UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-39061

DIRTT ENVIRONMENTAL SOLUTIONS LTD.
(Exact name of registrant as specified in its charter)

Alberta, Canada	**N/A**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
7303 30th Street S.E. Calgary, Alberta, Canada	**T2C 1N6**
(Address of principal executive offices)	**(Zip code)**

(Registrant's telephone number, including area code): (403) 723-5000

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Shares, without par value	**DRTT**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The registrant had 84,681,364 common shares outstanding as of April 30, 2020.

DIRTT ENVIRONMENTAL SOLUTIONS LTD.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2020

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (this "Quarterly Report") are "forward-looking statements" within the meaning of "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995, and Section 21E of the Exchange Act and "forward-looking information" within the meaning of applicable Canadian securities laws. All statements, other than statements of historical fact included in this Quarterly Report, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report, the words "anticipate," "believe," "expect," "estimate," "intend," "plan," "project," "outlook," "may," "will," "should," "would," "could," "can," the negatives thereof, variations thereon and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Forward-looking statements are based on certain estimates, beliefs, expectations and assumptions made in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that may be appropriate.

Forward-looking statements necessarily involve unknown risks and uncertainties, which could cause actual results or outcomes to differ materially from those expressed or implied in such statements. Due to the risks, uncertainties and assumptions inherent in forward-looking information, you should not place undue reliance on forward-looking statements. Factors that could have a material adverse effect on our business, financial condition, results of operations and growth prospects include, but are not limited to, the severity and duration of the COVID-19 pandemic and related economic repercussions and other risks described under the section titled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the U.S. Securities and Exchange Commission (the "SEC") and applicable securities commissions or similar regulatory authorities in Canada (the "Annual Report on Form 10-K"), and in this Quarterly Report under "Part II, Item 1A. Risk Factors." These factors include, but are not limited to, the following:

- competition in and changes to the interior construction industry;
- global economic, political, health and social conditions and financial markets, including those related to pandemics;
- our reliance on our network of Distribution Partners (as defined herein) for sales, marketing and installation of our solutions;
- our ability to maintain and manage growth effectively;
- our ability to introduce new designs, solutions and technology and gain client and market acceptance;
- loss of our key executives;
- labor overcapacity or shortages and disruptions in our manufacturing facilities;
- product liability, product defects and warranty claims brought against us;
- defects in our designing and manufacturing software;
- infringement on our patents and other intellectual property;
- cyber-attacks and other security breaches of our information and technology systems;
- material fluctuations of commodity prices, including raw materials;
- shortages of supplies or disruptions in the supply chain of certain key components and materials;
- our ability to balance capacity within our existing manufacturing facilities;
- our exposure to currency exchange rate, tax rate and other fluctuations that result from general economic conditions and changes in laws;

- legal and regulatory proceedings brought against us;
- the availability of capital or financing on acceptable terms, which may impair our ability to make investments in the business; and
- other factors and risks described under the heading “Risk Factors” included in our Annual Report filed on Form 10-K.

These risks are not exhaustive. Because of these risks and other uncertainties, our actual results, performance or achievement, or industry results, may be materially different from the anticipated or estimated results discussed in the forward-looking statements in this Quarterly Report. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors nor can we assess the effects of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in, or implied by, any forward-looking statements. Our past results of operations are not necessarily indicative of our future results. You should not rely on any forward-looking statements, which represent our beliefs, assumptions and estimates only as of the dates on which they were made, as predictions of future events. We undertake no obligation to update these forward-looking statements, even though circumstances may change in the future, except as required under applicable securities laws. We qualify all of our forward-looking statements by these cautionary statements.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

DIRTT Environmental Solutions Ltd.

Interim Condensed Consolidated Balance Sheets
(Unaudited – Stated in thousands of U.S. dollars)

	As at	
	March 31, 2020	**December 31, 2019**
ASSETS		
Current Assets		
Cash and cash equivalents	43,460	47,174
Trade and other receivables, net of expected credit losses of $0.7 million at March 31, 2020 and $0.1 million at December 31, 2019	23,165	24,941
Inventory	16,526	17,566
Prepaids and other current assets	4,033	3,340
Total Current Assets	**87,184**	**93,021**
Property, plant and equipment, net	38,772	41,365
Capitalized software, net	7,801	8,213
Operating lease right-of-use assets, net	18,802	20,661
Deferred tax assets, net	5,638	5,364
Goodwill	1,301	1,421
Other assets	4,766	5,518
Total Assets	**164,264**	**175,563**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	21,744	20,384
Other liabilities	4,850	5,187
Customer deposits and deferred revenue	4,609	3,567
Current portion of lease liabilities	5,014	5,287
Total Current Liabilities	**36,217**	**34,425**
Other long-term liabilities	13	35
Long-term lease liabilities	14,480	16,116
Total Liabilities	**50,710**	**50,576**
SHAREHOLDERS' EQUITY		
Common shares, unlimited authorized without par value, 84,681,364 issued and outstanding at March 31, 2020 and December 31, 2019	180,639	180,639
Additional paid-in capital	9,006	8,343
Accumulated other comprehensive loss	(24,796)	(18,028)
Accumulated deficit	(51,295)	(45,967)
Total Shareholders' Equity	**113,554**	**124,987**
Total Liabilities and Shareholders' Equity	**164,264**	**175,563**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

DIRTT Environmental Solutions Ltd.

Interim Condensed Consolidated Statement of Operations
(Unaudited – Stated in thousands of U.S. dollars)

	For the three months ended March 31,	
	2020	**2019**
Product revenue	40,299	63,840
Service revenue	682	1,221
Total revenue	**40,981**	**65,061**
Product cost of sales	27,290	40,068
Costs of under-utilized capacity	2,010	—
Service cost of sales	366	1,389
Total cost of sales	**29,666**	**41,457**
Gross profit	**11,315**	**23,604**
Expenses		
Sales and marketing	7,408	7,787
General and administrative	7,825	6,897
Operations support	2,532	2,482
Technology and development	2,165	2,117
Stock-based compensation	461	6,447
Reorganization	—	2,639
Total operating expenses	**20,391**	**28,369**
Operating loss	**(9,076)**	**(4,765)**
Foreign exchange (gain) loss	(2,319)	519
Interest income	(138)	(54)
Interest expense	35	49
	(2,422)	**514**
Loss before tax	**(6,654)**	**(5,279)**
Income taxes		
Current tax expense (recovery)	(581)	152
Deferred tax recovery	(745)	(166)
	(1,326)	**(14)**
Net loss	**(5,328)**	**(5,265)**
Loss per share		
Basic and diluted loss per share	(0.06)	(0.06)
Basic and diluted weighted average number of shares outstanding (stated in thousands)	84,681	84,661

	For the three months ended March 31,	
	2020	**2019**
Interim Condensed Consolidated Statement of Comprehensive Loss		
Loss for the period	(5,328)	(5,265)
Exchange differences on translation of foreign operations	(6,768)	2,096
Comprehensive loss for the period	**(12,096)**	**(3,169)**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

DIRTT Environmental Solutions Ltd.

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
(Unaudited – Stated in thousands of U.S. dollars, except for share data)

	Number of Common shares	Common shares	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity
As at December 31, 2018	**84,660,319**	**180,562**	**6,615**	**(22,092)**	**(41,571)**	**123,514**
Issued on exercise of stock options	1,053	4	(1)	—	—	3
Stock-based compensation	—	—	(429)	—	—	(429)
Foreign currency translation adjustment	—	—	—	2,096	—	2,096
Net loss for the period	—	—	—	—	(5,265)	(5,265)
As at March 31, 2019	**84,661,372**	**180,566**	**6,185**	**(19,996)**	**(46,836)**	**119,919**
As at December 31, 2019	**84,681,364**	**180,639**	**8,343**	**(18,028)**	**(45,967)**	**124,987**
Stock-based compensation	—	—	663	—	—	663
Foreign currency translation adjustment	—	—	—	(6,768)	—	(6,768)
Net loss for the period	—	—	—	—	(5,328)	(5,328)
As at March 31, 2020	**84,681,364**	**180,639**	**9,006**	**(24,796)**	**(51,295)**	**113,554**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

DIRTT Environmental Solutions Ltd.

Interim Condensed Consolidated Statement of Cash Flows
(Unaudited – Stated in thousands of U.S. dollars)

	For the three months ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss for the period	(5,328)	(5,265)
Adjustments:		
Depreciation and amortization	3,132	3,395
Stock-based compensation, net of settlements	461	5,681
Foreign exchange gain	(2,214)	(2)
Loss on disposal of property, plant and equipment	—	62
Deferred income tax recovery	(745)	(166)
Changes in operating assets and liabilities:		
Trade and other receivables	1,436	6,918
Inventory	35	439
Prepaid and other current assets	(897)	(301)
Other assets	173	112
Trade accounts payable and other liabilities	2,130	(1,626)
Lease liabilities	(27)	(146)
Customer deposits	1,084	(1,701)
Net cash flows (used in) provided by operating activities	**(760)**	**7,400**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,678)	(1,384)
Capitalized software development expenditures and other asset expenditures	(970)	(503)
Recovery of software development expenditures	75	75
Proceeds on sale of property, plant and equipment	—	44
Changes in accounts payable related to investing activities	118	(336)
Net cash flows used in investing activities	**(2,455)**	**(2,104)**
Cash flows from financing activities:		
Cash received on exercise of stock options	—	5
Repayment of long-term debt	—	(5,561)
Net cash flows used in financing activities	**—**	**(5,556)**
Effect of foreign exchange on cash and cash equivalents	(499)	907
Net increase (decrease) in cash and cash equivalents	**(3,714)**	**647**
Cash and cash equivalents, beginning of period	47,174	53,412
Cash and cash equivalents, end of period	**43,460**	**54,059**
Supplemental disclosure of cash flow information:		
Interest paid	(35)	(49)
Income taxes paid	—	(48)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. GENERAL INFORMATION

DIRTT Environmental Solutions Ltd. and its subsidiaries ("DIRTT," the "Company," "we" or "our") is a leading technology-driven manufacturer of highly customized interiors. DIRTT combines its proprietary 3D design, configuration and manufacturing software ("ICE®" or "ICE Software") with integrated in-house manufacturing of its innovative prefabricated interior construction solutions and an extensive distribution partners network ("Distribution Partners"). ICE provides accurate design, drawing, specification, pricing and manufacturing process information, allowing rapid production of high-quality custom solutions using fewer resources than traditional manufacturing methods. ICE is also licensed to unrelated companies and Distribution Partners of the Company. DIRTT is incorporated under the laws of the province of Alberta, Canada, its headquarters is located at 7303 – 30th Street S.E., Calgary, AB, Canada T2C 1N6 and its registered office is located at 4500, 855 – 2nd Street S.W., Calgary, AB, Canada T2P 4K7. DIRTT's common shares trade on the Toronto Stock Exchange under the symbol "DRT" and on The Nasdaq Global Select Market ("Nasdaq") under the symbol "DRTT".

2. BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements (the "Financial Statements") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X and, accordingly, the Financial Statements do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of the Company, the Financial Statements contain all adjustments necessary, consisting of only normal recurring adjustments, for a fair statement of its financial position as of March 31, 2020, and its results of operations and cash flows for the three months ended March 31, 2020 and 2019. The condensed balance sheet at December 31, 2019, was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements. These Financial Statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 included in the Form 10-K of the Company as filed with the U.S. Securities and Exchange Commission. As described in Note 4, the Company adopted new accounting standards relating to credit losses and cloud computing effective January 1, 2020. The impact of these standards have been described in Note 4.

In these Financial Statements, unless otherwise indicated, all dollar amounts are expressed in United States ("U.S.") dollars. DIRTT's financial results are consolidated in Canadian dollars, the Company's functional currency, and the Company has adopted the U.S. dollar as its reporting currency. All references to US$ or $ are to U.S. dollars and references to C$ are to Canadian dollars.

Principles of consolidation

The Financial Statements include the accounts of DIRTT and its subsidiaries. All intercompany balances, income and expenses, unrealized gains and losses and dividends resulting from intercompany transactions have been eliminated on consolidation.

Basis of measurement

These Financial Statements have been prepared on the historical cost convention except for certain financial instruments and certain components of stock-based compensation that are measured at fair value. Historical cost
is generally based on the fair value of the consideration given in exchange for assets. The Company's quarterly tax provision is based upon an estimated annual effective tax rate.

Seasonality

Sales of the Company's products are driven by consumer and industrial demand for interior construction solutions. The timing of customer's construction projects can be influenced by a number of factors including the prevailing economic climate and weather.

3. COVID-19

On March 11, 2020, the coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization and has had extraordinary and rapid negative impacts on global societies, workplaces, economies and health systems. The impact of COVID-19 on DIRTT's business in the near and mid-term is highly uncertain. Stay at home policies in multiple jurisdictions combined with resulting adverse economic conditions are expected to negatively impact construction activity in the near term at the very least, with potential significant negative impacts extending to the end of 2020 and beyond. While many construction sites remain open across North America, certain projects currently underway are experiencing delays, impacted by both the implementation of social distancing and other safety related measures. The timing and pace of economic recovery, or the resumption of construction activity and related demand, is not possible to predict nor its impact on achievement of DIRTT's business objectives.

Key sources of estimation uncertainty can be found in the Company's annual consolidated financial statements for the year ended December 31, 2019. The COVID-19 outbreak has increased the complexity of estimates and assumptions used to prepare the interim condensed consolidated financial statements, particularly related the following key sources of estimation uncertainty:

Credit risk

COVID-19 may cause DIRTT's Distribution Partners to experience liquidity issues and this may result in higher expected credit losses or slower collections. Management estimated the impact at March 31, 2020 of expected credit losses and have increased the provision by $0.6 million (see Note 5). Management will continue to reassess forward looking information and the impact of COVID-19 on Distribution Partners in subsequent periods and the estimation of such credit losses is complex because of limited historical precedent for the current economic situation.

Liquidity risk

The Company may have lower cash flows from operating activities available to service debts due to lower sales or collections. Information about our credit facilities is presented in Note 6.

Impairment

At March 31, 2020, our market capitalization was less than the book value of our equity which is an indicator of impairment. Management compared forecasted undiscounted cash flows to the book values of non-current assets and determined an impairment provision was not required at March 31, 2020. The impact of COVID-19 on DIRTT's Distribution Partners or the Company's operations may change cash flows and impact the recoverability of our assets. Furthermore, COVID-19 is a rapidly evolving situation and may have an impact on our ability to accurately use historical sales trends and cash flows to forecast future results leading to additional estimation uncertainty with respect to impairment testing.

Deferred tax assets ("DTA")

The Company's ability to generate future taxable income may be impacted by COVID-19 which creates additional uncertainty regarding the recoverability of DTAs. To the extent additional taxable losses are generated, this may present significant unfavorable evidence of recoverability of DTAs and require the Company to recognize valuation allowances against DTA.

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

On January 1, 2020, the Company adopted ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses in Financial Instruments*" and the subsequent amendments to the initial guidance issued in April 2019 within ASU No. 2019-04, May 2019 within ASU No. 2019-05 and February 2020 within ASU No. 2020-02 ("ASU 326"). These ASUs replace the incurred loss methodology with an expected loss methodology that is referred to as the Current Expected Credit Loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance and net investments in leases recognized by a lessor in accordance with Topic 842 on Leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost. Results for reporting periods beginning after January 1, 2020 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable accounting principles generally accepted in the United States of America ("GAAP"). The adoption of this standard did not have a significant impact on the Company, and no adjustment was required to retained earnings as of January 1, 2020 for the cumulative effect of adopting ASC 326.

On January 1, 2020, the Company adopted ASU 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract" which amends ASC 350-40, "*Intangibles – Goodwill and Other – Internal-Use Software*" ("ASU 2018-15"). ASU 2018-15 clarifies that if a company has the contractual right to take possession of the hosted software at any time during the hosting period without incurring a significant penalty and if a company can feasibly run the software on its own hardware or contract with a third party unrelated to the vendor to host the software, the arrangement is not impacted by ASU 2018-15. If both these conditions are not met, ASU 2018-15 deems the hosting arrangement to be a service contract. The capitalization criteria for implementation costs of a service contract are consistent with the requirements of ASC 350-40 and impairment will be assessed consistent with policies applied to long lived assets. However, these capitalized implementation costs will be amortized over the life of the hosting arrangement and will be classified in the balance sheet and statement of operations in the same lines where software license costs are accounted for.

The Company adopted this amendment using the prospective transition approach, and no adjustments were required as a result of adoption.

5. TRADE AND OTHER RECEIVABLES

Accounts receivable are recorded at the invoiced amount, do not require collateral and do not bear interest. The Company estimates an allowance for credit losses using the lifetime expected credit loss at each measurement date taking into account historical credit loss experience as well as forward-looking information in order to establish rates for each class of financial receivable with similar risk characteristics. Adjustments to this estimate are recognized in the statement of operations.

In order to manage and assess our risk, management maintains credit policies that include regular review of credit limits of individual receivables and systematic monitoring of aging of trade receivables and the financial wellbeing of our customers. The majority of our trade balances are spread over a broad Distribution Partner base, which is geographically dispersed. No Distribution Partner accounts for greater than 10% of revenue. In addition, and where possible, we collect a 50% deposit on sales, excluding government and certain other clients.

The Company's aged receivables were as follows:

	As at	
	March 31, 2020	December 31, 2019
Current	18,729	20,087
Overdue	2,018	2,401
	20,747	**22,488**
Less: expected credit losses	(741)	(84)
	20,006	**22,404**
Sales tax receivable	444	402
Income tax receivable	2,715	2,135
	23,165	**24,941**

Due to the uncertainties associated with the COVID 19 pandemic as well as the disruption to businesses in North America, the overall credit quality of certain receivables has declined at March 31, 2020 compared to January 1, 2020. As a result of this consideration and the Company's ongoing review of credit quality of receivables, expected credit losses were increased by $0.6 million during the quarter ended March 31, 2020.

6. LONG-TERM DEBT

On July 19, 2019, the Company entered into a C$50.0 million senior secured revolving credit facility with the Royal Bank of Canada (the "RBC Facility"). The RBC Facility has a three-year term and can be extended for up to two additional years at the Company's option. Interest is calculated at the Canadian or U.S. prime rate with no adjustment, or the bankers' acceptance rate plus 125 basis points. The RBC Facility is subject to a minimum fixed charge coverage ratio of 1.15:1 and a maximum debt to Adjusted EBITDA ratio of 3.0:1 (earnings before interest, tax, depreciation and amortization, non-cash stock-based compensation, plus or minus extraordinary or unusual non-recurring revenue or expenses). As at March 31, 2020, the RBC Facility was undrawn, the Company was in compliance with all of the covenants of the RBC Facility and the available borrowing base was C$30.0 million.

Subsequent to March 31, 2020, the Company entered into a C$5.0 million equipment leasing facility in Canada and a $16.0 million equipment leasing facility in the United States (the "Leasing Facilities"), which are available for certain expenditures already incurred. The Leasing Facilities, respectively, have seven and five-year terms and bear interest at 4.25% and 3.5%. The U.S. leasing facility is extendible for an additional year.

