

Offer to Lease - 2500 Logistics Way

OFFER TO LEASE

Date: November 13, 2025

PARTIES

LANDLORD: ABC Industrial Properties Inc. **Address:** 123 Management Drive, City A, ST 1A1 1A1

TENANT: Tech Distribution Corp. **Address:** 456 Corporate Boulevard, City B, ST 2B2 2B2

BINDING NATURE OF OFFER

NON-BINDING BUSINESS TERMS: This Offer to Lease sets forth preliminary business terms and is **NOT a binding lease agreement**. The business terms outlined below (Premises, Term, Rent, Operating Costs, Tenant Improvements, Security Deposit, Renewal Options, and Additional Terms) do **NOT** create legally enforceable obligations to lease the Premises.

SUBJECT TO FORMAL LEASE: All business terms are subject to the parties negotiating and executing a formal Lease Agreement acceptable to both parties and their respective legal counsel, using Landlord's standard form industrial lease as the basis.

BINDING PROVISIONS: The following provisions **ARE binding** and enforceable: - Exclusivity (Section below) - Good Faith Negotiation (Section below) - Deposit (Section below) - Confidentiality - Acceptance and Irrevocability - Conditions Precedent (procedural terms only) - Lease Execution Deadline

EXCLUSIVITY (BINDING)

Exclusivity Period: For **60 days** from the date Landlord accepts this Offer ("Exclusivity Period"), Landlord agrees to:

1. Remove the Premises from the market
2. Not market the Premises to other prospective tenants
3. Not negotiate lease terms with any other party for the Premises
4. Not accept offers from other parties for the Premises
5. Negotiate the formal Lease exclusively with Tenant in good faith

Landlord's Breach: If Landlord breaches the exclusivity provision by leasing the Premises to another party or negotiating in parallel with other tenants during the Exclusivity Period, Landlord shall: - Immediately refund the Deposit to Tenant - Reimburse Tenant's reasonable due diligence costs (maximum \$25,000) including legal fees, architect fees, and environmental reports

Expiry: Exclusivity Period expires earlier of: - 60 days from acceptance - Execution of formal Lease - Automatic termination under Conditions Precedent or Lease Execution Deadline

GOOD FAITH NEGOTIATION (BINDING)

Obligation: Parties agree to negotiate the formal Lease in good faith based on the business terms outlined in this Offer.

Good Faith Standard: Good faith negotiation requires: 1. **Timely Responses:** Respond to lease drafts and comments within 5 business days 2. **Reasonable Positions:** Take reasonable positions on lease provisions consistent with market standards 3. **Willingness to Compromise:** Compromise on non-material terms while preserving material business terms from this Offer 4. **Landlord's Form:** Use Landlord's standard form industrial lease as starting point, modified to incorporate Offer terms 5. **No Material Changes:** Not seek material changes to business terms (rent, term, TI, free rent) outlined in this Offer

Breach Consequences: - **If Tenant breaches:** Deposit is forfeited to Landlord - **If Landlord breaches:** Deposit refunded to Tenant plus reimbursement of reasonable due diligence costs (maximum \$25,000)

Good Faith Failure: If parties negotiate in good faith but cannot reach agreement on the formal Lease by the Lease Execution Deadline, this Offer terminates and Deposit is refunded to Tenant. Neither party has further obligations.

DEPOSIT (BINDING)

Deposit Amount: \$50,000

Holder: Landlord's legal counsel in trust (Smith & Associates LLP)

Timing: Tenant shall deliver Deposit within 5 business days of Landlord's acceptance

Form: Wire transfer, certified cheque, or bank draft

DEPOSIT IS REFUNDABLE IF: 1. Conditions Precedent not satisfied by Conditions Deadline (unless failure caused by Tenant's breach or lack of commercially reasonable efforts) 2. Landlord breaches Exclusivity or Good Faith Negotiation obligations 3. Parties negotiate in good faith but cannot agree on formal Lease within Lease Execution Deadline 4. Landlord fails to deliver lease draft within 15 business days of Conditions being satisfied

