

BUILDING OPERATION AGREEMENT

This Building Operation Agreement is entered into on this 1st day of March 2026, by and between Kenneth T. Thompson (The Lilac House Bed and Breakfast, Inc.) (Hereto referred to as Lilac House) and Patrick Doud, LLC (Heretofore referred to as PDL). Lilac House is the owner of land and improvements whose address is: 7337 Market Street, Box 1267, Mackinac Island, Michigan 49757.

Lilac House makes available in consideration of the fees and covenants herein specified, does hereby Agree that PDL will operate the following described premises, situated and being in the City of Mackinac Island, County of Mackinac and State of Michigan, to wit:

The small building at 1500 Astor Street located on the Lilac House's land formerly known as "Threads".

Lilac House desires to have PDL operate the Building, and PDL desires to operate the Building from Lilac House for the term, at the fee and upon the provisions set forth herein.

THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration, it is agreed:

Term.

The Initial Term of the Agreement shall be for a period of five (5) years and begin on the 1st day of March 2026, and end on the 28th day of February 2030.

PDL may renew the Agreement for an additional five-years subject to the terms herein. PDL shall exercise such Renewal Option, if at all, by providing written notice to Lilac House not less than ninety (90) days prior to the expiration of the Initial Term. The Renewal Term shall be at the Fee set forth below and otherwise upon the same covenants, conditions and provisions as contained in this Agreement.

Operator Fee.

PDL shall pay to Lilac House during the Initial Term a fee of Five Thousand Dollars (\$5000.00) per year, due by March 15th of each year during the Term of this Agreement.

PDL will also pay a Security Deposit of Five Thousand Dollars (\$5,000.00) along with the Initial Terms Agreement Fee prior to March 15th 2026.

Should PDL desire to exercise their Renewal Option, the annual fee will increase to Ten Thousand Dollars (\$10,000.00). The Renewal Option Fee will be due annually beginning March 15th 2031 to Lilac House for the remainder of the Option Term.

Payments shall be sent to Lilac House at the following address: Box 1267 7337 Market Street Mackinac Island, Michigan 49757.

Prohibited Uses.

Notwithstanding the foregoing, PDL shall not use the Agreement Premises for the purposes of storing, manufacturing or selling any explosives, flammables or other inherently dangerous substance, chemical, thing or device.

Repairs.

During the Agreement term, PDL shall make, at PDL's expense, all necessary repairs to the Agreement Premises which are a result of any actions, or inactions, by PDL or its agents, employees or invitees. Repairs shall include any items damaged or worn through normal occupancy, except for major mechanical systems or structural items, subject to the obligations of the parties otherwise set forth in this Agreement.

Alterations and Improvements.

PDL, at PDL's expense, shall have the right, upon obtaining Lilac House's consent, to remodel, redecorate, and make additions, improvements and replacements of and to all or any part of the Agreement Premises from time to time as PDL may deem desirable, provided the same are made in a workmanlike manner and utilizing good quality materials. Upon granting consent for any Alterations or Improvements by PDL Lilac House will assist PDL, at PDL's expense, in obtaining any necessary permissions, permits or other required documentation.

PDL shall have the right to place and install personal property, trade fixtures, equipment and other temporary installations in and upon the Agreement Premises, and fasten the same to the premises. All personal property, equipment, machinery, trade fixtures and temporary installations, whether acquired by

PDL at the commencement of the Agreement term or placed or installed on the Agreement Premises by PDL thereafter, shall remain PDL's property free and clear of any claim by Lilac House. PDL shall have the right to remove the same at any time during the term of this Agreement provided that PDL shall repair, at PDL expense, all damage to the Agreement Premises caused by such removal.

Property Taxes.

Lilac House shall pay, prior to delinquency, all general real estate taxes and installments of special assessments coming due during the Agreement term on the Agreement Premises, and all personal property taxes with respect to Lilac House's personal property, if any, on the Agreement Premises. PDL shall be responsible for paying all personal property taxes with respect to PDL's personal property at the Agreement Premises. Should any special assessments or additional taxes be levied against the property as a result of any alterations or improvements made by PDL, PDL and Lilac House will discuss and come to an equitable financial resolution.

Insurance.

If the Agreement Premises or any other part of the Building is damaged by fire or other casualty resulting from any act of negligence by PDL or by any of PDL's agents, employees or invitees, the Agreement Fee shall not be diminished or abated while such damages are under repair, and PDL shall be responsible for the costs of repair not covered by insurance.

Lilac House shall maintain fire and general liability insurance on the Building and the Agreement Premises in such amount as Lilac House shall deem appropriate. PDL shall be responsible, at its expense, for fire and extended coverage insurance on all of its personal property, including removable trade fixtures, located in the Agreement Premises.

PDL and Lilac House shall, each at its own expense, maintain a policy or policies of comprehensive general liability insurance with respect to the particular activities of each in the Building with the premiums thereon fully paid on or before due date. Such insurance policy shall be issued by and binding upon an insurance company approved by Lilac House, and shall afford minimum protection of not less than \$500,000.00 combined single limit coverage of bodily injury, property damage or combination thereof. PDL shall provide Lilac House with current Certificates of Insurance Evidencing PDL compliance with this Paragraph and make Lilac House an additional co-insured on any policy covering the Agreement Premises.