7. STOCK-BASED COMPENSATION

Stock-based compensation expense

	For the three months ended March 31,	
	2020	2019
Stock options	663	6,275
PSUs	(8)	18
DSUs	(194)	154
	461	**6,447**

Stock Options

For the three months ended March 31, 2020, stock-based compensation expense related to stock options was $0.7 million (2019 – $6.3 million expense). During the three months ended March 31, 2019, the Company

accounted for the fair value of outstanding stock options at the end of the reporting period as a liability, with changes in the liability recorded through net income as a stock-based compensation fair value adjustment ("cash-settlement"). On October 9, 2019, following its listing on Nasdaq, the Company ceased cash-settlement of stock options and the associated liability accounting for stock options. For the three months ended March 31, 2019, the Company paid $0.8 million on the surrender of cash settled stock options. The following summarizes options granted, exercised, surrendered, forfeited and expired during the periods:

	Number of options	Weighted average exercise price C$
Outstanding at December 31, 2018	**6,858,376**	**5.88**
Surrendered for cash	(819,765)	5.21
Exercised	(1,053)	3.72
Forfeited	(108,191)	5.32
Expired	(2,084)	5.97
Outstanding at March 31, 2019	**5,927,283**	**5.88**
Outstanding at December 31, 2019	**6,156,652**	**6.49**
Forfeited	(523,549)	6.80
Outstanding at March 31, 2020	**5,633,103**	**6.46**
Exercisable at March 31, 2020	**2,188,745**	**6.06**

Range of exercise prices of options outstanding at March 31, 2020:

	Options outstanding			Options exercisable		
Range of exercise prices	Number outstanding	Weighted average remaining life	Weighted average exercise price C$	Number exercisable	Weighted average remaining life	Weighted average exercise price C$
C$4.01 – C$5.00	22,537	4.64	4.12	—		
C$5.01 – C$6.00	686,811	1.64	5.76	686,811	1.64	5.76
C$6.01 – C$7.00	4,131,512	2.92	6.32	1,501,934	1.94	6.19
C$7.01 – C$8.00	792,243	4.13	7.84	—		
Total	**5,633,103**			**2,188,745**		

Performance share units ("PSUs")

As at March 31, 2020, there were 197,471 PSUs outstanding (December 31, 2019 – 223,052) accounted for at a value of $0.01 million (December 31, 2019 – $0.02 million) which is included in other long-term liabilities on the balance sheet.

Deferred share units ("DSUs")

As at March 31, 2020, there were 216,512 DSUs outstanding (December 31, 2019 – 132,597) accounted for at a value of $0.2 million, which is included in current portion of other liabilities on the balance sheet (December 31, 2019 – $0.4 million).

Dilutive instruments

For the three months ended March 31, 2020, 5.6 million stock options (2019 – 5.9 million) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive to the net loss per share.

8. REVENUE

In the following table, revenue is disaggregated by performance obligation and timing of revenue recognition. All revenue comes from contracts with customers. See Note 9 for the disaggregation of revenue by geographic region.

	For the three months ended March 31,	
	2020	2019
Product	35,998	56,949
Transportation	3,995	6,359
Licenses	306	532
Total product revenue	40,299	63,840
Installation and other services	682	1,221
	40,981	**65,061**

DIRTT sells its products and services pursuant to fixed-price contracts, which generally have a term of one year or less. The transaction price used in determining the amount of revenue to recognize is based upon agreed contractual terms with the customer and is not subject to variability.

	For the three months ended March 31,	
	2020	2019
At a point in time	39,993	63,308
Over time	988	1,753
	40,981	**65,061**

Revenue recognized at a point in time represents the majority of the Company's sales and revenue is recognized when a customer obtains legal title to the product, which is when ownership of products is transferred to, or services are delivered to the contract counterparty. Revenue recognized over time is limited to installation and other services provided to customers and is recorded as performance obligations which are satisfied over the term of the contract.

Contract Liabilities

	As at		
	March 31, 2020	December 31, 2019	December 31, 2018
Customer deposits	3,590	2,436	6,746
Deferred revenue	1,019	1,131	955
Contract liabilities	**4,609**	**3,567**	**7,701**

Contract liabilities primarily relate to deposits received from customers and deferred revenue from license subscriptions. The balance of contract liabilities was higher as at March 31, 2020 compared to December 31, 2019 mainly due to the timing of orders and payments. Contract liabilities as at December 31, 2019 and 2018, respectively, totaling $2.7 million and $6.8 million were recognized as revenue during the year-to-date periods ended March 31, 2020 and 2019, respectively.

Sales by Industry

The Company periodically reviews the growth of product and transportation revenue by vertical market to evaluate the success of industry-specific sales initiatives. The nature of products sold to the various industries is consistent and therefore review is focused on sales performance.

	The three months ended March 31,	
	2020	2019
Commercial	28,274	42,149
Healthcare	5,063	12,914
Government	3,127	4,099
Education	3,529	4,146
License fees from Distribution Partners	306	532
Total product and transportation revenue	**40,299**	**63,840**
Installation and other services	682	1,221
	40,981	**65,061**

9. SEGMENT REPORTING

The Company has one reportable and operating segment and operates in two principal geographic locations – Canada and the United States. Revenue continues to be derived almost exclusively from projects in North America and predominantly from the United States, with periodic international projects from North American Distribution Partners. The Company's revenue from operations from external customers, based on location of operations, and information about its non-current assets, are detailed below.

Revenue from external customers

	For the three months ended March 31,	
	2020	2019
Canada	5,986	7,068
U.S.	34,995	57,993
	40,981	**65,061**

Non-current assets, excluding deferred tax assets

	As at	
	March 31, 2020[1]	December 31, 2019[1]
Canada	42,645	47,892
U.S.	28,797	29,286
	71,442	**77,178**

(1) Amounts include property, plant and equipment, capitalized software, operating lease right-of-use assets, goodwill and other assets.

10. INCOME TAXES

Stock based compensation expense is not deductible in the calculation of income taxes in Canada. Accordingly, the fair value adjustment recorded during the period ended March 31, 2019 impacted our effective tax rate during that period.

11. COMMITMENTS

As at March 31, 2020, the Company had outstanding purchase obligations of approximately $9.8 million related to inventory and property, plant and equipment purchases. As at March 31, 2020, the Company had undiscounted operating lease liabilities of $22.4 million.

During 2019, the Company entered into a lease agreement with a term of 25 years, expected to commence in the second half of 2020, associated with the construction of a new combined tile and millwork facility in Rock Hill, South Carolina ("South Carolina Plant"). Undiscounted rent obligations associated with this lease are $26.6 million.

During the first quarter of 2020, the Company entered into a lease agreement with a term of 12 years, expected to commence in the second half of 2020, associated with a new DIRTT Experience Center ("DXC") in Plano, Texas. Undiscounted rent obligations associated with this lease are $6.3 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited interim condensed consolidated financial statements and related notes and other financial information appearing in this Quarterly Report. This discussion contains forward-looking statements reflecting our current expectations and estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those described under the headings "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" appearing elsewhere in this Quarterly Report.

We have revised our calculation of Adjusted EBITDA and Adjusted Gross Profit, non-GAAP financial measures, for the presented periods compared to the comparable prior period. For additional information, see "– Non-GAAP Financial Measures – EBITDA and Adjusted EBITDA for the Three Months Ended March 31, 2020 and 2019." and "– Non-GAAP Financial Measures – Adjusted Gross Profit and Adjusted Gross Profit Margin for the Three Months Ended March 31, 2020 and 2019."

Summary of Financial Results

- Revenues for the quarter ended March 31, 2020 were $41.0 million, a decline of $24.1 million or 37% from $65.1 million for the quarter ended March 31, 2019. We believe the decline is principally related to the ongoing effects of disruptions in our sales activity levels stemming from the transitional state of our commercial function as we implement our strategic plan.
- Gross profit for the quarter ended March 31, 2020 was $11.3 million or 27.6% of revenue, a decline of $12.3 million or 52% from $23.6 million or 36.3% of revenue for the quarter ended March 31, 2019. This reduction was attributable to our decline in revenues and the impact of fixed costs on lower revenues. The first quarter of 2019 includes $1.5 million of costs incurred to mitigate future tile warping.
- Adjusted Gross Profit (see "– Non-GAAP Measures") for the quarter ended March 31, 2020 was $15.6 million or 38.0% of revenue, a $10.2 million or 40% decline from $25.8 million or 39.6% of revenue for the quarter ended March 31, 2019 for the above noted reasons. Excluded from Adjusted Gross Profit in 2020 are $2.0 million of overhead costs associated with operating at lower than normal capacity levels, which were charged directly and separately to cost of sales rather than as a cost attributable to production. Between January and April, 2020, we reduced our manufacturing workforce by 25% to bring labor capacity in line with expected ongoing requirements.
- Net loss for the quarter ended March 31, 2020 was $5.3 million, consistent with $5.3 million for the quarter ended March 31, 2019. Compared to the prior year period, the above noted reduction in gross profit, a $0.8 million increase in litigation costs and a $0.6 million increase in expected credit losses were offset by a $6.0 million reduction in stock based compensation expense, a $2.6 million reduction in reorganization expenditures, a $0.8 million reduction in commission expenses, a $1.3 million recovery of income taxes, a $2.8 million net increase in foreign exchange gains, and other operating expenditure reductions.
- Adjusted EBITDA (see "– Non-GAAP Measures") for the quarter ended March 31, 2020 was a $5.5 million loss or (13.4)% of revenue, a decline of $13.2 million from $7.7 million, or 11.9% of revenue, for the quarter ended March 31, 2019 for the above noted reasons. We changed our calculation of Adjusted EBITDA beginning in the fourth quarter of 2019 to exclude the impacts of foreign exchange to improve year-on-year comparability of Adjusted EBITDA.

Outlook

On November 12, 2019, DIRTT unveiled a four-year strategic plan for the Company, based on three key pillars: commercial execution, manufacturing excellence and innovation. This plan lays out a roadmap to transform a founder-led start-up into a professionally managed operating company. Our long-term objective is to scale our operations to profitably capture the significant market opportunity created by driving conversion from conventional construction to DIRTT's process of modular, prefabricated interiors.

In the first quarter of 2020, we continued our focus on implementing our strategic plan, including the creation of a more comprehensive and effective sales and marketing function. In March, with the onset of the COVID-19 crisis and associated world-wide economic uncertainties, we evaluated cost control initiatives and conducted a thorough assessment of our financial liquidity. In response to the global pandemic, we quickly took the following series of actions:

- Implemented enhanced safety protocols to protect our employees, including work-from-home policies for our non-factory workforce, plant access restrictions and social distancing measures within our factories and establishment of contingency plans, all as recommended by local and national health authorities.
- Established a Rapid Healthcare Response Team to develop and market rapid healthcare deployment solutions to meet the immediate and mid-term needs of local and regional health authorities.
- Commenced evaluation of potential downside operational risk scenarios and development of action plans, including plant labor requirements, supply chain risks and mitigations, and credit risk exposure.
- Eliminated or deferred uncommitted non-critical or discretionary spending. This includes the deferral of many of our planned sales and marketing hires and our annual Connext tradeshow.
- Began evaluation of the availability of federal aid programs.
- Commenced the process to secure incremental access to liquidity, including a covenant holiday on our existing credit facility to October 2020, subject to certain borrowing base calculations, and the establishment of approximately $19.6 million of equipment leasing facilities, of which $7.4 million is expected to be drawn in May.

The impact of COVID-19 on our business in the near and mid-term is uncertain. Stay-at-home policies in multiple jurisdictions combined with the resulting adverse economic conditions are likely to negatively impact commercial construction activity in the near term, with potential significant negative impacts extending to the end of 2020 and beyond. While many construction sites remain open across North America, several DIRTT projects currently underway are experiencing delays, impacted by the implementation of social distancing and other safety-related measures.

The pandemic-related stresses placed upon North American healthcare systems have spurred increased immediate spending but are also expected to drive ongoing mid- and long-term investments in healthcare infrastructure. With our new capabilities in sales and marketing, we were able to develop a Rapid Response Healthcare Solution quickly and increase our visibility substantially with healthcare end users. The relationships initiated during this time of crisis are an important opportunity to nurture in the post pandemic environment and our strategic plan has positioned us to do so.

We are working closely with our Distribution Partners to understand expected activity levels and are monitoring our opportunity pipeline and our daily order entry relative to our plant capacity and labor force requirements. We are also actively working to expand our distribution network, including recently bringing on strong new Distribution Partners, one in Texas and one in Wisconsin. In addition, we have been increasing our activities with general contractors and government agencies to introduce new audiences to DIRTT's modular solutions.

Average daily orders for the month of April 2020 were slightly lower than the average daily orders experienced in the first quarter of 2020. Consequently, in April, we reduced both our Savannah and Phoenix plants to a single shift and further reduced production headcount in our Calgary plants. As a result of these actions and taking into account the reductions that occurred between January and April, 2020, our plant headcount is approximately 25% lower than that at December 31, 2019, which we believe is right sized for current activity levels. We will continue to evaluate plant capacity within the context of daily order trends, expected revenues and forecasted demand and adjust our labor capacity upwards or downwards accordingly.

In response to the COVID-19 pandemic, both the US and Canadian governments enacted federal aid programs, including both credit support and payroll subsidies. We have determined that the US programs, in their current form, are either not applicable or not beneficial. In Canada, we intend to apply for the Canada Emergency Wage Subsidy; however, there is uncertainty as to whether we qualify under the current enacted legislation due to the exclusion of non-arms length sales to our US subsidiary in the eligibility calculations. Therefore, there can be no assurance that our application will be accepted by the Canadian authorities nor the subsidy received.

As maintaining liquidity through this uncertain period is paramount, we are highly focused on cash conservation and conversion of working capital to cash. This includes an increased focus on accounts receivable collections. Despite this focus, we increased our expected credit losses during the quarter by $0.6 million to reflect increased collection risk related to certain Distribution Partners. In April 2020, we acquired trade credit insurance effective April 1, 2020. Net working capital as at March 31, 2020 was $51.0 million ($58.6 million at December 31, 2019) and included $43.5 million of cash with no debt ($47.2 million with no debt at December 31, 2019).

At the end of the first quarter, we had C$30 million of unused capacity under our revolving credit facility. Subsequent to March 31, 2020, we entered into a 7-year revolving C$5.0 million equipment capital lease facility to fund approximately C$3.8 million of equipment purchases in 2019 and future equipment purchases at an implied lease rate of 4.25%. We also entered into a 5-year $16.0 million equipment capital lease facility to fund equipment purchases for our new South Carolina Plant, including $4.7 million of equipment purchases and deposits made in 2019. The facility is extendible by an additional year at our option and is at an implied lease rate of 3.5%. In addition, we reached an agreement in principle, subject to completion of final documentation, with our lender to provide near-term covenant relief on our existing revolving credit facility, modifying the borrowing base to be based on working capital subject to an aggregate cap of C$50 million including the aforementioned leasing facilities. The covenant relief extends until October 2020, at which point we will seek further relief if necessary.

While we have taken significant measures to reduce COVID-19-related disruption risks within our plants, the pandemic highlights the risk of single plant manufacturing for our tile and millwork solutions. Accordingly, with the establishment of the US equipment leasing facility and the increased liquidity it provides, we expect that commissioning activities for our new, highly automated South Carolina Plant's chromacoat production line will begin in the second half of 2020. We expect commercial operations to commence in the first half of 2021. With significant automation and the US east coast location, we believe the South Carolina Plant will provide substantial improvements in cost and labor efficiency, material yield and transportation savings. The incremental cash cost of commissioning the South Carolina Plant is approximately $4 million, of which approximately $2 million is expected to be funded with our new capital lease facility and approximately $2 million will be funded with cash on hand. We will defer the millwork component, expected to cost approximately $2 million of the total $18.5 million cost, until later in 2021.

The timing and pace of economic recovery, or the resumption of construction activity and related demand, and its effect on achievement of our long-term strategic plan is not possible to predict at this time. Regardless, we believe that the pandemic is likely to have major impacts on the modern workplace environment. This could lead to a reduction in open office environments and increased demand for social spacing and separation within the workplace. Alternative work arrangements, such as work from home, may become more prevalent. We strongly

believe DIRTT's modular approach to construction, which both provides future flexibility and reduces on-site job labor, will play a meaningful role going forward and that the strategic plan we are implementing positions us to take advantage of opportunities.

Our priorities in this challenging time are straightforward. First and foremost, we believe that we are taking every precaution and making every accommodation required to keep our employees safe. We are taking steps that we believe may facilitate adequate financial liquidity to see us through to a resumption of pre-pandemic business activity. We are managing our costs and investments prudently so that we emerge from this global pandemic a stronger company, including mitigating manufacturing risk and increasing efficiencies with continued focus on lean manufacturing and the commissioning of our new South Carolina Plant. We are also prudently moving ahead with a sales and marketing organization highly focused on execution such that whatever the timing and pace of economic recovery and related demand for our solutions, we are well positioned to capture the significant market opportunities in our sector.

Non-GAAP Financial Measures

Note Regarding Use of Non-GAAP Financial Measures

Our condensed consolidated interim financial statements are prepared in accordance with GAAP. These GAAP financial statements include non-cash charges and other charges and benefits that we believe are unusual or infrequent in nature or that we believe may make comparisons to our prior or future performance difficult.

As a result, we also provide financial information in this Quarterly Report that is not prepared in accordance with GAAP and should not be considered as an alternative to the information prepared in accordance with GAAP. Management uses these non-GAAP financial measures in its review and evaluation of the financial performance of the Company. We believe that these non-GAAP financial measures also provide additional insight to investors and securities analysts as supplemental information to our GAAP results and as a basis to compare our financial performance period over period and to compare our financial performance with that of other companies. We believe that these non-GAAP financial measures facilitate comparisons of our core operating results from period to period and to other companies by removing the effects of our capital structure (net interest income on cash deposits, interest expense on outstanding debt and debt facilities, or foreign exchange movements), asset base (depreciation and amortization), the impact of under-utilized capacity on gross profit, tax consequences and stock-based compensation. In addition, management bases certain forward-looking estimates and budgets on non-GAAP financial measures, primarily Adjusted EBITDA.

In the fourth quarter of 2019, we removed the impact of all foreign exchange from Adjusted EBITDA. Foreign exchange gains and losses can vary significantly period-to-period due to the impact of changes in the U.S. and Canadian dollar exchange rates on foreign currency denominated monetary items on the balance sheet and are not reflective of the underlying operations of the Company. We have presented a reconciliation to our prior calculation of Adjusted EBITDA for the quarters presented. Additionally, since the fourth quarter of 2019, we have excluded from Adjusted Gross Profit costs associated with under-utilized capacity. Fixed production overheads are allocated to inventory on the basis of normal capacity of the production facilities. In periods where production levels are abnormally low, unallocated overheads are recognized as an expense in the period in which they are incurred.

Reorganization expenses, depreciation and amortization, stock-based compensation expense, and foreign exchange gains and losses are excluded from our non-GAAP financial measures because management considers them to be outside of the Company's core operating results, even though some of those expenses may recur, and because management believes that each of these items can distort the trends associated with the Company's ongoing performance. We believe that excluding these expenses provides investors and management with greater visibility to the underlying performance of the business operations, enhances consistency and comparativeness with results in prior periods that do not, or future periods that may not, include such items, and facilitates comparison with the results of other companies in our industry.

The following non-GAAP financial measures are presented in this Quarterly Report, and a description of the calculation for each measure is included.