DEPOSIT IS NON-REFUNDABLE IF: 1. Tenant breaches this Offer 2. Tenant breaches Good Faith Negotiation obligation 3. Tenant fails to satisfy Tenant's Conditions Precedent without commercially reasonable efforts 4. Tenant accepts premises at another property during Exclusivity Period 5. Tenant fails to execute Lease after all conditions satisfied and parties agreed on terms

APPLICATION IF LEASE EXECUTED: Deposit credited toward Security Deposit required under formal Lease

PREMISES (NON-BINDING BUSINESS TERM)

Property Address: 2500 Logistics Way, City A, ST 1C1 1C1

Unit/Suite: Unit 5

Rentable Area: 125,000 square feet (measurement per ANSI/BOMA Z65.2-2012 Method A)

Use: Warehousing, distribution, and ancillary office purposes

Building Class: Class A Industrial

Year Built: 2018

Clear Height: 32 feet

Shipping Doors: 18 truck-level doors, 2 drive-in doors

Parking: 100 exclusive spaces (0.80 spaces per 1,000 SF) - 80 standard, 20 trailer parking

Power: 2,000 amps, 600 volts, 3-phase

TERM (NON-BINDING BUSINESS TERM)

Lease Commencement: March 1, 2026 (or upon substantial completion of Landlord's Work, whichever is later)

Lease Term: 7 years

Lease Expiry: February 28, 2033

Early Occupancy: Tenant may occupy up to 60 days prior to Commencement Date for fixturing and installation of racking/equipment (rent-free, but operating costs apply)

RENT (NON-BINDING BUSINESS TERM)

Base Rent (Net - Triple Net Lease)

Period	Annual Rate (\$/SF)	Annual Amount	Monthly Amount
Year 1 (Mar 1, 2026 - Feb 28, 2027)	\$14.50	\$1,812,500	\$151,041.67
Year 2 (Mar 1, 2027 - Feb 28, 2028)	\$14.50	\$1,812,500	\$151,041.67
Year 3 (Mar 1, 2028 - Feb 29, 2029)	\$15.00	\$1,875,000	\$156,250.00
Year 4 (Mar 1, 2029 - Feb 28, 2030)	\$15.00	\$1,875,000	\$156,250.00
Year 5 (Mar 1, 2030 - Feb 28, 2031)	\$15.50	\$1,937,500	\$161,458.33
Year 6 (Mar 1, 2031 - Feb 28, 2032)	\$15.50	\$1,937,500	\$161,458.33
Year 7 (Mar 1, 2032 - Feb 28, 2033)	\$16.00	\$2,000,000	\$166,666.67

Rent Escalation: Fixed step-ups as outlined above (approximately 3.5% every 2 years)

Payment Terms: Base Rent payable monthly in advance on the first day of each month

FREE RENT (NON-BINDING BUSINESS TERM)

Free Rent Period: 6 months (first 6 months of Lease Term: March 1, 2026 - August 31, 2026)

Details: - Base Rent is fully abated during Free Rent Period - Tenant remains responsible for all Operating Costs, Realty Taxes, and Additional Rent during Free Rent Period - Free Rent is forfeited if Tenant defaults under Lease

OPERATING COSTS & REALTY TAXES (NON-BINDING BUSINESS TERM)

Structure: Triple Net Lease (NNN) - Tenant pays proportionate share of all operating costs and realty taxes

Tenant's Proportionate Share: 31.25% ($125,000 \text{ SF} \div 400,000 \text{ SF}$ total building rentable area)

Estimated Additional Rent (Year 1)

Cost Category	Estimated \$/SF	Estimated Annual Amount
Operating Costs (CAM)	\$2.85	\$356,250
Realty Taxes	\$3.20	\$400,000
Total Additional Rent	\$6.05	\$756,250

ESTIMATES ONLY: Above amounts are estimates for budgeting purposes only. Tenant pays actual costs based on Tenant's Proportionate Share.

Base Year: Calendar Year 2026 - Tenant pays proportionate share of actual costs (no cap)

Management Fee: 3% of Base Rent collected (paid by Landlord from Base Rent, not an additional charge to Tenant)

Reconciliation: Annual reconciliation within 90 days of year-end. Tenant pays monthly installments based on Landlord's annual budget.