Utilities.

PDL shall pay all charges for water, sewer, gas, electricity, telephone and other services and utilities used by PDL on the Agreement Premises during the term of this Agreement unless otherwise expressly agreed in writing by Lilac House. In the event that any utility or service provided to the Agreement Premises is not separately metered, Lilac House shall pay the amount due and separately invoice PDL for PDL's pro rata share of the charges.

PDL shall pay all such utility charges prior to the due date. PDL acknowledges that the Agreement Premises are designed to provide standard office use electrical facilities and standard office lighting. PDL shall not use any equipment or devices that utilize excessive electrical energy or which may, in Lilac House's reasonable opinion, overload the current wiring.

Should PDL desire to upgrade the electrical capacity of the premises, PDL shall obtain permission from Lilac House and PDL will be responsible for all costs incurred as part of any upgrades.

Signs.

Following Lilac House's consent, PDL shall have the right to place on the Agreement Premises, at locations selected by PDL, any signs which are permitted by applicable zoning ordinances and private restrictions. Lilac House may refuse consent to any proposed signage that is in Lilac House's opinion too large, deceptive, unattractive or otherwise inconsistent with or inappropriate to the Agreement Premises. Lilac House shall assist and cooperate with PDL in obtaining any necessary permission from governmental authorities or adjoining owners and occupants for PDL to place or construct the foregoing signs. PDL shall repair all damage to the Agreement Premises resulting from the removal of signs installed by PDL.

Entry.

Lilac House shall have the right to enter upon the Agreement Premises at reasonable hours to inspect the same, provided Lilac House shall not thereby unreasonably interfere with PDL business on the Agreement Premises.

Damage and Destruction.

If the Agreement Premises or any part thereof or any appurtenance thereto is so damaged by fire, explosion, flood, or other casualty, such damage or defects not being the result of any act of negligence by PDL or its agents, employees or invitees, that the same cannot be used for PDL purposes, PDL shall, within 30 days following damage to elect by notice to Lilac House to repair, reconstruct, or replace the same. In the event of minor damage to any part of the Agreement Premises unusable

for PDL's purposes, Lilac House shall promptly repair such damage at the cost of the Lilac House. In making the repairs called for in this paragraph, Lilac House shall not be liable for any delays resulting from strikes, governmental restrictions, inability to obtain necessary materials or labor or other matters which are beyond the reasonable control of Lilac House. PDL shall be relieved from paying fees and other charges during any portion of the Agreement term that the Agreement Premises are inoperable or unfit for occupancy, or use, in whole or in part, for PDL's purposes. Rentals and other charges paid in advance for any such periods shall be credited on the next ensuing payment(s), if any, but if no further payments are to be made, any such advance payments shall be refunded to. The provisions of this paragraph extend not only to the matters aforesaid, but also to any occurrence which is beyond PDL reasonable control and which renders the Agreement Premises, or any appurtenance thereto, inoperable or unfit for occupancy or use, in whole or in part, for PDL's purposes.

Default.

In the event of a default made by PDL in the payment of monthly fees when due to Lilac House, PDL shall have fifteen (15) days after receipt of written notice thereof to cure such default. In the event of a default made by PDL in any of the other covenants or conditions to be kept, observed and performed by PDL, PDL shall have thirty (30) days after receipt of written notice thereof to cure such default. In the event that the PDL shall fail to cure any default within the time allowed under this paragraph, Lilac House may declare the term of this Agreement ended and terminated by giving PDL written notice of such intention, and if possession of the Agreement Premises is not surrendered, Lilac House may reenter said premises. Lilac House shall have, in addition to the remedy above provided, any other right or remedy available to Lilac House on account of any PDL default, either in law or equity. Lilac House shall use reasonable efforts to mitigate its damages.

Quiet Possession.

Lilac House covenants and warrants that upon performance by PDL of its obligations hereunder, Lilac House will keep and maintain PDL in exclusive, quiet, peaceable and undisturbed and uninterrupted possession of the Agreement Premises during the term of this Agreement.

Condemnation.

If any legally, constituted authority condemns the Building or such part thereof which shall make the Agreement Premises unsuitable for usage, this Agreement shall cease when the public authority takes possession, and Lilac House and PDL shall account for fees as of that date. Such termination shall be without prejudice to the rights of either party to recover compensation from the condemning authority for any loss or damage caused by the condemnation. Neither party shall have any rights in or to any award made to the other by the condemning authority.

Security Deposit.