Adjusted Gross Profit, as previously presented	Gross profit before deductions for depreciation and amortization
Adjusted Gross Profit	Gross profit before deductions for costs of under-utilized capacity, depreciation and amortization
Adjusted Gross Profit Margin	Adjusted Gross Profit divided by revenue
EBITDA	Net income before interest, taxes, depreciation and amortization
Adjusted EBITDA, as previously presented	EBITDA adjusted for non-cash foreign exchange gains or losses on debt revaluation; impairment expenses; stock-based compensation expense; reorganization expenses; and any other non-core gains or losses
Adjusted EBITDA	EBITDA adjusted for foreign exchange gains or losses; impairment expenses; stock-based compensation expense; reorganization expenses; and any other non-core gains or losses
Adjusted EBITDA Margin	Adjusted EBITDA divided by revenue

You should carefully evaluate these non-GAAP financial measures, the adjustments included in them, and the reasons we consider them appropriate for analysis supplemental to our GAAP information. Each of these non-GAAP financial measures has important limitations as an analytical tool due to exclusion of some but not all items that affect the most directly comparable GAAP financial measures. You should not consider any of these non-GAAP financial measures in isolation or as substitutes for an analysis of our results as reported under GAAP. You should also be aware that we may recognize income or incur expenses in the future that are the same as, or similar to, some of the adjustments in these non-GAAP financial measures. Because these non-GAAP financial measures may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

EBITDA and Adjusted EBITDA for the Three Months Ended March 31, 2020 and 2019

The following table presents a reconciliation for the first quarter results of 2020 and 2019 of EBITDA and Adjusted EBITDA to our net income (loss), which is the most directly comparable GAAP measure for the periods presented:

	Three months ended March 31,	
	2020	2019
	($ in thousands)	
Net loss for the period	(5,328)	(5,265)
Add back (deduct):		
Interest Expense	35	49
Interest Income	(138)	(54)
Income Tax Recovery	(1,326)	(14)
Depreciation and Amortization	3,132	3,395
EBITDA	**(3,625)**	**(1,889)**
Stock-based Compensation Expense	461	6,447
Non-cash Foreign Exchange Gain on Debt Revaluation	—	(211)
Reorganization Expense	—	2,639
Adjusted EBITDA, as previously presented[1]	**(3,164)**	**6,986**
Other Foreign Exchange (Gains) Losses	(2,319)	730
Adjusted EBITDA	**(5,483)**	**7,716**
Net Loss Margin[2]	**(13.0)%**	**(8.1)%**
Adjusted EBITDA Margin, as previously presented[1]	**(7.7)%**	**10.7%**
Adjusted EBITDA Margin	**(13.4)%**	**11.9%**

(1) As discussed previously, in prior filings, only foreign exchange movements on debt revaluation was included in Adjusted EBITDA.
(2) Net loss divided by revenue.

For the three months ended March 31, 2020, Adjusted EBITDA and Adjusted EBITDA Margin decreased to negative $5.5 million and (13.4)% respectively, from $7.7 million and 11.9% in the same period of 2019, respectively. This reflects: a $10.2 million decrease in Adjusted Gross Profit and $2.0 million of costs of underutilized capacity, discussed below; $0.8 million of higher litigation costs in 2020; and $0.6 million increase to our provision for expected credit losses. These reductions in Adjusted EBITDA were partially offset by reductions in variable compensation provisions and other cost reductions. Additionally, in the first quarter of 2019 we incurred $0.7 million of costs related to the listing of our common shares on Nasdaq.

Adjusted Gross Profit and Adjusted Gross Profit Margin for the Three Months Ended March 31, 2020 and 2019

The following table presents a reconciliation for the three months ended March 31, 2020 and 2019 of Adjusted Gross Profit to our gross profit, which is the most directly comparable GAAP measure for the periods presented:

	Three months ended March 31,	
	2020	2019
	($ in thousands)	
Gross profit	11,315	23,604
Gross profit margin	27.6%	36.3%
Add: Depreciation and amortization expense	2,261	2,180
Adjusted Gross Profit, as previously presented	13,576	25,784
Add: Costs of under-utilized capacity	2,010	—
Adjusted Gross Profit	15,586	25,784
Adjusted Gross Profit Margin, as previously presented	33.1%	39.6%
Adjusted Gross Profit Margin	38.0%	39.6%

Gross profit and gross profit margin decreased to $11.3 million or 27.6% for the three months ended March 31, 2020, from $23.6 million or 36.3% for the three months ended March 31, 2019. Adjusted Gross Profit and Adjusted Gross Profit Margin decreased to $15.6 million or 38.0% for the three months ended March 31, 2020, from $25.8 million or 39.6% for the three months ended March 31, 2019. The decreases are largely due to reduced fixed cost leverage due to a $24.1 million reduction in revenues and excess labor capacity prior to headcount reductions discussed below. During the fourth quarter of 2019, we determined that we were carrying abnormal excess capacity in our manufacturing facilities as a result of the slowdown in sales and determined certain production overheads should be directly expensed in cost of sales, representing production overheads that were not attributable to production. In the first quarter of 2020, we separately classified $2.0 million as costs related to our under-utilized capacity (5% of gross profit margin) in cost of sales. During the quarter we took steps to manage our excess capacity, including the reduction in staffing by 14%, with a further 12% reduction in April 2020, and the undertaking of planned factory curtailments. The reduction in staffing resulted in a onetime $0.5 million cost for severances, included in cost of sales for the period ended March 31, 2020 with an additional $0.4 million incurred in April. The staffing reductions realigned our capacity with then expected activity levels; however, our fixed costs will affect our Adjusted Gross Profit Margin which we expect to remain below historical percentages until sales improve. Prospectively, we expect our fixed cost of sales to be approximately $6.0 million per quarter, and remaining costs of sales to be approximately 54% of revenues comprising materials which are variable, and labor which is quasi-variable as we match our shifts to order volumes.

In the first quarter of 2020 we commissioned new equipment to prime our medium density fiberboard (“MDF”). The use of primed MDF addressed the tile warping issues that occurred in late 2018 and early 2019 due to higher than expected moisture absorption. Additionally, our costs associated with remediating deficiencies decreased in the current period.

In the first quarter of 2019 we incurred approximately $1.5 million of costs, representing 2.3% of gross profit margin, to mitigate future warping of our tiles. Gross profit was additionally affected by headcount additions that occurred in 2018.

Following the completion of third-party testing in 2019, we determined that timber included in certain projects installed between 2016 and 2019 potentially did not meet the fire-retardant specifications that the projects were sold under. As a result, we recorded an additional $2.5 million liability in the fourth quarter of
2019 and have been contacting customers to determine whether remedial actions are required. We continue to

evaluate solutions which, if successful, could significantly reduce the associated liability. During the quarter ended March 31, 2020, we incurred $0.1 million of costs associated with remediating previously installed timber projects, which were recorded against the liability.

Results of Operations

Three Months Ended March 31, 2020, Compared to Three Months Ended March 31, 2019

	Three months ended March 31,	
	2020	2019
	($ in thousands)	
Revenue	40,981	65,061
Gross Profit	11,315	23,604
Gross Profit Margin	27.6%	36.3%
Operating Expenses		
Sales and Marketing	7,408	7,787
General and Administrative	7,825	6,897
Operations Support	2,532	2,482
Technology and Development	2,165	2,117
Stock-based Compensation	461	6,447
Reorganization	—	2,639
Total Operating Expenses	20,391	28,369
Operating Income (Loss)	(9,076)	(4,765)
Operating Margin	(22.1)%	(7.3)%

Revenue

Revenue reflects sales to our Distribution Partners for resale to their clients and, in limited circumstances, our direct sales to clients. Our revenue is generally affected by the timing of when orders are executed, particularly large orders, which can add variability to our financial results and shift revenue between quarters.

The following table sets forth the contribution to revenue of our DIRTT product and service offerings:

	Three months ended March 31,	
	2020	2019
	($ in thousands)	
Product	35,998	56,949
Transportation	3,995	6,359
Licenses	306	532
Total product revenue	40,299	63,840
Installation and other services	682	1,221
	40,981	65,061

Revenue decreased in the three months ended March 31, 2020 by $24.1 million or 37% compared to the same period of 2019. Revenue decreased due to several factors as discussed above in "– Summary of Financial Results" and "– Outlook". We have been subject to a disruption in sales activity levels particularly as it relates to larger projects, as discussed below, beginning in 2018 and carrying through the current quarter. This disruption stems from the distraction of significant management changes during 2018 on a long sales cycle combined with the immature and transitional state of our sales and marketing function, which limited our ability to take

advantage of growth opportunities in our market. Due to the long sales cycle, particularly for larger projects which can be two years or more, this had a corresponding negative effect on our revenue, especially in the last half of 2019 and continuing into 2020. This effect has lasted longer than we had anticipated. We are in the process of making substantial improvements to our commercial function, as outlined in our strategic plan, including building an appropriate organizational structure, improving the effectiveness of our existing sales force, attracting new sales talent, establishing strategic marketing and lead generation functions, as well as expanding and better supporting our Distribution Partner network. While we believe these actions are critical to driving long-term, sustainable growth, these actions did not have a measurable effect on the current quarter revenues.

Installation and other services revenue of $0.7 million for the three months ended March 31, 2020 was $0.5 million lower than the same period in 2019. The changes in installation revenue are primarily due to the timing of projects. Except in limited circumstances, our Distribution Partners, rather than the Company, perform installation services, and accordingly, we are not anticipating significant growth in this revenue stream.

Our success is partly dependent on our ability to profitably develop our Distribution Partner network to expand our market penetration and ensure best practices are shared across local markets. At March 31, 2020 we had 78 Distribution Partners, servicing 93 locations. We recently added a Distribution Partner in Dallas, Texas, and a Distribution Partner with locations in eastern Wisconsin, and terminated two underperforming partners. Our clients, as serviced primarily through our Distribution Partners, exist within a variety of industries, including healthcare, education, financial services, government and military, manufacturing, non-profit, energy, professional services, retail, technology and hospitality.

We periodically analyze our revenue growth by vertical markets in the defined markets of commercial, healthcare, government and education. The following table presents our product and transportation revenue by vertical market:

	Three months ended March 31,	
	2020	2019
	($ in thousands)	
Commercial	28,274	42,149
Healthcare	5,063	12,914
Government	3,127	4,099
Education	3,529	4,146
Licenses	306	532
Total product and transportation revenue	40,299	63,840
Installation and other services	682	1,221
	40,981	65,061

Revenue decreased by 37% in the three months ended March 31, 2020 over the same period in 2019 and was driven primarily by decreased commercial sales which reflects the disruption in sales activity levels noted above and the completion of a major project that was not replaced. Decreased healthcare sales reflect the completion of several major healthcare projects that were not replaced in 2020 and decreased government sales, which was mainly due to the timing of certain projects.

Revenue continues to be derived almost exclusively from projects in North America and predominantly from the United States, with periodic international projects from North American Distribution Partners. The following table presents our first quarter revenue dispersion by geography:

	Three months ended March 31,	
	2020	2019
	($ in thousands)	
Canada	5,986	7,068
U.S.	34,995	57,993
	40,981	65,061

Sales and Marketing Expenses

Sales and marketing expenses decreased $0.4 million to $7.4 million for the three months ended March 31, 2020, from $7.8 million for the three months ended March 31, 2019. The decrease was largely related to a reduction in commission expense for the three months ended March 31, 2020 on lower revenues.

Our sales and marketing efforts continue to focus on establishing the appropriate sales organization and personnel, significantly improving our marketing approach and driving returns on sales and marketing expenditures, as outlined in our strategic plan. However, in light of uncertainty caused by the COVID-19 pandemic, we are currently evaluating the timing of planned increases to our commercial organizational headcount, prioritizing critical hires that are necessary to continue to advance our overall strategy, including the implementation of necessary systems and tools while ensuring appropriate cost control and cash conservation.

General and Administrative Expenses

General and administrative expenses ("G&A") increased $0.9 million to $7.8 million for the three months ended March 31, 2020 from $6.9 million for the three months ended March 31, 2019. In the first quarter of 2020, we incurred higher professional fees of $0.8 million due to ongoing litigation matters. Additionally, in the first quarter of 2020 we recorded expected credit losses of $0.6 million against our accounts receivable balance.

These increases were offset by lower variable compensation provisions in the current quarter. Further, in the first quarter of 2019 we incurred $0.7 million of professional fees related to the listing of our common shares on Nasdaq.

Operations Support Expenses

Operations support expenditures include the fixed costs associated with delivery and project management of DIRTT solutions. Operations support expenses of $2.5 million in the first three months of 2020 were consistent with the prior year period. In the first quarter of 2019 we incurred $0.3 million of consulting costs to assist with the rectification of the tile warping issue. Decreases in consulting costs were offset by increases in personnel costs due to increased headcount to better support project execution and support of our Distribution Partners.

Technology and Development Expenses

Technology and development expenses relate to non-capitalizable costs associated with our product and software development teams and are primarily comprised of salaries and benefits of technical staff.

Technology and development expenses increased by $0.1 million to $2.2 million for the three months ended March 31, 2020, compared to $2.1 million for the three months ended March 31, 2019. These increases are due to an increase in headcount offset by a $0.5 million increase in capitalized software development costs for the three months ended March 31, 2020. During the first quarter of 2019, a higher proportion of activity was related to business process improvements that were not eligible for capitalization.

Stock-Based Compensation

In the third quarter of 2018, we determined that we no longer qualified as a Foreign Private Issuer ("FPI") under the rules of the SEC. To minimize any undue effects on employees, our board of directors approved the availability of a cash surrender feature for certain options, including options issued under our Amended and Restated Incentive Stock Option Plan ("Option Plan"), until such time as we requalified as a FPI or we registered our common shares with the SEC. Accordingly, we accounted for the fair value of outstanding stock options at the end of March 31, 2019 as a liability, with changes in the liability recorded through net income as a stock-based compensation fair value adjustment. On October 9, 2019, we ceased allowing cash surrender of options and returned to equity accounting under the Option Plan without quarterly fair value adjustments at that date.

Stock-based compensation expense for the three months ended March 31, 2020 was $0.5 million, compared to $6.5 million for the same period of 2019. Stock-based compensation for the first quarter of 2019 included a $5.7 million fair value adjustment on cash settled stock options, as explained above.

Reorganization Expenses

In the first quarter of 2019, we incurred $2.6 million of reorganization expenses, including severance payments and related legal and consulting costs associated with management and organizational changes. We do not consider current period severances related to our plant workforce to be reorganization in nature.

Income Tax

The provision for income taxes is comprised of federal, state, provincial and foreign taxes based on pre-tax income. Income tax recovery for the three months ended March 31, 2020 was $1.3 million, compared to a $0.01 million recovery for the same period of 2019. As at March 31, 2020, we had C$41.4 million of loss carry-forwards in Canada and none in the United States. These loss carry-forwards will begin to expire in 2030.

Net Loss

Net loss was $5.3 million or $0.06 net loss per share in the first quarter of 2020, consistent with a net loss of $5.3 million or $0.06 net loss per share for the first quarter of 2019. The loss remained flat as a result of changes in gross profit and operating expenses as described above, offset by increased foreign exchange gains and income tax recoveries. Net loss for the three months ended March 31, 2019 included $6.4 million of stock-based compensation expense and $2.6 million of reorganization expenses, compared to $0.5 million and $nil, respectively, in the same period of 2020.

Liquidity and Capital Resources

Cash and cash equivalents at March 31, 2020 totaled $43.5 million, a decrease of $3.6 million from December 31, 2019. In July 2019, we entered into a C$50.0 million revolving credit facility with the Royal Bank of Canada (the "RBC Facility"). Draw-downs under the RBC Facility are available in both Canadian and U.S. dollars. We currently have C$30.0 million available under the RBC Facility as amounts available under the RBC Facility are limited to three times our twelve-month trailing Adjusted EBITDA, excluding certain non-recurring items. As a result of our decline in revenues, discussed previously, and the potential impact of the COVID-19 pandemic on our outlook, we have reached an agreement in principle, subject to completion of final documentation, to allow a six-month covenant holiday from the Royal Bank of Canada, which amends our borrowing base to 75% of eligible accounts receivable and 25% of inventory, subject to an aggregate limit of C$50.0 million including amounts borrowed under leasing facilities. Subsequent to March 31, 2020, we entered into a C$5.0 million equipment leasing facility in Canada and a $16.0 million equipment leasing facility in the United States, of which we expect to utilize $7.4 million in May 2020 related to expenditures already incurred. These facilities, respectively, have seven and five-year terms and bear interest at 4.25% and 3.5%. The U.S. leasing facility is extendible for an additional year.

In light of the uncertainty caused by the near and potential mid-term impacts of COVID-19, we have evaluated multiple downside scenarios and have implemented cost control and expenditure management processes. Based on these analyses and the implementation of these spending control processes, we believe that existing cash and cash equivalents combined with increased liquidity from the aforementioned leasing facility should, except in very extreme cases, be sufficient to support ongoing working capital and capital expenditure requirements for at least the next twelve months.

A prolonged and complete cessation of or sustained significant decrease in North American construction activities or a sustained economic depression and its adverse impacts on customer demand could adversely affect our liquidity. To the extent that existing cash and cash equivalents and increased liquidity from the aforementioned facilities are not sufficient to fund future activities, we may seek to raise additional funds through equity or debt financings. If additional funds are raised through the incurrence of indebtedness, such indebtedness may have rights that are senior to holders of our equity securities or contain instruments that may be dilutive to our existing shareholders. Any additional equity or debt financing may be dilutive to our existing shareholders.

Since our inception, we have financed operations primarily through cash flows from operations, long-term debt, and the sale of equity securities. Over the past three years, we have funded our operations and capital expenditures through a combination of cashflow from operations and cash on hand. We had no amounts outstanding under the RBC Facility as of March 31, 2020.

The following table summarizes our consolidated cash flows for the three months ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	2019
	($ in thousands)	
Cash flows (used in) provided by operating activities	(760)	7,400
Cash used in investing activities	(2,455)	(2,104)
Cash used in financing activities	—	(5,556)
Effect of foreign exchange on cash and cash equivalents	(499)	907
Net (decrease) increase in cash and cash equivalents	(3,714)	647
Cash and cash equivalents, beginning of period	47,174	53,412
Cash and cash equivalents, end of period	43,460	54,059

Operating Activities

Net cash flows used in operating activities was $0.8 million for the first three months of 2020 compared to $7.4 million net cash flows provided by operating activities in the first three months of 2019. The decrease in cash flows from operations is largely due to a decrease in revenues and a reduction in accounts receivable collections offset by increases in trade accounts payable, customer deposits and deferred revenue.

Investing Activities

We invested $1.7 million in property, plant and equipment during the three months ended March 31, 2020, compared to $1.4 million during the three months ended March 31, 2019. We invested $1.0 million on capitalized software during the three months ended March 31, 2020, as compared to $0.5 million in the three months ended March 31, 2019. The increase is due to the current mix of projects undertaken by the Company and included a higher portion of efforts eligible for capitalization compared to the first quarter of 2019 in which projects were related to business process improvements that were not eligible for capitalization.

Financing Activities

For the three months ended March 31, 2020, no cash was used in or provided by financing activities. Cash used in financing activities for the three months ended March 31, 2019 was $5.6 million. We repaid the balance of $5.6 million on long-term debt outstanding and related interest during the first quarter of 2019.

We currently expect to fund anticipated future investments through the combination of available cash and equipment leasing facilities. Apart from cash flow from operations, issuing equity and debt has been our primary source of capital to date. Additional debt or equity financing may be pursued in the future as we may deem appropriate. In the future, we may also use debt or pursue equity financing depending on the Company's share price, interest rates, and nature of the investment opportunity and economic climate.

Credit Facility

At March 31, 2020, we had no amounts drawn on our RBC Facility, and we were in compliance with all covenants thereunder. We currently have C$30.0 million available under the RBC Facility as amounts available under the RBC Facility are limited to three times our twelve-month trailing Adjusted EBITDA, excluding certain non-recurring items. As a result of our decline in revenues, discussed previously, and the potential impact of the COVID-19 pandemic on our outlook, we have reached an agreement in principle, subject to completion of final documentation, to allow a six-month covenant holiday from the Royal Bank of Canada, which amends our borrowing base to 75% of eligible accounts receivable and 25% of inventory, subject to an aggregate limit of C$50.0 million including amounts borrowed under leasing facilities. Subsequent to March 31, 2020, we entered into a C$5.0 million equipment leasing facility in Canada and a $16.0 million equipment leasing facility in the United States, of which we expect to utilize $7.4 million in May 2020 related to expenditures already incurred. These facilities, respectively, have seven and five-year terms and bear interest at 4.25% and 3.5%. The U.S. leasing facility is extendible for an additional year.

On July 19, 2019, we entered into the RBC Facility, a C$50.0 million senior secured revolving credit facility with the Royal Bank of Canada. The RBC Facility has a three-year term and can be extended for up to two additional years at our option. Interest is calculated at the Canadian or U.S. prime rate with no adjustment, or the bankers' acceptance rate plus 125 basis points. We are required to comply with certain financial covenants under the RBC Facility, including maintaining a minimum fixed charge coverage ratio of 1.15:1 and a maximum debt to Adjusted EBITDA ratio of 3.0:1. We are also required to comply with certain non-financial covenants, including, among other things, covenants restricting our ability to (i) dispose of our property, (ii) enter into certain transactions intended to effect or otherwise permit a material change in our corporate or capital structure, (iii) incur any debt, other than permitted debt, and (iv) permit certain encumbrances on our property.