TENANT IMPROVEMENTS (NON-BINDING BUSINESS TERM)

Tenant Improvement Allowance: \$25.00 per square foot

Total TI Allowance: \$3,125,000 ($125,000 \text{ SF} \times \$25.00/\text{SF}$)

Delivery Condition: Building standard shell condition with: - Functional HVAC system (heating/cooling for warehouse and office areas) - Electrical service to main panel (2,000 amps) - Life safety systems (sprinklers, fire alarm, emergency lighting) - Washroom facilities - Truck-level and drive-in shipping doors operational

Allowance Usage: - Landlord to construct Tenant Improvements per Tenant's approved plans and specifications - Allowance covers hard costs only: construction labor and materials, building permits, inspections - Tenant responsible for soft costs: architect, engineers, project management, furniture, racking, IT/telecom infrastructure, signage - Any costs exceeding the TI Allowance are Tenant's sole responsibility

Construction Process: 1. **Plans Submission:** Tenant submits plans within 30 days of Conditions being satisfied 2. **Landlord Approval:** Landlord approves plans within 15 business days (not to be unreasonably withheld) 3. **Construction Period:** Approximately 90-120 days from plan approval 4. **Substantial Completion Target:** February 15, 2026

Allowance Amortization: - TI Allowance amortized straight-line over 7-year initial term at 6% per annum - If Tenant completes full 7-year term, no repayment required - If Tenant defaults or terminates early, unamortized TI balance becomes immediately due and payable

SECURITY DEPOSIT (NON-BINDING BUSINESS TERM)

Amount: \$166,666.67 (equivalent to 1 month Base Rent plus estimated Additional Rent for Year 1)

Form: Unconditional, irrevocable Letter of Credit from Canadian chartered bank, or cash deposit

Timing: Delivered on or before Lease Commencement Date

Return: Returned within 30 days of Lease expiry, less any amounts owing to Landlord

Reduction: Security Deposit may be reduced by 50% after completion of Year 3 if: - Tenant has no monetary or material non-monetary defaults during first 3 years - Tenant maintains satisfactory financial condition (determined by Landlord reviewing Tenant's annual financial statements, acting reasonably)

RENEWAL OPTIONS (NON-BINDING BUSINESS TERM)

Number of Options: Two (2) consecutive renewal options

Renewal Terms: 5 years each (Renewal 1: March 1, 2033 - February 28, 2038; Renewal 2: March 1, 2038 - February 28, 2043)

Renewal Rent: Fair Market Rent (FMR) as of renewal commencement date for comparable industrial properties

Fair Market Rent Determination Process: 1. **Landlord's Proposal:** Landlord provides written FMR proposal to Tenant 12 months prior to expiry 2. **Negotiation Period:** Parties negotiate FMR for 60 days 3.

Arbitration: If parties cannot agree within 60 days, FMR determined by binding arbitration: - Each party appoints one licensed appraiser with industrial experience - Two appraisers attempt to agree on FMR - If cannot agree within 30 days, two appraisers appoint third appraiser - Third appraiser determines FMR (binding decision) - FMR based on comparable industrial properties within 5 km radius, similar size (100,000-200,000 SF), similar quality and age 4. **Arbitration Costs:** Each party pays its own appraiser; third appraiser costs split 50/50

Notice to Exercise: Tenant must provide written notice to exercise renewal option **12 months prior to Lease expiry** (firm deadline, time is of the essence)

Conditions: Renewal options conditional upon: - No monetary defaults outstanding at time of notice or renewal commencement - No more than two material non-monetary defaults during preceding lease term

No Additional Incentives: Renewal terms are for Base Rent and Additional Rent only. No free rent, TI allowance, or other tenant inducements unless mutually agreed in writing.

