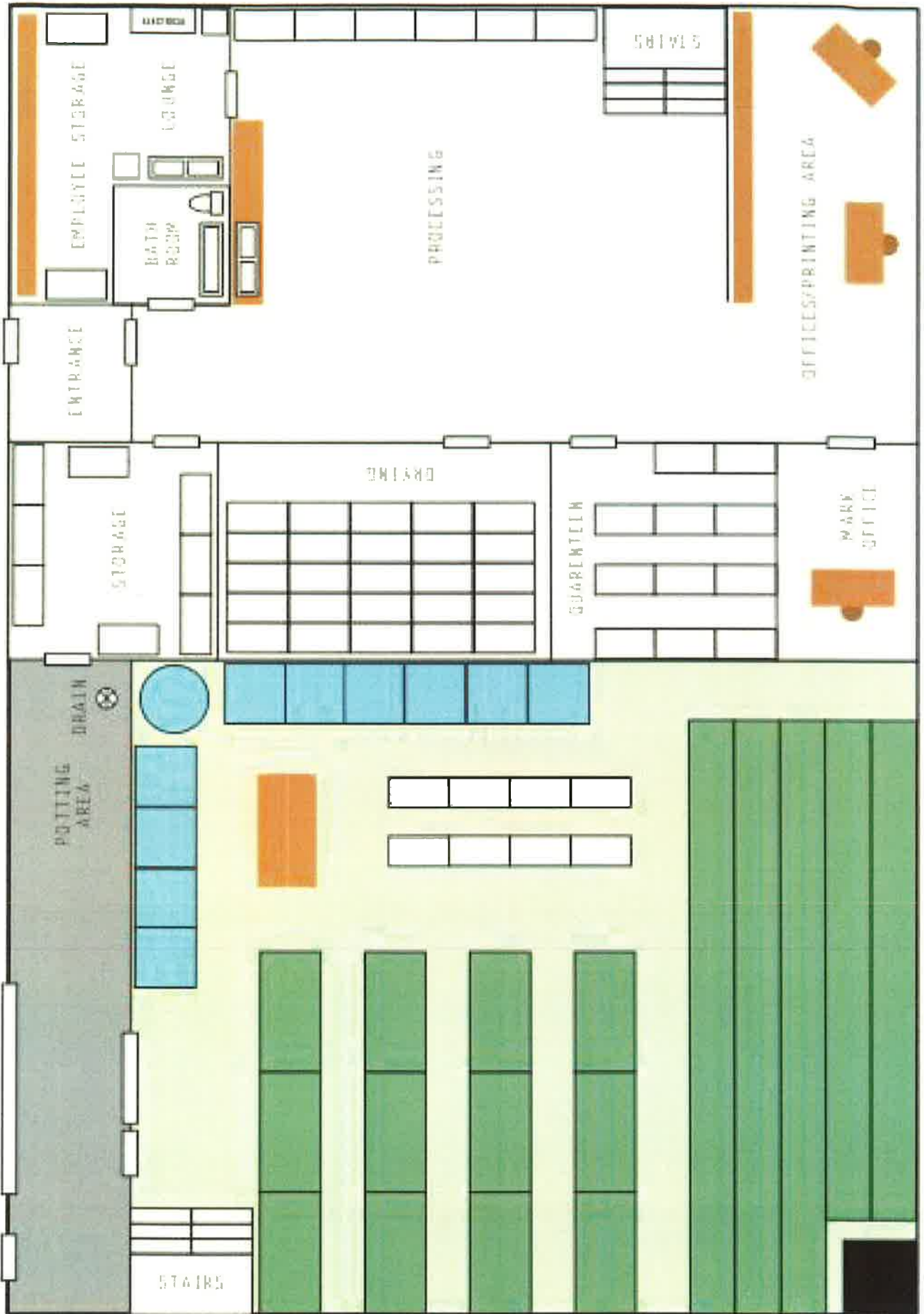
EXHIBIT A  
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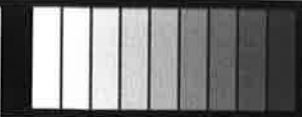
SUNSET INDUSTRIAL PARK-S/P SW-01-93 BSP, ACRES 0.67, (SWFC) LOT 3 AND THE SOUTH 108 FEET OF LOT 1 OF BINDING SITE PLAN NO. SW-01-93, (SUNSET INDUSTRIAL PARK). EXCEPT THAT PORTION OF SAID LOT 1 CONVEYED TO VERN KNUTZEN, ET UX BY DEED RECORDED OCTOBER 24, 1994 UNDER AUDITOR'S FILE NO. 9410240032. (SWFC) LOT 3 AND THE SOUTH 108 FEET OF LOT 1 OF BINDING SITE PLAN NO. SW-01-93, (SUNSET INDUSTRIAL PARK). EXCEPT THAT PORTION OF SAID LOT 1 CONVEYED TO VERN KNUTZEN, ET UX BY DEED RECORDED OCTOBER 24, 1994 UNDER AUDITOR'S FILE NO. 9410240032.

**EXHIBIT B**

**Site Plan**

(See attached.)





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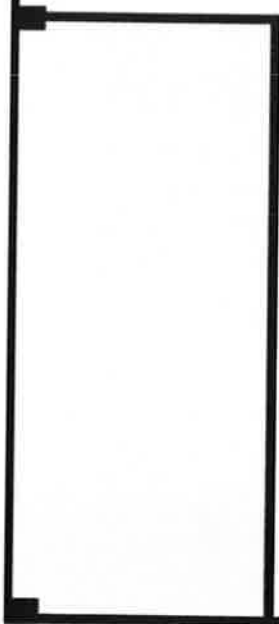
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**EXHIBIT G**

**Liabilities and Encumbrances**

None.

**SCHEDULE I**

**Membership Interest Purchase Agreement**

(See attached.)