We are generally restricted from making dividends or distributions on our outstanding capital shares (other than any distribution by way of the payment of dividends by the issuance of equity securities). We may also declare and pay dividends to our shareholders provided that such dividends do not exceed 50% of the Free Operating Cash Flow (as defined in the RBC Facility) for the most recently completed fiscal year and meet certain other conditions. We may also make a one-time Permitted Special Distributions (as defined in the RBC Facility) provided that we maintain a minimum balance of at least C$20.0 million in our account and meet certain other conditions.

The RBC Facility is secured by substantially all of our real property located in Canada and the United States.

Contractual Obligations

There have been no material changes in our contractual obligations during the three months ended March 31, 2020, as compared to those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations" in our Annual Report on Form 10-K, other than

forthcoming additional commitments related to the South Carolina Plant and DXC in Plano, Texas, as described in Note 11, "Commitments" to our interim condensed consolidated financial statements in this Quarterly Report.

Significant Accounting Policies and Estimates

There have been no material changes in our significant accounting policies during the three months ended March 31, 2020, as compared to those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Accounting Policies and Estimates" in our Annual Report on Form 10-K. For information regarding significant accounting policies and estimates, please refer to Item 7 and Item 8 in our Annual Report on Form 10-K. As disclosed in Note 4, "Adoption of New and Revised Accounting Standards" to our condensed consolidated interim financial statements appearing in this Quarterly Report, we adopted ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses in Financial Instruments*". Adoption of this amendment has impacted the way we determine expected credit loss on trade receivables. The methodology now applied has been explained in the referenced note.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, please refer to Note 4, "Adoption of New and Revised Accounting Standards" to our interim condensed consolidated financial statements and "–Significant Accounting Policies and Estimates" in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Credit risk

The overall change and uncertainty in the economy as a result of the COVID-19 pandemic has caused us to increase our expectation of credit losses during the quarter, and additionally, we believe the COVID-19 pandemic has affected the ability of certain Distribution Partners to pay amounts owed or owing to DIRTT due to the impact of local shut-downs on businesses in certain markets. Accordingly, we have increased our provision for expected credit losses by $0.6 million to $0.7 million during the quarter.

Foreign exchange risk

The recent strengthening of the U.S. dollar against the Canadian dollar in March, 2020, resulted in a reduction in Canadian dollar denominated revenues and a reduction in reported operating expenses, as approximately 50% of our expenditures are denominated in Canadian dollars. If the foreign exchange rate moves in the opposite direction it will have a negative impact on our reported results.

Other than the above, there have been no material changes to our market risk exposures since our disclosures in our Annual Report on Form 10-K. For information regarding our exposure to certain market risks, please refer to Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 under the Exchange Act, our principal executive officer and principal financial officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2020. Based upon their evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

As previously reported in our Annual Report on Form 10-K, on December 11, 2019, we filed a federal lawsuit in the U.S. District Court of Utah against Falkbuilt Ltd. ("Falkbuilt"), Falk Mountain States, LLC, Kristy Henderson, and former DIRTT employee Lance Henderson (the "U.S. Defendants"). This action seeks to restrain the defendants from misappropriating DIRTT's confidential information, trade secrets, business intelligence and customer information, and using that information to advance Falkbuilt's U.S. businesses to the detriment of DIRTT. On March 12, 2020, the U.S. District Court of Utah issued an order granting DIRTT's motion for a preliminary injunction to preserve the status quo, which preliminary injunction is binding on the U.S. Defendants and all then-current and future Falkbuilt "Branches" in the United States. The preliminary injunction (i) enjoins the U.S. Defendants and the Falkbuilt "Branches" from using, relying upon, disclosing, disseminating, deleting or disposing of any DIRTT confidential or proprietary information in their possession, custody or control, and (ii) remains in effect until such time as it is modified or vacated by the U.S. District Court of Utah. DIRTT is currently pursuing discovery to enforce the injunction and its claims. On February 5, 2020, Falkbuilt filed its answer to our U.S. claim, together with a counterclaim (which it amended on March 18, 2020) alleging defamation and intentional interference with economic relations. Falkbuilt is seeking damages in excess of $3.0 million, plus punitive damages. DIRTT has moved to dismiss the amended counterclaim. We believe Falkbuilt's claim is without merit and we intend to defend it vigorously and continue to pursue our legal remedies against the U.S. Defendants.

We may, from time to time, become involved in other legal proceedings or be subject to claims arising in the ordinary course of business, including the initiation and defense of proceedings to protect intellectual property rights, product liability claims and employment claims. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. In the opinion of our management, none of the pending litigation, disputes or claims against us will have a material adverse effect on our financial condition, cash flows or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors and other cautionary statements described under the heading "Risk Factors" included in our Annual Report on Form 10-K, which could materially affect our businesses, financial condition, or results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and results of operations.

Our business, financial condition, results of operations and growth could be harmed by the effects of the COVID-19 pandemic.

The COVID-19 pandemic has negatively affected, and may continue to negatively affect, our operations, including our revenue, expenses, collectability of accounts receivables and other amounts owed, capital expenditures, liquidity, prospects, and overall financial condition. We are subject to risks related to the public health crises such as the global pandemic associated with the coronavirus (COVID-19). In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Further, the President of the United States declared the COVID-19 pandemic a national emergency. In Canada and the United States, numerous state, local, and provincial jurisdictions, including Alberta, Canada, where our headquarters and a principal manufacturing facility are located, and Phoenix, Arizona and Savannah, Georgia, where our other principal manufacturing facilities are located, have imposed, and others in the future may impose, "shelter-in-place" orders, quarantines, executive orders and similar government orders and restrictions for their residents to control the spread of COVID-19. Such orders or restrictions, and the perception that such orders or restrictions could occur, have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions, construction delays and stoppages and cancellation of events, among other effects, thereby negatively affecting our employees, customers, suppliers, Distribution Partners, and offices, among others.

We have responded to the COVID-19 pandemic by, among other things, implementing enhanced safety protocols to protect our employees; commencing an evaluation of potential downside operational risk scenarios and developing action plans; eliminating or deferring uncommitted non-critical or discretionary spending; and commencing the process to secure additional incremental access to liquidity. Due to the shelter-in-place orders in Canada and the United States, we have implemented work-from-home policies for many non-factory employees as well as plant access restrictions and social-distancing measures within our facilities, which may affect productivity and disrupt our business operations, including our ability to maintain operations, financial reporting systems, internal control over financial reporting and disclosure controls and procedures. Shelter-in-place policies in multiple jurisdictions combined with the resulting adverse economic conditions are expected to adversely affect construction activity in the near term, with potential significant adverse effects extending beyond 2020. For example, several projects currently underway are experiencing delay, impacted by both the implementation of social distancing and other safety-related measures. We also believe that the COVID-19 pandemic may have significant influence on future workplace environments, with increasing focus on workplace safety. This could lead to a reduction in open office environments and increased demand for social spacing and separation within the workplace, which may benefit our business. On the other hand, if alternative work arrangements, such as work from home, become more prevalent, demand for our products may decrease. Continued shelter-in-place orders, quarantines, executive orders or related measures to combat the spread of COVID-19, as well as perceived need by individuals to continue such practices, could harm our near- and long-term results of operations and revenue, business and financial condition.

In addition, the COVID-19 outbreak has adversely affected and may continue to adversely affect our plans to grow our business. For example, in light of the uncertainty caused by the COVID-19 pandemic and logistical challenges of hiring and onboarding, we are evaluating our priorities and are phasing the planned increases to our commercial organizational headcount needed to strengthen our sales and marketing efforts to implement our strategic plan. We have also further reduced our manufacturing labor force and have reduced shifts at our manufacturing facilities.

Adverse economic and market conditions could also have a negative effect on others on whom our business depends, such as our suppliers, Distribution Partners, customers, and third-party contractors, which may cause them to fail to meet their obligations to us. Additionally, we are working closely with our Distribution Partners to understand expected activity levels and are actively monitoring our opportunity pipeline and our daily order entry relative to our plant capacity and labor force requirements. However, we believe the COVID-19 pandemic has affected the ability of certain Distribution Partners to pay amounts owed or owing to us due to the impact of local shut-downs on businesses in certain markets. We increased our expected credit losses for the quarter ended March 31, 2020 by $0.6 million to reflect increased collection risk related to certain Distribution Partners. We are also exploring methods to further decrease our credit risk exposure, including implementing trade credit insurance for all sales post March, 2020.

While the potential economic impact brought by and the duration of COVID-19 may be difficult to assess or predict, the pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common shares. Further, a recession or prolonged economic contraction could also harm the business and results of operations of our customers and Distribution Partners, resulting in potential business closures and layoffs of employees. The timing and pace of economic recovery, the resumption of construction activity and related demand, or its effect on achievement of our long-term strategic plan goals is not possible to predict.

The COVID-19 pandemic continues to change rapidly. The extent of the impact of the COVID-19 pandemic or a similar health epidemic on our business and our financial and operational performance is highly uncertain and will depend on future developments, including the duration, spread, severity, and any recurrence of the COVID-19 pandemic; the duration and scope of related federal, state, provincial and local government orders and

restrictions; the extent of the impact of the COVID-19 pandemic on the construction market and on our Distribution Partners, customers and suppliers; and our access to capital, all of which are highly uncertain and cannot be predicted at this time.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Articles of Amalgamation of DIRTT Environmental Solutions Ltd. (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form 10, File No. 001-39061, filed on September 20, 2019).
3.2	Amended and Restated Bylaw No. 1 of DIRTT Environmental Solutions Ltd. (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form 10, File No. 001-39061, filed on September 20, 2019).
10.1*#	Lease Agreement between Tennyson Campus Owner, LP and DIRTT Environmental Solutions, Inc. dated March 4, 2020
10.2*+	Employment Agreement, dated March 13, 2020, by and between DIRTT Environmental Solutions, Inc. and Charles R. Kraus
31.1*	Certification of the Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Principal Executive Officer required by 18 U.S.C. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Principal Financial Officer required by 18 U.S.C. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document

Exhibit No.	Description
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith
** Furnished herewith
\+ Compensatory plan or agreement.
\# Specific terms in this exhibit (indicated therein by asterisks) have been omitted because such terms are both not material and would likely cause competitive harm to the Company it publicly disclosed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIRTT ENVIRONMENTAL SOLUTIONS LTD.

By: /s/ Geoffrey D. Krause
Geoffrey D. Krause
Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Date: May 6, 2020

Exhibit 10.1

SPECIFIC TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE SUCH TERMS ARE BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED. THESE REDACTED TERMS HAVE BEEN MARKED IN THIS EXHIBIT WITH THREE ASTERISKS [***].

LEASE AGREEMENT BETWEEN

TENNYSON CAMPUS OWNER, LP,

AS LANDLORD, AND

DIRTT ENVIRONMENTAL SOLUTIONS, INC.

AS TENANT

DATED MARCH 4, 2020

6105 TENNYSON PARKWAY – SOUTH BUILDING

PLANO, TX 75024

BASIC LEASE INFORMATION

Lease Date: March 4, 2020

Landlord: **TENNYSON CAMPUS OWNER, LP**, a Delaware limited partnership

Tenant: **DIRTT ENVIRONMENTAL SOLUTIONS, INC.**, a Colorado corporation

Premises: Suite No. 100, containing [***] rentable square feet, in the building commonly known as The Tennyson – South Building (the "**Building**"), and whose street address is 6105 Tennyson Parkway – South Building, Plano, TX 75024. The Premises are outlined on the plan attached to the Lease as Exhibit A. The land on which the Building is located (the "**Land**") is described on Exhibit B. The term "**Project**" shall collectively refer to the Building, the Land and the driveways, parking facilities, and similar improvements and easements associated with the foregoing or the operations thereof.

Term: 89 full calendar months, plus any partial month from the Commencement Date to the end of the month in which the Commencement Date falls, starting on the Commencement Date and ending at 5:00 p.m. local time on the last day of the 89th full calendar month following the Commencement Date, subject to adjustment and earlier termination as provided in the Lease.

Commencement Date: The earlier of (a) the date on which Tenant occupies any portion of the Premises and begins conducting business therein, or (b) September 1, 2020, as the same may be extended for each Landlord Delay Day.

Basic Rent: Subject to the abatement of Basic Rent provided below, Basic Rent shall be the following amounts for the following periods of time:

Lease Months	Annual Basic Rent Rate Per Rentable Square Foot in the Premises	Monthly Basic Rent
1 – 17	$[***]	$[***]
18 – 29	$[***]	$[***]
30 – 41	$[***]	$[***]
42 – 53	$[***]	$[***]
54 – 65	$[***]	$[***]
66 – 77	$[***]	$[***]
78 – 89	$[***]	$[***]

Basic Rent shall be abated during the first five (5) months of the Term, e.g., if the Commencement Date is June 15, 2020, Basic Rent shall be abated through November 14, 2020. Commencing with the first day after the end of the abatement period referred to above, Tenant shall make Basic Rent payments for any remaining partial calendar month and on the first day of the first full calendar month thereafter shall make Basic Rent payments as otherwise provided in this Lease. Notwithstanding such abatement of Basic Rent (a) all other sums due under this Lease, including Additional Rent, after-hours HVAC charges, etc., shall be payable as provided in this Lease, and (b) any increases in Basic Rent set forth in this Lease shall occur on the dates scheduled therefor.

As used herein, the term "**Lease Month**" means each calendar month during the Term (and if the Commencement Date does not occur on the first day of a calendar month, the period from the Commencement Date to the first day of the next calendar month shall be included in the first Lease Month for purposes of determining the duration of the Term and the monthly Basic Rent rate applicable for such partial month).

Security Deposit: $[***]

Additional Rent: Tenant's Proportionate Share of Operating Costs and Taxes.

Rent:	Basic Rent, Additional Rent, and all other sums that Tenant may owe to Landlord or otherwise be required to pay under the Lease.
Permitted Use:	General office and product showroom use in compliance with Section 9 of the Lease.
Tenant's Proportionate Share:	[***]%, which is the percentage obtained by dividing (a) the number of rentable square feet in the Premises as stated above by (b) the [***] rentable square feet in the Project. Landlord and Tenant stipulate that the number of rentable square feet in the Premises and in the Project set forth above is conclusive and shall be binding upon them.
Building Hours:	Between 7:00 a.m. and 6:00 p.m. on weekdays and between 7:00 a.m. and 1:00 p.m. on Saturdays (in each case other than holidays).
Tenant's Address:	Prior to Commencement Date: c/o DIRTT Environmental Solutions Ltd. 7303 30th Street SE Calgary, Alberta Canada T2C 1N6 Attention: Michelle Mouly Following Commencement Date: c/o DIRTT Environmental Solutions Ltd. 6105 Tennyson Parkway – South Building, Suite 100 Plano, TX 75024 Attention: [To be determined pursuant to Exhibit E hereto.]
Landlord's Address:	For all Notices: Tennyson Campus Owner, LP c/o Spear Street Capital, LLC One Market Plaza Spear Tower, Suite 4125 San Francisco, CA 94105 Attention: Rajiv S. Patel With a copy to: Tennyson Campus Owner, LP c/o Spear Street Capital, LLC One Market Plaza Spear Tower, Suite 4125 San Francisco, CA 94105 Attention: Asset Manager—The Tennyson
	Wiring Instructions: Payee: Wells Fargo Bank, NA Bank Address: 420 Montgomery Street San Francisco, CA 94104 ABA Routing #: 121000248 For Account: Tennyson Campus Owner, LP Account #: 4009071580

The foregoing Basic Lease Information is incorporated into and made a part of the Lease identified above. If any conflict exists between any Basic Lease Information and the Lease, then the Lease shall control.

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LIST OF DEFINED TERMS

LEASE

This Lease Agreement (this "**Lease**") is entered into as of the Lease Date between Landlord and Tenant (as each such term is defined in the Basic Lease Information).

1. **Definitions and Basic Provisions**. The definitions and basic provisions set forth in the Basic Lease Information (the "**Basic Lease Information**") are incorporated herein by reference for all purposes. Additionally, the following terms shall have the following meanings when used in this Lease: "**Affiliate**" means any person or entity which, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the party in question; "**Building's Structure**" means the Building's roof and roof membrane, elevator shafts, footings, foundations, structural portions of load-bearing walls, structural floors and subfloors, structural columns and beams, and curtain walls; "**Building's Systems**" means the Building's HVAC, life-safety, plumbing, electrical, mechanical and elevator systems, in each case which were not constructed by any Tenant Party; "**including**" means including, without limitation; "**Laws**" means all federal, state and local laws, ordinances, building codes and standards, rules and regulations, all court orders, governmental directives, and governmental orders and all interpretations of the foregoing, and all restrictive covenants affecting the Project, and "**Law**" means any of the foregoing; "**Tenant's Off-Premises Equipment**" means any of Tenant's equipment or other property that may be located on or about the Project or the related complex (other than inside the Premises); and "**Tenant Party**" means any of the following persons: Tenant; any assignees claiming by, through or under Tenant; any subtenants claiming by, through or under Tenant; and any of their respective agents, contractors, officers, employees, licensees, guests and invitees.

2. **Lease Grant**. Subject to the terms of this Lease, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises.

3. **Tender of Possession**. Landlord and Tenant presently anticipate that possession of the Premises will be tendered to Tenant in the condition required by this Lease on or about two business days after the latest to occur of the following: (a) Tenant's full execution and delivery of this Lease to Landlord, (b) approval of the Working Drawings, and (c) Tenant's delivery to Landlord of evidence of the insurance required in Section 11.1 below (the "**Estimated Delivery Date**"). If Landlord is unable to tender possession of the Premises in such condition to Tenant by the Estimated Delivery Date, then (1) the validity of this Lease shall not be affected or impaired thereby, (2) Landlord shall not be in default hereunder or be liable for damages therefor, and (3) Tenant shall accept possession of the Premises when Landlord tenders possession thereof to Tenant. Notwithstanding the foregoing, if the Premises are not tendered to Tenant by the Liquidated Damages Date, Tenant may offset from its Basic Rent obligations first accruing following the Commencement Date, liquidated damages equal to one day of Basic Rent per day for each day thereafter and ending on the day Landlord tenders possession of the Premises. The abatement rights afforded to Tenant under this Section 3 shall be Tenant's sole remedy for Landlord's failure to tender possession of the Premises by the Estimated Delivery Date. As used herein, "**Liquidated Damages Date**" means thirty (30) days after the Estimated Delivery Date, plus the number of Tenant Delay Days and the number of Force Majeure Delay Days. As used herein, "**Tenant Delay Days**" means each day of delay in the performance of the Work which is directly attributable to the affirmative acts or willful refusal to reasonably cooperate of Tenant or the employees, agents or contractors of Tenant, and "**Force Majeure Delay Days**" means each day of delay in the performance of the Work that occurs for the reasons specified in Section 25.3 of this Lease. By occupying the Premises, Tenant shall be deemed to have accepted the Premises in their condition as of the date of such occupancy, subject to the performance of punch-list items that remain to be performed by Landlord, if any. Prior to occupying the Premises, Tenant shall execute and deliver to Landlord a letter substantially in the form of Exhibit E hereto confirming (A) the Commencement Date and the expiration date of the initial Term, (B) that Tenant has accepted the Premises, and (C) that Landlord has performed all of its obligations with respect to the Premises (except for punch-list items specified in such letter that are the responsibility of Landlord pursuant to the express terms and conditions of this Lease); however, the failure of the parties to execute such letter shall not defer the Commencement Date or otherwise invalidate this Lease. Entry into the Premises by any Tenant Party prior to the Commencement Date shall be subject to all of the provisions of this Lease excepting only those requiring the payment of Basic Rent and Additional Rent and before Tenant may occupy the Premises to conduct business therein, Tenant shall, at its expense, obtain and deliver to Landlord a certificate of occupancy from the appropriate governmental authority for the Premises.