ADDITIONAL TERMS (NON-BINDING BUSINESS TERMS)

Assignment & Subletting

- Tenant may assign lease or sublet Premises with Landlord's prior written consent (not to be unreasonably withheld, conditioned, or delayed)
- Landlord consent conditions: creditworthiness of assignee/subtenant, use consistent with Permitted Use, no modifications to Premises
- Assignment/subletting processing fee: \$5,000 plus Landlord's reasonable legal costs (maximum \$3,000)
- Tenant remains liable after assignment unless Landlord provides written release (at Landlord's sole discretion)
- No profit-sharing on sublease rent (Tenant keeps all sublease proceeds)

Insurance Requirements

- Commercial General Liability: \$5,000,000 per occurrence
- All-Risk Property Insurance: Full replacement cost of Tenant's fixtures, equipment, and improvements
- Business Interruption Insurance: 12 months minimum coverage

- Landlord, Landlord's lenders, and property manager named as additional insureds
- 30 days notice of cancellation or material change to Landlord
- Waiver of subrogation in favor of Landlord

Use Restrictions

- **Permitted Use:** Warehousing, distribution, light assembly, and ancillary office purposes
- Up to 15% of Premises may be used for office purposes
- No outdoor storage except in designated trailer parking area
- No hazardous materials without Landlord's prior written approval and all required permits
- Compliance with all applicable laws, regulations, and by-laws
- No noxious odors, noise, or vibrations affecting other tenants

Parking

- 100 exclusive parking spaces included (no additional rent)
- 80 standard spaces for employee/visitor parking
- 20 trailer parking spaces
- Tenant responsible for snow removal and maintenance of parking area (alternative: Landlord provides as part of operating costs)

Utilities

- Tenant pays all utilities consumed at Premises
- Electricity, natural gas, water, and sewer separately metered and billed directly to Tenant by utility providers
- Telecommunications, internet, cable at Tenant's expense (Tenant arranges own providers)

Environmental Compliance

- Tenant responsible for compliance with all environmental laws
- Phase I Environmental Site Assessment dated [DATE] available for Tenant's review during due diligence period
- Tenant covenants not to cause environmental contamination
- Tenant indemnifies Landlord for any contamination caused by Tenant's operations or Tenant's hazardous materials
- At Lease expiry, Tenant provides clearance letter from environmental consultant confirming no contamination caused by Tenant

Default & Remedies (Subject to Lease Terms)

- Rent default: 5 business days written notice to cure
- Non-monetary default: 15 business days written notice to cure (or longer if cure reasonably requires more time and Tenant diligently pursuing cure)
- Landlord remedies upon default: Lease termination, re-entry, damages, acceleration of rent, distress (subject to formal Lease provisions)

Operating Expense Exclusions (Subject to Lease Negotiation)

The parties agree to negotiate standard operating expense exclusions in the formal Lease, including exclusions for: capital expenditures, capital repairs, leasing commissions, landlord's income taxes, costs of initial construction, and costs recoverable from other tenants or insurance proceeds.

CONDITIONS PRECEDENT (BINDING AS TO PROCESS)

This Offer and the parties' obligations to execute the formal Lease are conditional upon the following conditions being satisfied or waived by the **Conditions Deadline** of **30 days from the date of Landlord's acceptance**.

Tenant's Conditions (For Tenant's Sole Benefit)

1. **Due Diligence Review:** Tenant's review and approval (acting reasonably) of:
 - Building plans, specifications, and "as-built" drawings
 - Phase I Environmental Site Assessment showing no contamination requiring remediation
 - Current survey and title search showing Landlord has good title and right to lease
 - Landlord's standard form industrial lease
 - Zoning by-law confirmation that Premises zoned for Tenant's Permitted Use
2. **Lease Review:** Tenant's legal counsel reviews Landlord's form lease and Tenant approves lease structure (acting reasonably)
3. **Board Approval:** Tenant's board of directors approves lease transaction

Tenant's Obligations: Tenant shall use commercially reasonable efforts to satisfy Tenant's Conditions, including: - Retain environmental consultant within 10 days of acceptance to review Phase I ESA - Retain legal counsel within 10 days to review title and lease documentation - Provide evidence of board approval prior to Conditions Deadline

Landlord's Conditions (For Landlord's Sole Benefit)