Lilac House shall hold the Security Deposit without liability for interest and as security for the performance by PDL of PDL covenants and obligations under this Agreement, it being expressly understood that PDL shall not consider the Security Deposit an advance payment of the Agreement Fee or a measure of Lilac House's damages in case of default. Unless otherwise provided by law or regulation, Lilac House may commingle the Security Deposit with Lilac House's other funds. Lilac House may, from time to time, without prejudice to any other remedy, use the Security Deposit to the extent necessary to make good any arrearages of fees or to satisfy any other covenant or obligation of PDL hereunder. Following any such application of the Security Deposit, PDL shall pay to Lilac House on demand the amount so applied in order to restore the Security Deposit to its original amount. If PDL is not in default at the termination of this Agreement, Lilac House shall return the balance of the Security Deposit remaining after any such application to PDL.

Notices:

Any notice required or permitted under this Agreement shall be deemed sufficiently given or served if sent by United States certified mail, return receipt requested, addressed as follows:

Lilac House: 7337 Market Street PO Box 1267 Mackinac Island, Michigan 49757

Patrick Doud, LLC: 7304 Main Street PO Box 336 Mackinac Island, Michigan 49757

Lilac House and PDL shall each have the right from time to time to change the place notice is to be given under this paragraph by written notice thereof to the other party.

Consent.

Lilac House shall not unreasonably withhold or delay its consent with respect to any matter for which Lilac House's consent is required or desirable under this Agreement.

Compliance with Law.

PDL and Lilac House each shall comply with all rules, laws, orders, ordinances and other public requirements now or hereafter affecting the Agreement Premises.

Final Agreement.

This Agreement terminates and supersedes all prior understandings or agreements on the subject matter

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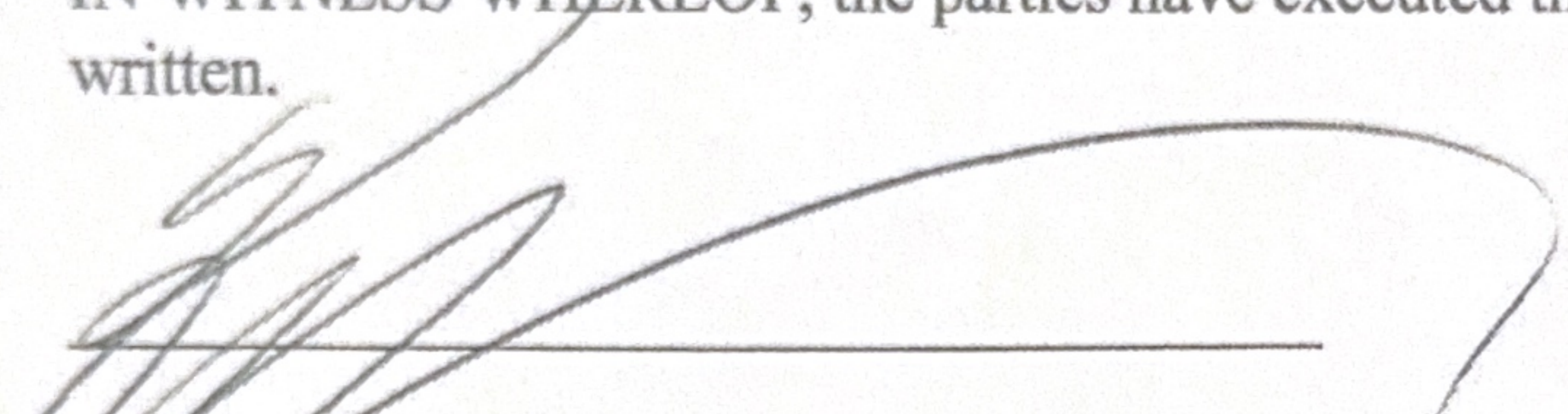
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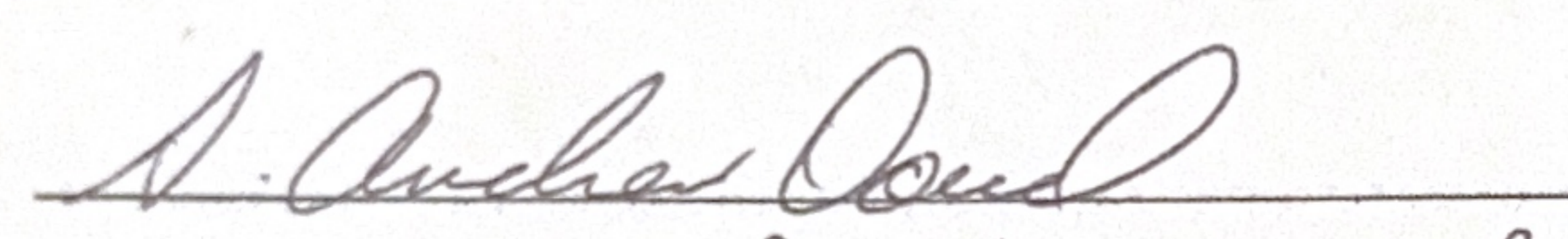
Final Agreement.

This Agreement terminates and supersedes all prior understandings or agreements on the subject matter hereof. This Agreement may be modified only by a further writing that is duly executed by both parties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.



Lilac House



Main Street LLC - Property owner Patrick Douds Pub
Patrick Douds LLC