4. **Rent**.

4.1 **Payment**. Tenant shall timely pay to Landlord Rent, without notice, demand, deduction or set off (except as otherwise expressly provided herein), by good and sufficient check drawn on a national banking association, or, at Tenant's election, by electronic or wire transfer, at Landlord's address provided for in this Lease or such other address as may be specified in writing by Landlord, and shall be accompanied by all applicable state and local sales or use taxes; provided, that following any Event of Default, Landlord shall be permitted to require alternative methods of payment, in Landlord's sole discretion. The obligations of Tenant to pay Rent to Landlord and the obligations of Landlord under this Lease are independent obligations. Basic Rent, adjusted as herein provided, shall be payable monthly in advance. The first monthly installment of Basic Rent (with respect to the first full calendar month of the Term for which Basic Rent is due and payable without abatement) is due upon execution of this Lease by Tenant; thereafter, Basic Rent shall be payable on the first day of each calendar month. The monthly Basic Rent for any partial month at the beginning of the Term shall equal the product of 1/365 of the annual Basic Rent in effect during the partial month and the number of days in the partial month, and such Basic Rent payment is due upon execution of this Lease by Tenant; however, if the Commencement Date is not a fixed date that is ascertainable as of the Lease Date, then such Basic Rent payment for any fractional calendar month at the beginning of the Term shall be due by Tenant on the Commencement Date. Payments of Basic Rent for any fractional calendar month at the end of the Term shall be similarly prorated. Tenant shall pay to Landlord monthly installments of Additional Rent and any parking rent payable pursuant to Exhibit G in advance on the first day of each calendar month and otherwise on the same terms and conditions described above with respect to Basic Rent. Unless a shorter time period is specified in this Lease, all payments of miscellaneous Rent charges hereunder (that is, all Rent other than Basic Rent and Additional Rent) shall be due and payable within 30 days following Landlord's delivery to Tenant of an invoice therefor.

4.2 **Additional Rent**.

4.2.1 **Operating Costs**. Tenant shall pay to Landlord Tenant's Proportionate Share of Operating Costs. Landlord may make a good faith estimate of Operating Costs to be due by Tenant for any calendar year or part thereof during the Term. During each calendar year or partial calendar year of the Term after the Base Year, Tenant shall pay to Landlord, in advance on the first day of each calendar month, an amount equal to Tenant's estimated Operating Costs for such calendar year or part thereof divided by the number of months therein. From time to time, Landlord may estimate and re-estimate the Operating Costs to be due by Tenant and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of Operating Costs payable by Tenant shall be appropriately adjusted in accordance with the estimations so that, by the end of the calendar year in question, Tenant shall have paid all of the Operating Costs as estimated by Landlord. Any amounts paid based on such an estimate shall be subject to adjustment as herein provided when actual Operating Costs are available for each calendar year.

4.2.2 **Operating Costs Defined**. The term "**Operating Costs**" means all costs, expenses, disbursements, and amounts of every kind and nature (subject to the limitations set forth below) that Landlord pays or accrues in connection with the ownership, management, operation, maintenance, security, repair, replacement, renovation, restoration or operation of the Building, the Project, or any portion thereof, or performing Landlord's obligations under this Lease, in each case, determined in accordance with sound accounting principles consistently applied, including the following costs: (a) wages and salaries of all on-site employees at or below the grade of general manager engaged in the operation, maintenance or security of the Project (together with Landlord's reasonable allocation of expenses of off-site employees at or below the grade of general manager who perform a portion of their services in connection with the operation, maintenance or security of the Project including accounting personnel), including taxes, insurance and benefits relating thereto; (b) all supplies, materials and computer software licenses used in the operation, maintenance, repair, replacement, and security of the Project; (c) costs for improvements made to the Project which, although capital in nature, are expected to reduce the normal operating costs (including all utility costs) of the Project, as amortized using an interest rate equal to the Prime Rate plus two percent (2.00%) per annum over the time period reasonably estimated by Landlord to recover the costs thereof taking into consideration the anticipated cost savings, as determined by Landlord using its good faith, commercially reasonable judgment, as well as capital improvements made in order to comply with any Law hereafter promulgated by any governmental authority, or any amendment to or any interpretation hereafter rendered

with respect to any existing Law that have the effect of changing the legal requirements applicable to the Project from those currently in effect, or that relate to the safety or security of the Project, to maintain the Project in good order or condition, in each case amortized using an interest rate equal to the Prime Rate plus two percent (2.00%) per annum over the lesser of seven years or the useful economic life of such improvements as determined by Landlord in its reasonable discretion, or to repair, maintain and replace any equipment in the amenities, the cost of which shall be included in Operating Costs the year in which such costs are incurred; (d) cost of all utilities, other than the cost of any metered or submetered utilities paid separately by other tenants; (e) insurance expenses, including the cost of any deductibles; (f) repairs, replacements, and general maintenance of the Project; (g) fair market rental and other costs with respect to the management office, and any amenities such as any common use fitness facility and/or conference center for the Project; and (h) service, maintenance and management contracts and fees (payable to Landlord, Landlord's Affiliate or a third-party management company; provided that any costs paid to Landlord or Landlord's Affiliate for management services shall exclude amounts paid in excess of the competitive rates for management services of comparable quality rendered by persons or entities of similar skill, competence and experience) for the operation, maintenance, management, repair, replacement, or security of the Project (including alarm service, window cleaning, janitorial, security, landscape maintenance and elevator maintenance). The property management fee will be calculated assuming that all leasable space in the Project is leased to tenants paying full fair market value rent, as reasonably determined by Landlord (as contrasted with paying free rent, half rent and the like) without abatement, and will not exceed the greater of (i) five percent (5.00%) of gross revenues for the Project, as reasonably determined by Landlord, or (ii) $5,000.00 per month. Landlord shall have the right to allocate costs among different uses of space in the Project if Landlord reasonably determines the costs for operating, maintaining and repairing such different spaces differ from other spaces within the Project. If the Building is part of a multi-building complex (a "**related complex**"), Taxes and Operating Costs for the related complex may be prorated among the Building and the other buildings at the related complex, as reasonably determined by Landlord.

Operating Costs shall not include costs for (1) capital improvements made to the Project, other than capital improvements described in Section 4.2.2(c) and except for items which are generally considered maintenance and repair items, such as painting and wall covering of common areas, replacement of carpet or other floor coverings in elevator lobbies and common areas, and the like; (2) repair, replacements and general maintenance paid by proceeds of insurance or by Tenant or other third parties; (3) interest, amortization or other payments on loans to Landlord; (4) depreciation; (5) leasing commissions; (6) legal expenses for services, other than those that benefit the Project tenants generally (e.g., negotiation of vendor contracts); (7) renovating or otherwise improving space for specific occupants of the Project or vacant leasable space in the Project, other than costs for repairs, maintenance and compliance with Laws provided or made available to the Project tenants generally; (8) Taxes; and (9) federal income taxes imposed on or measured by the income of Landlord from the operation of the Project.

4.2.3 **Taxes; Taxes Defined**. Tenant shall also pay Tenant's Proportionate Share of Taxes. Tenant shall pay Tenant's Proportionate Share of Taxes in the same manner as provided above for Tenant's Proportionate Share of Operating Costs. "**Taxes**" means taxes, assessments, and governmental charges or fees whether federal, state, county or municipal, and whether they be by taxing districts or authorities presently taxing or by others, subsequently created or otherwise, and any other taxes and assessments (including non-governmental assessments and charges [including assessments and charges from any applicable property owner's association] under any restrictive covenant, declaration of covenants, restrictions and easements or other private agreement that are not treated as part of Operating Costs) now or hereafter attributable to the Project (or its operation), excluding, however, penalties and interest thereon and federal and state taxes on income. However, if the present method of taxation changes so that in lieu of or in addition to the whole or any part of any Taxes, there is levied on Landlord a tax directly on the rents or revenues received therefrom or a franchise tax, margin tax, assessment, or charge based, in whole or in part, upon such rents or revenues for the Project, then all such taxes, assessments, or charges, or the part thereof so based, shall be deemed to be included within the term "Taxes" for purposes hereof. Notwithstanding anything to the contrary herein, Taxes shall include the Texas margin tax and/or any other business tax imposed under Texas Tax Code Chapter 171 and/or any successor statutory provision. Taxes shall include the costs of consultants retained in an effort to lower taxes and all costs incurred in disputing any taxes or in seeking to lower the tax valuation of the Project. For property tax purposes, Tenant waives all rights to

protest or appeal the appraised value of the Premises, as well as the Project, and all rights to receive notices of reappraisement as set forth in Sections 41.413 and 42.015 of the Texas Tax Code. Tenant shall have the right to request Landlord, by written notice to Landlord given not less than sixty (60) days before the last date for filing any necessary protest or petition or taking any other necessary action, to initiate and prosecute any proceeding for the purpose of reducing the assessed valuation of the Project for tax purposes if the appraised value of the Project increases by more than ten percent (10.00%) over the previous year's appraised value; provided, however, that if Landlord reasonably determines that such protest may have adverse consequences, Landlord may elect not to pursue such protest. From time to time during any calendar year, Landlord may estimate or re-estimate the Taxes to be due by Tenant for that calendar year and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of Taxes payable by Tenant shall be appropriately adjusted in accordance with the estimations.

4.2.4 **Reconciliation Statement**. By April 30 of each calendar year, or as soon thereafter as practicable, Landlord shall furnish to Tenant a statement of Operating Costs for the previous year, adjusted as provided in Section 4.2.5, and of the Taxes for the previous year (the "**Reconciliation Statement**"). If Tenant's estimated payments of Operating Costs or Taxes under this Section 4.2 for the year covered by the Reconciliation Statement exceed Tenant's Proportionate Share of such items as indicated in the Reconciliation Statement, then Landlord shall credit or reimburse Tenant for such excess within 30 days after Landlord furnishes the Reconciliation Statement to Tenant; likewise, if Tenant's estimated payments of Operating Costs or Taxes under this Section 4.2 for such year are less than Tenant's Proportionate Share of such items as indicated in the Reconciliation Statement, then Tenant shall pay Landlord such deficiency within 30 days of invoice from Landlord.

4.2.5 **Gross Up**. With respect to any calendar year or partial calendar year in which the Project is not occupied to the extent of 100% of the rentable area thereof, or Landlord is not supplying comparable services to 100% of the rentable area thereof, the Operating Costs for such period which vary with the occupancy of the Project or level of service shall, for the purposes hereof, be increased to the amount which would have been incurred had the Project been occupied to the extent of 100% of the rentable area thereof and Landlord had been supplying comparable services to 100% of the rentable area thereof, and, for the purpose of calculating the property management fee, assuming that all leasable space is leased to tenants paying fair market value rent (as contrasted with paying free rent, half rent and the like).

4.2.6 **Operating Costs Cap**. For purposes of calculating Operating Costs under Section 4.2, the maximum increase in the amount of Controllable Operating Costs (defined below) that may be included in calculating such Operating Costs for each calendar year after the Cap Base Year (defined below) shall be limited to 5% per calendar year on a cumulative, compounded basis; for example, the maximum amount of Controllable Operating Costs that may be included in the calculation of such Operating Costs for each calendar year after the Cap Base Year shall equal the product of the Cap Base Year Controllable Operating Costs and the following percentages for the following calendar years: 105% for the first calendar year following the Cap Base Year; 110.25% for the second calendar year following the Cap Base Year; 115.76% for the third calendar year following the Cap Base Year; 121.55% for the fourth calendar year following the Cap Base Year; etc. However, any increases in Operating Costs not recovered by Landlord due to the foregoing limitation shall be carried forward into succeeding calendar years during the Term (subject to the foregoing limitation) to the extent necessary until fully recouped by Landlord. "**Cap Base Year**" means the first full calendar year following the Commencement Date; however, Controllable Operating Costs for the Cap Base Year only shall be increased to reflect Landlord's commercially reasonable estimate of the maintenance and repair costs that would have been incurred in the absence of any warranties and adjusted to the amount that would have been incurred had the Project been fully occupied, and Landlord had been supplying services to the entirety of the Project, for the duration of such Cap Base Year. "**Controllable Operating Costs**" means all Operating Costs which are within the reasonable control of Landlord; thus, excluding taxes, insurance, utilities, snow removal costs and other weather-related costs (including landscape maintenance costs, such as those resulting from infestation, storms, drought and other severe weather), costs incurred to comply with governmental requirements, increased costs due to union or other collective bargaining negotiations, costs resulting from acts of force majeure, amortized costs of capital expenditures, and other costs beyond the reasonable control of Landlord.

4.2.7 **Tenant's Inspection Right**. Provided no Event of Default then exists, after receiving an annual Reconciliation Statement and giving Landlord 30 days' prior written notice thereof, Tenant may inspect or audit Landlord's records relating to Additional Rent for the period of time covered by such Reconciliation Statement in accordance with the following provisions. If Tenant fails to object to the calculation of Additional Rent on an annual Reconciliation Statement within 60 days after the statement has been delivered to Tenant, or if Tenant fails to conclude its audit or inspection within 120 days after the statement has been delivered to Tenant, then Tenant shall have waived its right to object to the calculation of Additional Rent for the year in question and the calculation of Additional Rent set forth on such statement shall be final. Tenant's audit or inspection shall be conducted where Landlord maintains its books and records, shall not unreasonably interfere with the conduct of Landlord's business, and shall be conducted only during business hours reasonably designated by Landlord. Tenant shall pay the cost of such audit or inspection unless the total Additional Rent for the period in question is determined to be overstated by more than 5% in the aggregate, and, as a result thereof, Tenant paid to Landlord more than the actual Additional Rent due for such period, in which case Landlord shall pay the audit cost (not to exceed $2,500). Tenant may not conduct an inspection or have an audit performed more than once during any calendar year. Tenant or the accounting firm conducting such audit shall, at no charge to Landlord, submit its audit report in draft form to Landlord for Landlord's review and comment before the final approved audit report is submitted to Landlord, and any reasonable comments by Landlord shall be incorporated into the final audit report. If such inspection or audit reveals that an error was made in the Additional Rent previously charged to Tenant, then Landlord shall refund to Tenant any overpayment of any such costs, or Tenant shall pay to Landlord any underpayment of any such costs, as the case may be, within 30 days after notification thereof. Provided Landlord's accounting for Additional Rent is consistent with the terms of this Lease, Landlord's good faith judgment regarding the proper interpretation of this Lease and the proper accounting for Additional Rent shall be binding on Tenant in connection with any such audit or inspection. Tenant shall maintain the results of each such audit or inspection confidential and shall not be permitted to use any third party to perform such audit or inspection, other than an independent firm of certified public accountants (a) reasonably acceptable to Landlord (and any member of the "Big Four" accounting firms shall be deemed acceptable to Landlord), (b) which is not compensated on a contingency fee basis or in any other manner which is dependent upon the results of such audit or inspection (and Tenant shall deliver the fee agreement or other similar evidence of such fee arrangement to Landlord upon request), and (c) which agrees with Landlord in writing to maintain the results of such audit or inspection confidential. Notwithstanding the foregoing, Tenant shall have no right to conduct an audit if Landlord furnishes to Tenant an audit report for the period of time in question prepared by an independent certified public accounting firm of recognized national standing (whether originally prepared for Landlord or another party). Nothing in this Section 4.2.7 shall be construed to limit, suspend or abate Tenant's obligation to pay Rent when due, including Additional Rent. Tenant hereby acknowledges that Tenant's sole right to audit Landlord's books and records and to contest the amount of Additional Rent payable by Tenant shall be as set forth in this Section 4.2.7, and Tenant hereby waives any and all other rights pursuant to applicable law to audit such books and records and/or to contest the amount of Additional Rent payable by Tenant. This provision shall survive the expiration or earlier termination of the Lease.

5. **Delinquent Payment; Handling Charges**. All past due payments required of Tenant hereunder shall bear interest from the date due until paid at the lesser of eight percent per annum or the maximum lawful rate of interest (such lesser amount is referred to herein as the "**Default Rate**"); additionally, Landlord, in addition to all other rights and remedies available to it, may charge Tenant a late fee equal to the greater of (a) three percent (3.00%) of the delinquent payment, and (b) $250, to reimburse Landlord for its cost and inconvenience incurred as a consequence of Tenant's delinquency. In no event, however, shall the charges permitted under this Section 5 or elsewhere in this Lease, to the extent they are considered to be interest under applicable Law, exceed the maximum lawful commercial rate of interest. Notwithstanding the foregoing, the late fee referenced above shall not be charged with respect to the first occurrence (but not any subsequent occurrence) during any 12-calendar month period that Tenant fails to make any payment of Additional Rent when due, until ten (10) days after Landlord delivers written notice of such delinquency to Tenant. Landlord and Tenant agree that the late fee referenced above represents a fair and reasonable estimate of the costs Landlord will incur by reason of Tenant's delinquent payment.

6. **Security Deposit**. Contemporaneously with the execution of this Lease, Tenant shall pay to Landlord the Security Deposit, which shall be held by Landlord to secure Tenant's performance of its obligations under this Lease. The Security Deposit is not an advance payment of Rent or a measure or limit of Landlord's damages

upon an Event of Default (as defined herein). Landlord may, from time to time following an Event of Default and without prejudice to any other remedy, use all or a part of the Security Deposit to perform any obligation Tenant fails to perform hereunder. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. Provided that Tenant has performed all of its obligations hereunder, Landlord shall, within 60 days after the expiration of the Term and Tenant's surrender of the Premises in compliance with the provisions of this Lease, return to Tenant the portion of the Security Deposit which was not applied to satisfy Tenant's obligations. Notwithstanding the preceding sentence and to the extent permitted by applicable Law, Landlord may retain the Security Deposit until such time after the expiration of the Term that Landlord is able to reconcile and confirm all amounts payable by Tenant under this Lease have been paid in full by Tenant (e.g., Landlord cannot reconcile and confirm Tenant has paid Tenant's Proportionate Share of Taxes for the calendar year in which the Term expires if Landlord has not received a Tax bill from all applicable taxing authorities at the time of such expiration). The Security Deposit may be commingled with other funds, and no interest shall be paid thereon. If Landlord transfers its interest in the Premises and the transferee assumes Landlord's obligations under this Lease, then Landlord shall, in Landlord's sole discretion, either assign any unused balance of the Security Deposit to the transferee or provide a credit to the Transferee in an amount equal to any unused balance of the Security Deposit, whereupon Landlord shall have no further liability for the return of the Security Deposit. The rights and obligations of Landlord and Tenant under this Section 6 are subject to any other requirements and conditions imposed by Laws applicable to the Security Deposit.

7. **Landlord's Obligations**.