1. **Financial Review:** Landlord's review and approval (acting reasonably) of Tenant's financial condition:
 - Tenant provides audited financial statements for last 3 fiscal years within 10 business days of acceptance
 - Current fiscal year interim financial statements (if available)
 - Credit bureau report acceptable to Landlord
 - Banking and trade references
2. **Creditworthiness:** Landlord determines (acting reasonably) that Tenant has sufficient creditworthiness and financial capacity to perform Lease obligations
3. **Personal Guarantees:** If Landlord reasonably requires, personal guarantees from Tenant's principal shareholders acceptable to Landlord
4. **Board Approval:** Landlord's board of directors or investment committee approves lease transaction

Satisfaction and Waiver

Conditions Deadline: All Conditions must be satisfied or waived **within 30 days of Landlord's acceptance** ("Conditions Deadline")

Waiver: - Tenant may waive Tenant's Conditions by written notice to Landlord - Landlord may waive Landlord's Conditions by written notice to Tenant - Party cannot waive conditions for other party's benefit

Due Diligence Standard: Each party must use commercially reasonable efforts to satisfy its own conditions. Party cannot rely on failure of condition if failure caused by that party's breach or lack of commercially reasonable efforts.

Automatic Termination

IF CONDITIONS NOT SATISFIED OR WAIVED BY CONDITIONS DEADLINE:

1. This Offer **automatically terminates** without further notice

2. Deposit **refunded to Tenant** within 5 business days (unless failure caused by Tenant's breach or lack of commercially reasonable efforts)
 3. **Neither party has further obligations** under this Offer
 4. **Exclusivity immediately expires**
 5. Confidentiality obligations survive
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LEASE EXECUTION DEADLINE (BINDING)

Formal Lease Preparation Timeline

Phase 1 - Lease Drafting (After Conditions Satisfied): - Landlord delivers first draft of formal Lease to Tenant: **15 business days** after Conditions Deadline - Lease to incorporate all business terms from this Offer using Landlord's standard form industrial lease

Phase 2 - Tenant Review: - Tenant reviews and provides comments to Landlord: **15 business days** after receipt of draft - Comments to address legal provisions not addressed in Offer (not changes to business terms)

Phase 3 - Negotiation: - Parties negotiate in good faith to finalize Lease: **30 days** from Tenant's comments - Focus on standard lease provisions (insurance, indemnity, default remedies, etc.) - Business terms from Offer prevail (rent, term, TI, free rent)

Lease Execution Deadline

Deadline: Formal Lease must be **fully executed by both parties within 60 days** of the Conditions Deadline ("Lease Execution Deadline")

Extension: Parties may extend Lease Execution Deadline by mutual written agreement

Automatic Termination If Lease Not Executed

IF FORMAL LEASE NOT EXECUTED BY LEASE EXECUTION DEADLINE:

1. This Offer **automatically terminates**
2. **Deposit Refunded to Tenant** (unless Tenant breached Good Faith Negotiation obligation)
3. **Exclusivity immediately expires**
4. **Neither party has further obligations**
5. Confidentiality obligations survive

Exception - Tenant Breach: If Tenant breached Good Faith Negotiation obligation (unreasonable positions, failure to respond, excessive demands on non-material terms), Deposit is forfeited to Landlord.

CONFIDENTIALITY (BINDING)

Obligation: Each party agrees to keep the terms of this Offer and all negotiations confidential.

Permitted Disclosures: - To party's legal counsel, accountants, and financial advisors - To party's board of directors or investment committee - To lenders or investors as required for financing - As required by law or court order

Survival: Confidentiality obligations survive termination of this Offer for 2 years.

ACCEPTANCE (BINDING)

Offer Irrevocability

Irrevocability Period: This Offer is **irrevocable** and remains open for Landlord's acceptance until **5:00 PM Eastern Time on November 20, 2025** ("Acceptance Deadline")

Cannot Be Revoked: Tenant cannot revoke or withdraw this Offer before Acceptance Deadline

If Not Accepted: If Landlord does not accept by Acceptance Deadline, this Offer is **void** and Tenant has no further obligations

Method of Acceptance

Acceptance Method: Landlord must accept by delivering signed copy of this Offer to Tenant by one of the following methods: - Email (PDF) to: [tenant.email@techdistribution.com] - Courier or hand delivery to: 456 Corporate Boulevard, City B, ST 2B2 2B2 - Fax to: [tenant fax number]

Effective When Received: Acceptance is effective when **received** by Tenant (not when sent by Landlord)

Business Hours: If received after 5:00 PM ET, acceptance deemed received next business day

Counteroffers

Any Modification Is Counteroffer: Any change to the terms of this Offer (including additions, deletions, or modifications) constitutes: - Rejection of this Offer by Landlord - A counteroffer by Landlord

Tenant May Accept or Reject Counteroffer: Tenant may accept or reject Landlord's counteroffer in Tenant's sole discretion. Original Offer is void once Landlord makes counteroffer.

BROKER COMMISSION (BINDING)

Landlord's Broker: XYZ Commercial Realty Inc. **Tenant's Broker:** ABC Tenant Representation Inc.

Commission Amount: - Each broker receives 4% of aggregate Base Rent over initial 7-year term - Total commission: 8% of Base Rent (split equally)

Commission Calculation: Based on face rent (not net effective rent), excluding Additional Rent

Payment Timing: - 50% upon Lease execution - 50% upon Tenant taking occupancy and commencing rent payments

Source: Landlord solely responsible for all brokerage commissions

Survival: Broker commission obligations survive termination of this Offer if termination caused by Landlord's breach.

LEGAL COSTS (BINDING)

Each Party Pays Own Costs: Each party responsible for its own legal, accounting, and consulting costs incurred in connection with this Offer and negotiation of the formal Lease.

Lease Preparation: Landlord pays cost of preparing formal Lease (Landlord's legal counsel). Tenant pays cost of reviewing Lease (Tenant's legal counsel).

No Reimbursement: Except as specifically provided in Exclusivity breach provisions, neither party reimburses the other's professional fees.

TENANT ACKNOWLEDGEMENTS

Tenant acknowledges and confirms:

1. **No Representations:** This Offer is made without any representation or warranty from Landlord regarding property condition, suitability for Tenant's intended use, or financial performance
 2. **Independent Due Diligence:** Tenant is responsible for independent due diligence during Conditions Precedent period
 3. **Inspection:** Tenant has inspected or will inspect the Premises and building before waiving Tenant's Conditions
 4. **As-Is Condition:** Premises delivered in "as-is" condition except for:
 - Landlord's Work and Tenant Improvements as specified above
 - Building systems (HVAC, electrical, life safety) in functional condition
 5. **Independent Advice:** Tenant has obtained or will obtain independent legal and financial advice before waiving Conditions and executing formal Lease
 6. **Authority:** Signatory has authority to bind Tenant to this Offer
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ENTIRE AGREEMENT

This Offer constitutes the entire agreement between the parties regarding the subject matter and supersedes all prior negotiations, understandings, and agreements (whether written or oral).

Amendments: Any amendment to this Offer must be in writing and signed by both parties.

Governing Law: This Offer governed by the laws of the Province/State of [jurisdiction] and federal laws of [Country] applicable therein.

FINANCIAL SUMMARY - ILLUSTRATIVE ONLY

IMPORTANT: The following financial summary is provided for **illustrative purposes only** and does **NOT** form part of the binding terms of this Offer. Actual costs and net effective rent may vary based on final lease terms, market conditions, and actual operating expenses.

Item	Amount
Total Base Rent (7 years)	\$13,250,000
Free Rent Abatement (6 months)	(\$906,250)
TI Allowance Provided	\$3,125,000
Est. Total Additional Rent (7 years)	\$5,293,750

EXECUTION

OFFERED BY TENANT:

Tech Distribution Corp. By: John Smith, President

Date: _____

ACCEPTED BY LANDLORD:

ABC Industrial Properties Inc. By: Jane Doe, Vice President

Date: _____

END OF OFFER TO LEASE