7.1 **Services**. Landlord shall use commercially reasonable efforts to furnish to Tenant: (a) water at those points of supply provided for general use of tenants of the Building; (b) the equipment to provide heated and refrigerated air conditioning ("**HVAC**") as appropriate, at such temperatures and in such amounts as are standard for comparable buildings with comparable densities and heat loads in the vicinity of the Building (not to exceed the current HVAC system's capacity existing as of the Lease Date); (c) janitorial service to the Premises five days per week, other than holidays, for Building-standard installations and such window washing as may from time to time be reasonably required; (d) elevators for ingress and egress to the floor on which the Premises are located, in common with other tenants, provided that Landlord may reasonably limit the number of operating elevators during non-business hours and holidays; (e) replacement of Building-standard light bulbs and fluorescent tubes, provided that Landlord's standard charge for such bulbs and tubes shall be paid by Tenant; and (f) electrical current during normal business hours for electrical energy consumption that does not exceed normal office usage. If Tenant desires janitorial service at other than normal service times, or HVAC service at other than Building Hours, then such services shall be supplied to Tenant upon the written request (or such other means as may be requested by Landlord, including, if applicable, request through an internet portal system) by Tenant delivered to Landlord through the Building's work order system before 1:00 p.m. on the business day preceding such extra usage, and Tenant shall pay to Landlord its then standard cost of such services (which shall not be included in Tenant's Proportionate Share of Operating Costs) within 30 days after Landlord has delivered to Tenant an invoice therefor. However, with respect to HVAC services on Saturdays, in order to conserve energy and reduce Operating Costs, Tenant shall notify Landlord whether Tenant desires HVAC services to the Premises on Saturdays by 3:00 p.m. on the immediately preceding business day. If Tenant so notifies Landlord that Tenant desires such HVAC services on Saturday, Landlord shall provide such HVAC service during the Building's standard hours on Saturday (as described above) at no additional separate charge to Tenant. If Tenant desires HVAC services on Saturdays in excess of the Building's standard hours on Saturdays, then Landlord shall provide such services subject to the additional HVAC charges for such additional hours in excess of the Building's standard hours. Tenant acknowledges that the cost components for providing after-hours HVAC service to the Premises are not separately metered; accordingly, Landlord's determination of after-hours HVAC charges is an estimate of the costs incurred by Landlord in providing such after-hours HVAC service to Tenant. The costs charged to Tenant for such after-hours service shall include Landlord's reasonable allocation of the costs for electricity, water, sewage, water treatment, labor, metering, filtering, equipment depreciation, wear and tear and maintenance to provide such service. Landlord's reasonable estimate of 2020 after-hours charges for HVAC is $75.00 per hour per floor of the Building (with a two-hour minimum), plus any applicable sales or other taxes; however, Landlord and Tenant agree that such figure shall not be interpreted as the maximum amount which may be charged to Tenant for such services.

7.2 **Excess Utility Use**. Landlord shall not be required to furnish electrical power for equipment that requires more than 110 volts or other equipment whose electrical energy consumption exceeds normal office usage. If Tenant's requirements for or consumption of electricity exceed the electricity to be provided by Landlord as described in Section 7.1, Landlord shall, at Tenant's expense, make reasonable efforts to supply such service through the then-existing feeders and risers serving the Building and the Premises, provided the additional use of such feeders and risers caused by Tenant's excess electrical requirements do not adversely affect Landlord's ability to provide reasonable electrical service to the balance of the Building (as determined by Landlord in the exercise of its reasonable discretion); and Tenant shall pay to Landlord the cost of such service within 30 days after Landlord has delivered to Tenant an invoice therefor. Landlord may determine the amount of such utility consumption by any verifiable method, including installation of a separate meter or monitor in the Premises installed, maintained, and read by Landlord, at Tenant's expense. Tenant shall not install any electrical equipment requiring special wiring or requiring electricity in excess of 110 volts unless approved in advance by Landlord, which approval shall not be unreasonably withheld. Tenant shall not install any electrical equipment requiring electricity in excess of the pro rata capacity available to the Premises as of the Lease Date unless approved in advance by Landlord, which approval may be withheld in Landlord's sole discretion. The use of electricity in the Premises shall not exceed the capacity of existing feeders and risers to or wiring in the Premises. Any risers or wiring required to meet Tenant's excess electrical requirements shall, upon Tenant's written request, be installed by Landlord, at Tenant's cost, if, in Landlord's judgment, the same are necessary and shall not cause permanent damage to the Building or the Premises, cause or create a dangerous or hazardous condition, entail excessive or unreasonable alterations, repairs, or expenses, adversely affect Landlord's ability to provide reasonable service to the balance of the Building, or interfere with or disturb other tenants of the Building. If Tenant (a) uses machines or equipment in the Premises or (b) operates within the Premises or any portion thereof (e.g., training rooms, conference rooms, computer rooms, server rooms, etc.) at a density, either of which (1) affects the temperature otherwise maintained by the air conditioning system or (2) otherwise overloads any utility, Landlord may install supplemental air conditioning units or other supplemental equipment in the Premises (and any necessary electrical submetering equipment and wiring), and the cost thereof, including the cost of design, installation, operation, use, and maintenance, in each case plus an administrative fee of 10% of such cost, shall be paid by Tenant to Landlord within 30 days after Landlord has delivered to Tenant an invoice therefor.

7.3 **Restoration of Services; Abatement**. Landlord shall use reasonable efforts to restore any service required of it under Section 7.1 that becomes unavailable; however, such unavailability shall not render Landlord liable for any damages caused thereby, be a constructive eviction of Tenant, constitute a breach of any implied warranty, or, except as provided in the next sentence, entitle Tenant to any abatement of Tenant's obligations hereunder. If, however, Tenant is prevented from using, and does not use, the Premises because of the unavailability of any such service for a period of 10 consecutive business days following Landlord's receipt from Tenant of a written notice regarding such unavailability, the restoration of which is within Landlord's reasonable control, and such unavailability was not caused by a Tenant Party, a governmental directive, or the failure of public utilities to furnish necessary services, then Tenant shall, as its exclusive remedies: (i) be entitled to a reasonable abatement of Basic Rent and Additional Rent for each consecutive day (after such 10-day period) that Tenant is so prevented from using the Premises; and (ii) if such unavailability of services is caused by a willful refusal of Landlord to provide such services, be entitled to seek specific performance of Landlord's restoration obligations under this Section 7.3.

7.4 **Repair and Maintenance by Landlord**. Landlord shall maintain and repair the common areas of the Project, Building's Structure, the core portions of the Building's Systems, the parking areas and other exterior areas of the Project, including driveways, alleys, landscape and grounds of the Project and utility lines in a good condition, consistent with the operation of similar class office buildings in the market in which the Project is located, including maintenance, repair and replacement of the exterior of the Project (including painting), landscaping, sprinkler systems and any items normally associated with the foregoing. All costs in performing the work described in this Section shall be included in Operating Costs except to the extent excluded by Section 4.2. In no event shall Landlord be responsible for alterations to the Building's Structure required by applicable Law because of Tenant's use of the Premises or alterations or improvements to the Premises made by or for a Tenant Party (which alterations shall be made by Landlord at Tenant's sole cost and expense and on the same terms and conditions as Landlord performed repairs as described in Section 8.2 below). Notwithstanding anything to the contrary contained herein, Landlord shall, in its commercially-reasonable discretion, determine whether, and to the extent, repairs or replacements are the appropriate remedial action.

7.5 **Access**. Subject to the Building rules and regulations attached as Exhibit C hereto and the other provisions of this Lease (including Section 9 hereof), Tenant will be provided access to the Premises 24 hours per day, seven days per week.

8. **Improvements; Alterations; Repairs; Maintenance**.

8.1 **Improvements; Alterations**. Improvements to the Premises shall be installed at Tenant's expense only in accordance with plans and specifications which have been previously submitted to and approved in writing by Landlord, which approval shall be governed by the provisions set forth in this Section 8.1. No alterations or physical additions in or to the Premises (including the installation of systems furniture or other equipment or personal property that affects or otherwise connects to the Building's Systems) may be made without Landlord's prior written consent, which shall not be unreasonably withheld or delayed; however, Landlord may withhold its consent in its sole discretion to any alteration or addition that would (a) adversely affect (which determination shall be made by Landlord in its commercially reasonable discretion) the Building's Structure or the Building's Systems (including the Project's restrooms or mechanical rooms), or (b) affect (which determination shall be made by Landlord in its sole and absolute discretion) the (1) exterior appearance of the Project, (2) appearance of the Project's common areas or elevator lobby areas, (3) quiet enjoyment of other tenants or occupants of the Project, or (4) provision of services to other occupants of the Project. In no event may any Tenant Party install any power or data poles or other vertical drop poles in the Premises. To the extent that Landlord grants Tenant the right to use areas within the Project, whether pursuant to the terms of this Lease or through plans and specifications subsequently approved by Landlord (and without implying that Landlord shall grant any such approvals), (A) in no event may Tenant use more than its Proportionate Share of the areas within the Building or utility or systems capacity made available by Landlord for general tenant usage for Tenant's installations and operations in the Premises (including chilled water, electricity and other Building's Systems, telecommunications room space, electrical room space, plenum space and riser space), and (B) Tenant shall comply with the provisions of this Section with respect to all such items, including Tenant's Off- Premises Equipment. Tenant shall not paint or install decorations, signs, window or door lettering, or advertising media of any type visible from the exterior of the Premises without the prior written consent of Landlord, which consent may be withheld in Landlord's sole and absolute discretion. Notwithstanding the foregoing, Tenant shall not be required to obtain Landlord's consent for repainting, recarpeting, or other alterations, tenant improvements, or physical additions to the Premises which are exclusively interior, non-structural and cosmetic in nature, in each case provided that (i) the installation thereof does not require the issuance of any building permit or other governmental approval, or involve any core drilling or the configuration or location of any exterior or interior walls (other than the configuration or location of temporary interior modular office walls displayed for purposes of sale ["Temporary Walls"]) of the Building, and (ii) such alterations, additions and improvements will not affect (a) the Building's Structure or the Building's Systems, (b) the provision of services to other Building tenants, or (c) the appearance of the Building's common areas (except for Tenant's installation of Temporary Walls, provided, however, that if Landlord has any objection to the location of any Temporary Walls, Landlord may notify Tenant of such objection, Tenant shall promptly remove such Temporary Walls, and Tenant may relocate such Temporary Walls to another location on the Premises acceptable to Landlord in its reasonable discretion) or the exterior of the Building. All water heaters in the Premises must be tankless and must include automatic shut-off valves and water sensors. All alterations, additions, and improvements shall be constructed, maintained, and used by Tenant, at its risk and expense, in accordance with all Laws; Landlord's consent to or approval of any alterations, additions or improvements (or the plans therefor) shall not constitute a representation or warranty by Landlord, nor Landlord's acceptance, that the same comply with sound architectural and/or engineering practices or with all applicable Laws, and Tenant shall be solely responsible for ensuring all such compliance. Landlord and Tenant hereby acknowledge and agree that all alterations, improvements, fixtures, equipment and/or appurtenances which may be installed or placed in or about the Premises (excluding Tenant's removable trade fixtures, furniture or non-affixed office equipment), from time to time, shall be at the sole cost of Tenant and shall be and become part of the Premises and the property of Landlord (subject to the provisions of Section 21).

8.2 **Repair and Maintenance by Tenant**. Tenant shall maintain the Premises in a clean, safe, and operable condition, and shall not permit or allow to remain any waste or damage to any portion of the Premises. If the Premises include, now or hereafter, one or more floors of the Building in their entirety, all corridors and restroom facilities located on such full floor(s) shall be considered to be a part of the Premises. Additionally, Tenant, at its sole expense, shall repair, replace and maintain in good condition and in accordance with all Laws and the equipment manufacturer's suggested service programs, all portions of the Premises (excluding the core portion of the Building's Systems, which shall be maintained by Landlord pursuant to Section 7.4) and Tenant's Off-Premises Equipment and all areas, improvements and systems exclusively serving the Premises, including the branch lines of the plumbing, electrical and HVAC systems, including all duct work, and Tenant shall utilize all of the foregoing items in accordance with the applicable design specifications and capacities. Notwithstanding any other provision in this Lease to the

contrary, with respect to any portion of the Premises visible from any common area inside or outside of the Building (the "**Visible Premises**"), Tenant shall (a) maintain such Visible Premises, including the furniture, fixtures, equipment and improvements located therein in a neat and first-class condition throughout the Term and any extension thereof, (b) not use the Visible Premises for storage, (c) complete within the Visible Premises any requested cleaning within one business day after Landlord's written request therefor, and (d) complete within the Visible Premises any requested repairs, alterations or changes within five business days after Landlord's written request therefor. Tenant shall repair or replace, subject to Landlord's direction and supervision, any damage to the Project caused by a Tenant Party. If (1) Tenant fails to commence to make such repairs or replacements within 15 days after the occurrence of such damage and thereafter diligently pursue the completion thereof (or, in the case of an emergency, such shorter period of time as is reasonable given the circumstances), or (2) notwithstanding such diligence, Tenant fails to complete such repairs or replacements within 30 days after the occurrence of such damage (or, in the case of an emergency, such shorter period of time as is reasonable given the circumstances), then Landlord may make the same at Tenant's cost. If any such damage occurs outside of the Premises, or if such damage occurs inside the Premises but affects the Building's Systems and/or Building's Structure or any other area outside the Premises, then Landlord may elect to repair such damage at Tenant's expense, rather than having Tenant repair such damage. The cost of all maintenance, repair or replacement work performed by Landlord under this Section 8, in each case plus an administrative fee of 10% of such cost, shall not be included in Operating Costs but instead shall be paid by Tenant to Landlord within 30 days after Landlord has invoiced Tenant therefor.

8.3 **Performance of Work**. Except for the Work (which is governed by the attached Work Letter), all work described in this Section 8 shall be performed only by Landlord or by contractors and subcontractors approved in writing by Landlord and only in accordance with plans and specifications approved by Landlord in writing. If Landlord elects, in its sole discretion, to supervise any work described in this Section 8, Tenant shall pay to Landlord a construction management fee equal to 3% of the cost of such work. Tenant shall cause all contractors and subcontractors to procure and maintain insurance coverage listing the Landlord Insured Parties (defined below) as additional insureds against such risks, in such amounts, and with such companies as Landlord may reasonably require. Tenant shall provide Landlord with the identities, mailing addresses and telephone numbers of all persons performing work in excess of $50,000 or supplying materials in excess of $25,000 prior to beginning such construction and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable Laws. All such work shall be performed in accordance with all Laws and in a good and workmanlike manner so as not to damage the Building (including the Premises, the Building's Structure and the Building's Systems) and shall use materials of a quality that is at least equal to the quality designated by Landlord as the minimum standard for the Building, and in such manner as to cause a minimum of disruption to the other occupants of the Project and interference with other construction in progress and with the transaction of business in the Project and the related complex. Landlord may designate reasonable rules, regulations and procedures for the performance of all such work in the Building (including insurance requirements for contractors) and, to the extent reasonably necessary to avoid disruption to the occupants of the Building, shall have the right to designate the time when such work may be performed. All such work which may affect the Building's Structure or the Building's Systems must be approved by the Project's engineer of record, at Tenant's expense and, at Landlord's election, must be performed by Landlord's usual contractor for such work. All work affecting the roof of the Building must be performed by Landlord's roofing contractor and no such work will be permitted if it would void or reduce or otherwise adversely affect the warranty on the roof. Upon completion of any work described in this Section 8, Tenant shall furnish Landlord with accurate reproducible "as-built" CADD files (or a comparable format subject to Landlord's prior written approval) of the improvements as constructed.

8.4 **Mechanic's Liens**. All work performed, materials furnished, or obligations incurred by or at the request of a Tenant Party shall be deemed authorized and ordered by Tenant only, and Tenant shall not permit any mechanic's or construction liens to be filed against the Premises or the Project in connection therewith. Upon completion of any such work, Tenant shall deliver to Landlord final unconditional lien waivers from all contractors, subcontractors and materialmen who performed such work in excess of $5,000 in a form approved by Landlord. If such a lien is filed, then Tenant shall, within thirty (30) days after Landlord has delivered notice of the filing thereof to Tenant (or such earlier time period as may be necessary to prevent the forfeiture of the Premises, the Project or any interest of Landlord therein or the imposition of a civil or criminal fine with respect thereto), either (a) pay the amount of the lien and cause the lien to be released of record, or (b) diligently contest such lien and deliver to Landlord a bond or other security reasonably satisfactory to Landlord. If Tenant fails to timely take either such action, then Landlord may pay the lien claim, and any amounts so paid, including expenses and interest, shall be paid by Tenant to Landlord within ten days after Landlord has invoiced Tenant therefor. Landlord and Tenant acknowledge and agree that their

relationship is and shall be solely that of "landlord-tenant" (thereby excluding a relationship of "owner-contractor," "owner-agent" or other similar relationships) and that Tenant is not authorized to act as Landlord's common law agent or construction agent in connection with any work performed in the Premises. Accordingly, all materialmen, contractors, artisans, mechanics, laborers and any other persons now or hereafter contracting with Tenant, any contractor or subcontractor of Tenant or any other Tenant Party for the furnishing of any labor, services, materials, supplies or equipment with respect to any portion of the Premises, at any time from the Lease Date until the end of the Term, are hereby charged with notice that they look exclusively to Tenant to obtain payment for same. Nothing herein shall be deemed a consent by Landlord to any liens being placed upon the Premises, the Project or Landlord's interest therein due to any work performed by or for Tenant or deemed to give any contractor or subcontractor or materialman any right or interest in any funds held by Landlord to reimburse Tenant for any portion of the cost of such work. Tenant shall defend, indemnify and hold harmless Landlord and its agents and representatives from and against all claims, demands, causes of action, suits, judgments, damages and expenses (including attorneys' fees) in any way arising from or relating to the failure by any Tenant Party to pay for any work performed, materials furnished, or obligations incurred by or at the request of a Tenant Party. This indemnity provision shall survive termination or expiration of this Lease.

9. **Use**. Tenant shall occupy and use the Premises only for the Permitted Use and for no other use or purpose and shall comply with all Laws relating to the use, condition, access to, and occupancy of the Premises and will not commit waste, overload the Building's Structure or the Building's Systems or subject the Premises to use that would damage the Premises. The population density within all or any portion of the Premises shall at no time exceed one person for each 175 rentable square feet in the Premises; however, such population density may from time to time exceed such number on a temporary basis for meetings, conferences and other events of a temporary nature. Tenant shall not conduct second or third shift operations within the Premises; however, Tenant may use the Premises after Building Hours, so long as Tenant is not generally conducting business from the Premises after Building Hours. Notwithstanding anything in this Lease to the contrary, as between Landlord and Tenant, (a) Tenant shall bear the risk of complying with Title III of the Americans With Disabilities Act of 1990, any state laws governing handicapped access or architectural barriers, and all rules, regulations, and guidelines promulgated under such laws, as amended from time to time (the "**Disabilities Acts**") in the Premises, and (b) Landlord shall bear the risk of complying with the Disabilities Acts in the common areas of the Building, including restrooms located in such common areas, other than compliance that is necessitated by the use of the Premises for other than the Permitted Use or as a result of any alterations or additions, including any initial tenant improvement work (including the Work), made by or on behalf of a Tenant Party (which risk and responsibility shall be borne by Tenant). The Premises shall not be used for any use which is disreputable, creates extraordinary fire hazards, or results in an increased rate of insurance on the Project or its contents. Tenant shall not use any substantial portion of the Premises for a "call center," any other telemarketing use, any credit processing use or any co-working use (i.e., a shared office environment for persons who are self- employed or working for different employers). Tenant acknowledges and agrees that Tenant's use of the Premises shall not include, and neither the Premises nor any portion of the Project shall be used for, the use, growing, producing, processing, storing (short- or long-term), distributing, transporting, or selling of cannabis, cannabis derivatives, or any cannabis containing substances (collectively, "**Cannabis**"), or any uses related to the same, nor shall Tenant permit, allow or suffer, any Tenant Party to bring any Cannabis onto the Premises or any portion of the Project. Furthermore, the Premises may not be used in any manner that would violate any exclusive use covenant or use restriction then in effect for the benefit of any tenant or occupant of the Project or violate any restrictive covenants or other covenants and restrictions then affecting the Project. If, because of a Tenant Party's acts or omissions or because Tenant vacates the Premises, the rate of insurance on the Building or its contents increases, then such acts or omissions shall be an Event of Default, Tenant shall pay to Landlord the amount of such increase on demand, and acceptance of such payment shall not waive any of Landlord's other rights. Tenant shall conduct its business and control each other Tenant Party so as not to create any nuisance or unreasonably interfere with other tenants or Landlord in its management of the Project.

10. **Assignment and Subletting**.

10.1 **Transfers**. Except as provided in Section 10.8 and Section 10.9, Tenant shall not, without the prior written consent of Landlord, (a) assign, transfer, or encumber this Lease or any estate or interest herein, whether directly or by operation of law, (b) permit any other entity to become Tenant hereunder by merger, consolidation, or other reorganization, (c) if Tenant is an entity other than a corporation whose stock is publicly traded, permit the transfer of an ownership interest in Tenant so as to result in a change in the current direct or indirect

control of Tenant, (d) sublet any portion of the Premises, (e) grant any license, concession, or other right of occupancy of any portion of the Premises, (f) permit the use of the Premises by any parties other than Tenant, or (g) sell or otherwise transfer, in one or more transactions, a majority of Tenant's assets (any of the events listed in Section 10.1(a) through 10.1(g) being a "**Transfer**").

10.2 **Consent Standards**. Landlord shall not unreasonably withhold its consent to any assignment of Tenant's entire interest in this Lease or subletting of the Premises, provided that the proposed transferee (a) is creditworthy, (b) will use the Premises for the Permitted Use (thus, excluding, without limitation, uses for credit processing, telemarketing, and co-working) and will not use the Premises in any manner that would conflict with any exclusive use agreement or other similar agreement entered into by Landlord with any other tenant of the Project or any related complex, (c) will not use the Premises, Building or Project in a manner that would materially increase Operating Costs or the pedestrian or vehicular traffic to the Premises, Building or Project, (d) is not a governmental or quasi-governmental entity, or subdivision or agency thereof, or any other entity entitled to the defense of sovereign immunity, (e) is not another occupant of the Project or any related complex or an Affiliate of such occupant, (f) is not currently and has not in the past been involved in litigation with Landlord or any of its Affiliates, (g) meets Landlord's reasonable standards for tenants of the Project and any related complex and is otherwise compatible with the character of the occupancy of the Project and any related complex, and (h) is not a person or entity with whom Landlord is then, or has been within the nine-month period prior to the time Tenant seeks to enter into such assignment or subletting, negotiating to lease space in the Project or any related complex or any Affiliate of any such person or entity; otherwise, Landlord may withhold its consent in its sole discretion. Additionally, Landlord may withhold its consent in its sole discretion to any proposed Transfer if any Event of Default by Tenant then exists. Any Transfer made while an Event of Default exists hereunder, irrespective whether Landlord's consent is required hereunder with respect to the Transfer, shall be voidable by Landlord in Landlord's sole discretion. In agreeing to act reasonably, Landlord is agreeing to act in a manner consistent with the standards followed by large institutional owners of commercial real estate and Landlord is permitted to consider the financial terms of the Transfer and the impact of the Transfer on Landlord's own leasing efforts and the value of the Project. Landlord may condition its consent to a Transfer on an increase in the Security Deposit or receipt of a guaranty from a suitable party. Landlord shall not be required to act reasonably in considering any request to pledge or encumber this Lease or any interest therein.

10.3 **Request for Consent**. If Tenant requests Landlord's consent to a Transfer, then, at least 15 business days prior to the effective date of the proposed Transfer, Tenant shall provide Landlord with a written description of all terms and conditions of the proposed Transfer, copies of the proposed documentation, and the following information about the proposed transferee: name and address of the proposed transferee and any entities and persons who own, control or direct the proposed transferee; reasonably satisfactory information about its business and business history; its proposed use of the Premises; banking, financial, and other credit information; and general references sufficient to enable Landlord to determine the proposed transferee's creditworthiness and character. Tenant shall also reimburse Landlord immediately upon request for its reasonable attorneys' fees and other expenses incurred in connection with considering any request for consent to a Transfer (whether or not consent is granted) and in documenting (and negotiating the terms of) Landlord's consent (which shall not exceed $2,500 for consents to subleases provided Landlord's standard consent to sublease form is used without material modification or negotiation). If Landlord does not consent to a Transfer, Tenant's sole remedy against Landlord will be an action for specific performance or declaratory relief, and Tenant may not terminate this Lease or seek monetary damages.

10.4 **Conditions to Consent**. If Landlord consents to a proposed Transfer, then the proposed transferee shall deliver to Landlord a written agreement on Landlord's consent form whereby it expressly assumes Tenant's obligations hereunder (among other terms and conditions reasonably required by Landlord in connection with providing its consent); however, any transferee of less than all of the space in the Premises shall be liable only for obligations under this Lease that are properly allocable to the space subject to the Transfer for the period of the Transfer. No Transfer shall release Tenant from its obligations under this Lease, but rather Tenant and its transferee shall be jointly and severally liable therefor. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfers and no subtenant of any portion of the Premises shall be permitted to further sublease any portion of its subleased space. If an Event of Default occurs while the Premises or any part thereof are subject to a Transfer, then Landlord, in addition to its other remedies, may collect directly from such transferee all rents becoming due to Tenant and apply such rents against Rent. Tenant authorizes its transferees to make payments of rent directly to Landlord upon receipt of notice from Landlord to do so following the occurrence of an Event of Default hereunder. Tenant shall pay for the cost of any demising walls or other improvements necessitated by a proposed subletting or assignment.

10.5 **Attornment by Subtenants**. Each sublease by Tenant hereunder shall be subject and subordinate to this Lease and to the matters to which this Lease is or shall be subordinate, and each subtenant by entering into a sublease is deemed to have agreed that in the event of termination, re-entry or dispossession by Landlord under this Lease, Landlord may, at its option, take over all of the right, title and interest of Tenant, as sublandlord, under such sublease, and such subtenant shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such sublease, except that Landlord shall not be (a) liable for any previous act or omission of Tenant under such sublease, (b) subject to any counterclaim, offset or defense that such subtenant might have against Tenant, (c) bound by any previous modification of such sublease not approved by Landlord in writing or by any rent or additional rent or advance rent which such subtenant might have paid for more than the current month to Tenant, and all such rent shall remain due and owing, notwithstanding such advance payment, (d) bound by any security or advance rental deposit made by such subtenant which is not delivered or paid over to Landlord and with respect to which such subtenant shall look solely to Tenant for refund or reimbursement, or (e) obligated to perform any work in the subleased space or to prepare it for occupancy, and in connection with such attornment, the subtenant shall execute and deliver to Landlord any instruments Landlord may reasonably request to evidence and confirm such attornment. Each subtenant or licensee of Tenant shall be deemed, automatically upon and as a condition of its occupying or using the Premises or any part thereof, to have agreed to be bound by the terms and conditions set forth in this Section 10.5. The provisions of this Section 10.5 shall be self-operative, and no further instrument shall be required to give effect to this provision.

10.6 **Cancellation**. Landlord may, within 30 days after submission of Tenant's written request for Landlord's consent to an assignment or to a subletting of all or substantially all of the Premises (or a sublease of a portion of the Premises which, when aggregated with other subleases then in effect, covers fifty percent (50%) or more of the Premises), cancel this Lease as of the date the proposed Transfer is to be effective and Tenant shall pay to Landlord all Rent accrued through the cancellation date. Thereafter, Landlord may lease the Premises to the prospective transferee (or to any other person) without liability to Tenant. Notwithstanding the foregoing, (i) this Section 10.6 shall not apply to Permitted Transfers and (ii) if Landlord provides written notification to Tenant of its election to cancel this Lease as provided above, Tenant may rescind its proposed assignment or subletting of the Premises by notifying Landlord in writing within three business days following Landlord's written cancellation notice.

10.7 **Additional Compensation**. Tenant shall pay to Landlord, immediately upon receipt thereof, the excess of (a) 50% of the compensation received by Tenant for a Transfer less the actual out-of-pocket costs reasonably incurred by Tenant with unaffiliated third parties (i.e., brokerage commissions and tenant finish work) in connection with such Transfer (such costs shall be amortized on a straight-line basis over the term of the Transfer in question) over (b) the Rent allocable to the portion of the Premises covered thereby.

10.8 **Permitted Transfers**. Notwithstanding Section 10.1, Tenant may Transfer all or part of its interest in this Lease or all or part of the Premises (a "**Permitted Transfer**") to the following types of entities (a "**Permitted Transferee**") without the written consent of Landlord:

10.8.1 an Affiliate of Tenant, but only so long as such transferee remains an Affiliate of Tenant;

10.8.2 any corporation, limited partnership, limited liability partnership, limited liability company or other business entity in which or with which Tenant, or its corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions governing merger and consolidation of business entities, so long as (a) Tenant's obligations hereunder are assumed by the entity surviving such merger or created by such consolidation; and (b) the proposed transferee satisfies the Tangible Net Worth/Credit Threshold as of the effective date of the Permitted Transfer; or

10.8.3 any corporation, limited partnership, limited liability partnership, limited liability company or other business entity acquiring all or substantially all of Tenant's assets, so long as (a) Tenant's obligations hereunder are assumed by the entity acquiring such assets; and (b) the proposed transferee satisfies the Tangible Net Worth/Credit Threshold as of the effective date of the Permitted Transfer.

Tenant shall promptly notify Landlord of any such Permitted Transfer. Tenant shall remain liable for the performance of all of the obligations of Tenant hereunder, or if Tenant no longer exists because of a merger, consolidation, or acquisition, the surviving or acquiring entity shall expressly assume in writing the obligations of Tenant hereunder. Additionally, the Permitted Transferee shall comply with all of the terms and conditions of this Lease, including the Permitted Use, and the use of the Premises by the Permitted Transferee may not violate any other agreements affecting the Premises or the Project or any related complex, Landlord or other tenants of the Project or any related complex. No later than ten days after the effective date of any Permitted Transfer, Tenant agrees to furnish Landlord with (1) copies of the instrument effecting any of the foregoing Transfers, (2) documentation establishing Tenant's satisfaction of the requirements set forth above applicable to any such Transfer, and (3) evidence of insurance as required under this Lease with respect to the Permitted Transferee. The occurrence of a Permitted Transfer shall not waive Landlord's rights as to any subsequent Transfers, and any subsequent Transfer by a Permitted Transferee shall be subject to the terms of this Section 10. As used herein, the term "**Tangible Net Worth/Credit Threshold**" shall mean the proposed Permitted Transferee has a Tangible Net Worth equal to or greater than $10,000,000 as evidenced by financial statements reasonably acceptable to Landlord. As used herein, "**Tangible Net Worth**" means the excess of total assets over total liabilities, in each case as determined in accordance with generally accepted accounting principles consistently applied ("**GAAP**"), excluding, however, from the determination of total assets all assets which would be classified as intangible assets under GAAP including goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises. The right to Transfer to an Affiliate pursuant to Section 10.8.1 shall be subject to the condition that such Permitted Transferee remains an Affiliate of Tenant and that on or before such Transfer being effected both Tenant and such Permitted Transferee must enter into an agreement with Landlord, in a form satisfactory to Landlord, Tenant and such Permitted Transferee, each acting reasonably, that if such Permitted Transferee ceases to be an Affiliate of Tenant, it shall so notify Landlord in writing within ten days after such event and, upon the written request of Landlord, transfer, assign, set over and/or re-assign this Lease and its interest in the Premises, as applicable, to Tenant or, subject to complying with this condition, another Affiliate of Tenant.

10.9. **Permitted Occupants**.

10.9.1 Notwithstanding anything in this Section 10 to the contrary, Tenant may permit its subsidiaries, Affiliates, clients, contractors, customers, auditors, strategic partners or other entities under common ownership (total or partial) with Tenant or with whom Tenant has or is then establishing a bona fide business relationship (each a "**Permitted Occupant'**") to occupy and use up to 10% of the Premises without the written consent of Landlord, subject to the following conditions: (a) the Permitted Occupant is of character, is engaged in a business, uses the Premises in keeping with Tenant and the Permitted Use, and otherwise meets Landlord's reasonable standards for tenants of the Building, (b) the use of the Premises by the Permitted Occupant may not violate any other agreements affecting the Premises, the Building, the Project, Landlord or other tenants of the Building or Project, (c) the use and occupancy by the Permitted Occupant is otherwise expressly subject to, and the Permitted Occupant must comply with, all of the terms, covenants, conditions and obligations on Tenant's part to be observed and performed under this Lease as they relate to the space being used and occupied by the Permitted Occupant (other than Tenant's obligation to pay Basic Rent or Additional Rent under this Lease), including the requirement to obtain insurance in the requisite amounts and to indemnify, defend and hold Landlord harmless for any Loss (defined below) or other liabilities resulting from the use and operations contemplated by this Section 10.9.1, (d) any violation of any provision of this Lease by the Permitted Occupant shall be deemed to be a default by Tenant under such provision, (e) the space occupied by the Permitted Occupant shall not be separately demised from the Premises, (f) the Permitted Occupant shall have no recourse against Landlord whatsoever on account of any failure by Landlord to perform any of its obligations under this Lease or on account of any other matter, (g) all notices required of Landlord under this Lease shall be forwarded only to Tenant in accordance with the terms of this Lease and in no event shall Landlord be required to send any notices to any Permitted Occupant, (h) in no event shall any use or occupancy of any portion of the Premises by any Permitted Occupant release or relieve Tenant from any of its obligations under this Lease, (i) each such Permitted Occupant shall be deemed an invitee of Tenant, and Tenant shall be fully and primarily liable for all acts and omissions of such Permitted Occupant as fully and completely as if such Permitted Occupant was an employee of Tenant, and (j) in no event shall the occupancy of any portion of the Premises by any Permitted Occupant be deemed to create a landlord/tenant relationship between Landlord and such Permitted Occupant or be deemed to vest in

Permitted Occupant any right or interest in the Premises or this Lease, and, in all instances, Tenant shall be considered the sole tenant under the Lease notwithstanding the occupancy of any portion of the Premises by any Permitted Occupant. Occupancy of the Premises by a Permitted Occupant shall not constitute occupancy by Tenant for any purposes under this Lease.

10.9.2 Tenant shall provide to Landlord promptly after request a written list of the names and contact information of all Permitted Occupants then being allowed access to the Premises by Tenant.

10.9.3 Any equipment or other property of a Permitted Occupant in the Project shall be subject to Section 16 (Personal Property Taxes), Section 20 (Landlord's Lien) and Section 21 (Surrender of Premises) of this Lease. However, nothing in this Section 10.9.3 shall diminish Landlord's rights elsewhere in this Lease or imply that Landlord has any duties to any Permitted Occupant. Tenant acknowledges that Landlord shall have no responsibility or liability for the allocation or use of the Premises between Tenant and any Permitted Occupant. No disputes among Tenant and any Permitted Occupant shall in any way affect the obligations of Tenant hereunder.

11. **Insurance; Waivers; Subrogation; Indemnity**.

11.1 **Tenant's Insurance.** Effective as of the earlier of (a) the date Tenant enters or occupies the Premises, or (b) the Commencement Date, and continuing throughout the Term, Tenant shall maintain the following insurance policies:

11.1.1 commercial general liability insurance (including property damage, bodily injury and personal injury coverage) in amounts of $1,000,000 per occurrence and $2,000,000 in the annual aggregate on a per location basis in primary coverage, with an additional $5,000,000 in umbrella coverage, insuring Tenant (and listing the Landlord Insured Parties as additional insureds), against liability for injury to or death of a person or persons or damage to property arising from the use and occupancy of the Premises, operations, independent contractors, products-completed operations, personal injury, advertising injury, liability under assumed contracts, and without implying any consent by Landlord to the installation thereof, the installation, operation, maintenance, repair or removal of Tenant's Off-Premises Equipment (and if the use and occupancy of the Premises include any activity or matter that is or may be excluded from coverage under a commercial general liability policy [e.g., the sale, service, distribution or consumption of alcoholic beverages], Tenant shall obtain such endorsements to the commercial general liability policy or otherwise obtain insurance to insure all liability arising from such activity or matter [including liquor liability, if applicable] in such amounts as Landlord may reasonably require);

11.1.2 cause of loss-special risk form (formerly "all-risk") or its equivalent insurance (including sprinkler leakage, theft, boiler and machinery, ordinance and law, sewer back-up, pipe burst, wind driven rain, water leakage, flood, earthquake, windstorm and collapse coverage) covering the full value of all alterations and improvements and betterments in the Premises, listing Landlord and Landlord's Mortgagee as additional loss payees as their interests may appear;

11.1.3 cause of loss-special risk form (formerly "all-risk") or its equivalent insurance covering the full value of all furniture, trade fixtures, equipment and personal property (including property of Tenant or others) in the Premises or otherwise placed in the Project by or on behalf of a Tenant Party (including Tenant's Off-Premises Equipment);

11.1.4 builder's risk or property insurance during the course of construction with an installation floater where applicable;

11.1.4 commercial auto liability insurance (if applicable) covering automobiles owned, hired, non-owned or used by Tenant in carrying on its business with limits not less than $1,000,000 combined single limit for each accident, insuring Tenant (and listing the Landlord Insured Parties as additional insureds);

11.1.6 worker's compensation insurance of $1,000,000 (or such larger amount as required by applicable state law) and employer's liability insurance with limits of not less than $1,000,000 each accident, $1,000,000 disease policy limit, and $1,000,000 disease each employee; and

11.1.7 business interruption and extra expense insurance in an amount typically carried by prudent tenants engaged in similar operations, but in no event in an amount less than twelve (12) months of Tenant's income and expenses.

In addition, Tenant shall cause all vendors, architects and design professionals, contractors and subcontractors to procure and maintain insurance coverage (and listing the Landlord Insured Parties as additional insureds) against such risks, in such amounts, as Landlord may reasonably require, including insurance similar to insurance Tenant is obligated to maintain pursuant to this Section 11.1.

As used in this Lease, "**Landlord Insured Parties**" means Landlord, Landlord's property management company, Landlord's asset management company, as each of the foregoing may be changed by Landlord from time to time, and their associated, affiliated, and subsidiary companies, owners, directors, officers, managing agents, and fiduciaries, as they exist, and Landlord's Mortgagee, in each case of whom Landlord shall have given notice to Tenant, and any other party that Landlord may reasonably designate in writing from time to time. The additional insureds will be entitled to the limits stated in this Lease, or the full limits of the insurance policies maintained by Tenant, whichever are greater. Tenant's insurance shall be primary and non-contributory when any policy issued to Landlord provides duplicate or similar coverage, and in such circumstance Landlord's policy will be excess over Tenant's policy. Tenant shall furnish to Landlord certificates of such insurance and such other evidence satisfactory to Landlord of the maintenance of all insurance coverages required hereunder at least ten days prior to the earlier of the Commencement Date or the date Tenant enters or occupies the Premises (in any event, within ten days of the effective date of coverage), and at least 10 days prior to each renewal of said insurance, and Tenant shall ensure that each of its policies requires the insurance company to notify Landlord at least 30 days before cancellation or material change of such policy, or if that is not possible, Tenant shall so notify Landlord in writing at least 30 days before such cancellation or material change. All such insurance policies shall be in form reasonably satisfactory to Landlord and issued by companies with an A.M. Best rating of A/VIII or better, or a S&P rating of A- or better. However, no review or approval of any insurance certificate or policy by Landlord shall derogate from or diminish Landlord's rights or Tenant's obligations hereunder. If Tenant fails to comply with the foregoing insurance requirements or to deliver to Landlord the certificates or evidence of coverage required herein, Landlord, in addition to any other remedy available pursuant to this Lease or otherwise, may, but shall not be obligated to, obtain such insurance and Tenant shall pay to Landlord on demand the premium costs thereof, plus an administrative fee of 10% of such cost.

11.2 **Landlord's Insurance**. Throughout the Term of this Lease, Landlord shall maintain, as a minimum, the following insurance policies: (a) property insurance for the Building's replacement value (excluding property required to be insured by Tenant), less a commercially-reasonable deductible if Landlord so chooses, and (b) commercial general liability insurance in an amount of not less than $5,000,000. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary. The cost of all insurance carried by Landlord with respect to the Project shall be included in Operating Costs. The foregoing insurance policies and any other insurance carried by Landlord shall be for the sole benefit of Landlord and under Landlord's sole control, and Tenant shall have no right or claim to any proceeds thereof or any other rights thereunder. Any insurance required to be maintained by Landlord may be taken out under a blanket insurance policy or policies covering other buildings, property or insureds in addition to the Building and Landlord. In such event, the costs of any such blanket insurance policy or policies shall be reasonably allocated to the Project and the other properties covered by such policy or policies as reasonably determined by Landlord and included as part of Operating Costs. Notwithstanding anything in this Lease to the contrary, Landlord's indemnity obligations under this Lease shall be limited to the extent any such claim is insured against under the terms of any insurance policy maintained by Landlord (or is required to be maintained by Landlord under the terms of this Lease).

11.3 **No Subrogation; Waiver of Property Claims**. Landlord and Tenant each waives any claim it might have against the other for any damage to or theft, destruction, loss, or loss of use of any property, to the extent the same is insured against under any insurance policy of the types described in this Section 11 that covers the Project, the Premises, Landlord's or Tenant's fixtures, personal property, leasehold improvements, or business, or is

required to be insured against under the terms hereof, **regardless of whether the negligence of the other party caused such Loss (defined below)**. Additionally, Tenant waives any claim it may have against Landlord for any Loss to the extent such Loss is caused by a terrorist act. Each party shall cause its insurance carrier to endorse all applicable policies waiving the carrier's rights of recovery under subrogation or otherwise against the other party. Notwithstanding any provision in this Lease to the contrary, Landlord, its agents, employees and contractors shall not be liable to Tenant or to any party claiming by, through or under Tenant for (and Tenant hereby releases Landlord and its servants, agents, contractors, employees and invitees from any claim or responsibility for) any damage to or destruction, loss, or loss of use, or theft of any property of any Tenant Party located in or about the Project or any related complex, caused by casualty, theft, fire, third parties or any other matter or cause, **regardless of whether the negligence of any party caused such loss in whole or in part**. Tenant acknowledges that Landlord shall not carry insurance on, and shall not be responsible for damage to, any property of any Tenant Party located in or about the Project or any related complex.. Notwithstanding anything to the contrary in this Lease, Landlord shall not be liable to Tenant, and Tenant hereby waives and releases all claims against Landlord and its representatives and agents, for any damages arising from any act, omission or neglect of any other tenant in the Project or any related complex and in no event shall Landlord or its representatives and agents be liable for any injury or interruption to Tenant's business or any loss of income therefrom under any circumstances.

11.4 **Indemnity**. Subject to Section 11.3, Tenant shall defend, indemnify, and hold harmless Landlord and its representatives and agents from and against all claims, demands, liabilities, causes of action, suits, judgments, damages, and expenses (including reasonable attorneys' fees) arising from any injury to or death of any person or the damage to or theft, destruction, loss, or loss of use of, any property or inconvenience (a "**Loss**") (a) occurring in or on the Project (other than within the Premises) to the extent caused by the negligence or willful misconduct of any Tenant Party, (b) occurring in the Premises, or (c) arising out of the installation, operation, maintenance, repair or removal of any property of any Tenant Party located in or about the Project, including Tenant's Off-Premises Equipment. **It being agreed that clauses (b) and (c) of this indemnity are intended to indemnify Landlord and its agents against the consequences of their own negligence or fault, even when Landlord or its agents are jointly, comparatively, contributively, or concurrently negligent with Tenant, and even though any such claim, cause of action or suit is based upon or alleged to be based upon the strict liability of Landlord or its agents; however, such indemnity shall not apply to the sole or gross negligence or willful misconduct of Landlord and its agents.** Subject to Section 11.3, Landlord shall defend, indemnify, and hold harmless Tenant and its agents from and against all claims, demands, liabilities, causes of action, suits, judgments, damages, and expenses (including reasonable attorneys' fees) for any Loss arising from any occurrence in or on the Building's common areas to the extent caused by the negligence or willful misconduct of Landlord or its agents. The indemnities set forth in this Lease shall survive termination or expiration of this Lease and shall not terminate or be waived, diminished or affected in any manner by any abatement or apportionment of Rent under any provision of this Lease. If any proceeding is filed for which indemnity is required hereunder, the indemnifying party agrees, upon request therefor, to defend the indemnified party in such proceeding at its sole cost utilizing counsel satisfactory to the indemnified party.

12. **Subordination; Attornment; Notice to Landlord's Mortgagee**.

12.1 **Subordination**. This Lease shall be subordinate to any deed of trust, mortgage, or other security instrument (each, a "**Mortgage**"), or any ground lease, master lease, or primary lease (each, a "**Primary Lease**"), that now or hereafter covers all or any part of the Premises (the mortgagee under any such Mortgage, beneficiary under any such deed of trust, or the lessor under any such Primary Lease is referred to herein as a "**Landlord's Mortgagee**"). Any Landlord's Mortgagee may elect, at any time, unilaterally, to make this Lease superior to its Mortgage, Primary Lease, or other interest in the Premises by so notifying Tenant in writing. The provisions of this Section shall be self-operative and no further instrument of subordination shall be required; however, in confirmation of such subordination, Tenant shall execute and return to Landlord (or such other party designated by Landlord), within ten days after written request therefor, such documentation, in recordable form if required, as a Landlord's Mortgagee may reasonably request to evidence the subordination of this Lease to such Landlord's Mortgagee's Mortgage or Primary Lease (including a subordination, non-disturbance and attornment agreement) or, if the Landlord's Mortgagee so elects, the subordination of such Landlord's Mortgagee's Mortgage or Primary Lease to this Lease.

12.2 **Attornment**. Tenant shall attorn to any party succeeding to Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise, upon such party's request, and shall execute such agreements confirming such attornment as such party may reasonably request.

12.3 **Notice to Landlord's Mortgagee**. Tenant shall not seek to enforce any remedy it may have for any default on the part of Landlord without first giving written notice by certified mail, return receipt requested, specifying the default in reasonable detail, to any Landlord's Mortgagee whose address has been given to Tenant, and affording such Landlord's Mortgagee a reasonable opportunity to perform Landlord's obligations hereunder.

12.4 **Landlord's Mortgagee's Protection Provisions**. If Landlord's Mortgagee shall succeed to the interest of Landlord under this Lease, Landlord's Mortgagee shall not be: (a) liable for any act or omission of any prior lessor (including Landlord); (b) bound by any rent or additional rent or advance rent which Tenant might have paid for more than the current month to any prior lessor (including Landlord), and all such rent shall remain due and owing, notwithstanding such advance payment; (c) bound by any security or advance rental deposit made by Tenant which is not delivered or paid over to Landlord's Mortgagee and with respect to which Tenant shall look solely to Landlord for refund or reimbursement; (d) bound by any termination, amendment or modification of this Lease made without Landlord's Mortgagee's consent and written approval, except for those terminations, amendments and modifications permitted to be made by Landlord without Landlord's Mortgagee's consent pursuant to the terms of the loan documents between Landlord and Landlord's Mortgagee; (e) subject to the defenses which Tenant might have against any prior lessor (including Landlord); and (f) subject to the offsets which Tenant might have against any prior lessor (including Landlord) except for those offset rights which (1) are expressly provided in this Lease, (2) relate to periods of time following the acquisition of the Building by Landlord's Mortgagee, and (3) Tenant has provided written notice to Landlord's Mortgagee and provided Landlord's Mortgagee a reasonable opportunity to cure the event giving rise to such offset event. Landlord's Mortgagee shall have no liability or responsibility under or pursuant to the terms of this Lease or otherwise after it ceases to own fee simple title to the Project. Nothing in this Lease shall be construed to require Landlord's Mortgagee to see to the application of the proceeds of any loan, and Tenant's agreements set forth herein shall not be impaired on account of any modification of the documents evidencing and securing any loan. As used in this Section 12.4, Landlord's Mortgagee shall include any party succeeding to Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise.

12.5 **Subordination, Non-Disturbance and Attornment Agreement**. Landlord shall deliver to Tenant a Subordination Agreement executed by Landlord's current Landlord's Mortgagee substantially in the form attached hereto as Exhibit K by the Commencement Date, and Tenant shall promptly execute and deliver to Landlord two (2) originals of such agreement. Landlord shall use reasonable efforts to obtain a subordination, non-disturbance and attornment agreement from any future Landlord's Mortgagee in such Landlord's Mortgagee's standard form therefor with such changes as Tenant and such Landlord's Mortgagee may agree; however, Landlord's failure to obtain such agreement shall not constitute a default by Landlord hereunder or in any manner affect Tenant's obligations and liabilities under this Lease or prohibit the mortgaging of the Building; and further provided that to the extent such subordination, non-disturbance and attornment agreement has been requested by Tenant, any costs in excess of $2,500 associated with obtaining such agreement shall be paid by Tenant within 15 days after Landlord's written request therefor. As used in this Section 12.5, "**reasonable efforts**" shall not be deemed to include the incurrence by Landlord of any additional expense (unless Tenant agrees in writing to reimburse Landlord for all such expenses) or liabilities or obligations with respect to the existing mortgage or Landlord's Mortgagee.

13. **Rules and Regulations**. Tenant shall comply with the rules and regulations of the Project which are attached hereto as Exhibit C. Landlord may, from time to time, change such rules and regulations for the safety, care, or cleanliness of the Project and related facilities, provided that such changes are generally applicable to all tenants of the Project whose leases require such compliance, will not unreasonably interfere with Tenant's use of the Premises and are enforced by Landlord in a non-discriminatory manner among all tenants whose leases require such compliance. Tenant shall be responsible for the compliance or noncompliance with such rules and regulations by each Tenant Party.

14. **Condemnation**.

14.1 **Total Taking**. If the entire Building or Premises are taken by right of eminent domain or conveyed in lieu thereof (a "**Taking**"), this Lease shall terminate as of the date of the Taking.

14.2 **Partial Taking—Tenant's Rights**. If any part of the Building becomes subject to a Taking and such Taking will prevent Tenant from conducting on a permanent basis its business in the Premises in a manner reasonably comparable to that conducted immediately before such Taking, then Tenant may terminate this Lease as of the date of such Taking by giving written notice to Landlord within 30 days after the Taking, and Basic Rent and Additional Rent shall be apportioned as of the date of such Taking. If Tenant does not terminate this Lease, then Basic Rent and Additional Rent shall be abated on a reasonable basis as to that portion of the Premises rendered untenantable by the Taking.

14.4 **Partial Taking—Landlord's Rights**. If any material portion, but less than all, of the Building or Project becomes subject to a Taking, or if Landlord is required to pay any of the proceeds arising from a Taking to a Landlord's Mortgagee, then Landlord may terminate this Lease by delivering written notice thereof to Tenant within 30 days after such Taking, and Basic Rent and Additional Rent shall be apportioned as of the date of such Taking. If Landlord does not so terminate this Lease, then this Lease will continue, but if any portion of the Premises has been taken, Basic Rent and Additional Rent shall abate as provided in the last sentence of Section 14.2.

14.5 **Award**. If any Taking occurs, then Landlord shall receive the entire award or other compensation for the Project and other improvements taken; however, Tenant may separately pursue a claim (to the extent it will not reduce Landlord's award) against the condemnor for the value of Tenant's personal property taken which Tenant is entitled to remove under this Lease, moving costs and loss of business.

15. **Fire or Other Casualty**.

15.1 **Repair Estimate**. If the Premises or the Project are damaged by fire or other casualty (a "**Casualty**"), Landlord shall, within 75 days after such Casualty, deliver to Tenant a good faith estimate (the "**Damage Notice**") of the time needed to repair the damage caused by such Casualty.

15.2 **Tenant's Rights**. If the Premises are damaged by Casualty such that Tenant is prevented from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Casualty and Landlord estimates that the damage caused thereby for which Landlord is responsible to repair under this Lease pursuant to Section 15.4 below cannot be repaired within nine (9) months after the commencement of repairs (the "**Repair Period**"), then Tenant may terminate this Lease by delivering written notice to Landlord of its election to terminate within 30 days after the Damage Notice has been delivered to Tenant.

15.3 **Landlord's Rights**. If a Casualty occurs and (a) Landlord estimates that the damage cannot be repaired within the Repair Period, (b) the damage exceeds 50% of the replacement cost thereof (excluding foundations and footings), as estimated by Landlord, and such damage occurs during the last two years of the Term, (c) regardless of the extent of damage, the damage is not fully covered by Landlord's insurance policies or Landlord makes a good faith determination that restoring the damage would be uneconomical, or (d) Landlord is required to pay any insurance proceeds arising out of the Casualty to a Landlord's Mortgagee, then Landlord may terminate this Lease by giving written notice of its election to terminate within 30 days after the Damage Notice has been delivered to Tenant.

15.4 **Repair Obligation**. If neither party elects to terminate this Lease following a Casualty, then Landlord shall, within a reasonable time after such Casualty, begin to repair the Premises and shall proceed with reasonable diligence to restore the Premises to substantially the same condition as they existed immediately before such Casualty; however, Landlord shall not be required to repair or replace any improvements, alterations or betterments within the Premises (which shall be promptly and with due diligence repaired and restored by Tenant at Tenant's sole cost and expense) or any furniture, equipment, trade fixtures or personal property of Tenant or others in the Premises or the Project, and Landlord's obligation to repair or restore the Premises shall be limited to the extent of the insurance proceeds actually received by Landlord for the Casualty in question. If this Lease is terminated under

the provisions of this Section 15, Landlord shall be entitled to the full proceeds of the insurance policies providing coverage for all alterations, improvements and betterments in the Premises (and, if Tenant has failed to maintain insurance on such items as required by this Lease, Tenant shall pay Landlord an amount equal to the proceeds Landlord would have received had Tenant maintained insurance on such items as required by this Lease).

15.5 **Abatement of Rent**. If the Premises are damaged by Casualty, Basic Rent and Additional Rent for the portion of the Premises rendered untenantable by the damage shall be abated on a reasonable basis from the date of damage until the earlier of 1) completion of Landlord's repairs, (1) the date upon which completion of Landlord's repairs would have occurred but for delays caused by Tenant Parties, or (2) the date of termination of this Lease by Landlord or Tenant as provided above, as the case may be, unless a Tenant Party caused such damage, in which case, Tenant shall continue to pay Basic Rent and Additional Rent without abatement.

15.6 **Waiver of Statutory Provisions**. The provisions of this Section 15 shall constitute Tenant's sole and exclusive remedy in the event of damage or destruction to the Premises or Project, and Tenant waives and releases all statutory rights and remedies in favor of Tenant in the event of damage or destruction.

16. **Personal Property Taxes**. Tenant shall be liable for, and shall pay prior to delinquency, all taxes levied or assessed against personal property, furniture, fixtures, betterments, improvements, and alterations placed by any Tenant Party in the Premises or in or on the Building or Project. If any taxes for which Tenant is liable are levied or assessed against Landlord or Landlord's property and Landlord elects to pay the same, or if the assessed value of Landlord's property is increased by inclusion of such personal property, furniture, fixtures, betterments, improvements, and alterations and Landlord elects to pay the taxes based on such increase, then Tenant shall pay to Landlord, within 30 days following written request therefor, the part of such taxes for which Tenant is primarily liable hereunder; however, Landlord shall not pay such amount if Tenant notifies Landlord that it will contest the validity or amount of such taxes before Landlord makes such payment, and thereafter diligently proceeds with such contest in accordance with Law and if the non-payment thereof does not pose a threat of loss or seizure of the Project or interest of Landlord therein or impose any fee or penalty against Landlord.

17. **Events of Default**. Each of the following occurrences shall be an "**Event of Default**":

17.1 **Payment Default**. Tenant's failure to pay Rent within ten days after Landlord has delivered written notice to Tenant that the same is due; however, an Event of Default shall occur hereunder without any obligation of Landlord to give any notice if Tenant fails to pay Rent when due and, during the 12 month interval preceding such failure, Landlord has given Tenant written notice of failure to pay Rent on one or more occasions;

17.2 **Prohibited Payments**. Tenant, Guarantor (as defined in Exhibit J) or any guarantor of Tenant's obligations under this Lease becomes an entity from which Landlord is legally prohibited from accepting Rent payments or otherwise transacting business;

17.3 **Abandonment**. Tenant abandons or vacates the Premises or any substantial portion thereof (except that Tenant shall not be deemed to have abandoned or vacated such property when and to the extent that such property is untenantable by reason of Casualty, Taking, or cessation of utilities) and either (i) such abandonment or vacancy exceeds (a) thirty (30) consecutive days or (b) forty-five (45) days in the aggregate during any twelve (12) consecutive month period, or (ii) Tenant fails to provide written notice of such abandonment or vacancy to Landlord at least ten (10) business days prior to such abandonment or vacancy.

17.4 **Estoppel; Subordination; Financial Reports**. Tenant fails to provide any estoppel certificate, documentation regarding the subordination of this Lease or financial reports after Landlord's written request therefor pursuant to Section 25.5, Section 12.1, and Section 25.19 respectively, and such failure shall continue for five days after Landlord's second written notice thereof to Tenant;

17.5 **Insurance**. Tenant fails to (i) procure or maintain the insurance policies and coverages as required under Section 11.1; or (ii) deliver to Landlord evidence thereof as required under Section 11.1 and such failure continues for three (3) business days following Landlord's written notice thereof;

17.6 **Mechanic's Liens**. Tenant fails to pay and release of record, or diligently contest and bond around, any mechanic's or construction lien filed against the Premises or the Project for any work performed, materials furnished, or obligation incurred by or at the request of a Tenant Party, within the time and in the manner required by Section 8.4;

17.7 **Unpermitted Transfer**. Tenant shall Transfer this Lease or Tenant's interest therein except as expressly permitted in this Lease;

17.8 **Other Defaults**. Tenant's failure to perform, comply with, or observe any agreement or obligation of Tenant under this Lease other than provided in this Section 17 and the continuance of such failure for a period of more than 30 days after Landlord has delivered to Tenant written notice thereof; provided, however, that if such failure cannot reasonably be cured within such 30-day period (thus excluding, for example, Tenant's obligation to provide Landlord evidence of Tenant's insurance coverage) and Tenant commences to cure such failure within such 30-day period and thereafter diligently pursues such cure to completion, then such failure shall not be an Event of Default unless it is not fully cured by the earliest of (a) 30 additional days after the expiration of the initial 30-day period, (b) the date that is five business days prior to Landlord being in default (beyond applicable notice and cure periods) of any agreement between Landlord and any third party as a result of Tenant's failure under this Lease, or (c) the expiration of the Term; and

17.9 **Insolvency**. The filing of a petition by or against Tenant (the term "Tenant" shall include, for the purpose of this Section 17.9, Guarantor or any guarantor of Tenant's obligations hereunder) (a) in any bankruptcy or other insolvency proceeding; (b) seeking any relief under any state or federal debtor relief law; (c) for the appointment of a liquidator or receiver for all or substantially all of Tenant's property or for Tenant's interest in this Lease; (d) for the reorganization or modification of Tenant's capital structure; or (e) in any assignment for the benefit of creditors proceeding; however, if such a petition is filed against Tenant, then such filing shall not be an Event of Default unless Tenant fails to have the proceedings initiated by such petition dismissed within 90 days after the filing thereof.

Any notices to be provided by Landlord under this Section 17 shall be in lieu of, and not in addition to, any notices required under applicable Law.

18. **Remedies**. Upon any Event of Default, Landlord may, in addition to all other rights and remedies afforded Landlord hereunder or by law or equity, take any one or more of the following actions:

18.1 **Termination of Lease**. Terminate this Lease by giving Tenant written notice thereof, in which event Tenant shall pay to Landlord the sum of (a) all Rent accrued hereunder through the date of termination, (b) all amounts due under Section 19.1, and (c) an amount equal to (but in no event less than zero) (1) the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the Prime Rate on the date this Lease is terminated minus one percent, minus (2) the then present fair rental value of the Premises for such period, similarly discounted; as used herein, "**Prime Rate**" means the "Prime Rate" as published on the date in question by *The Wall Street Journal* in its listing of "Money Rates";

18.2 **Termination of Possession**. Terminate Tenant's right to possess the Premises without terminating this Lease by giving written notice thereof to Tenant, in which event Tenant shall pay to Landlord (a) all Rent and other amounts accrued hereunder to the date of termination of possession, (b) all amounts due from time to time under Section 19.1, and (c) all Rent and other net sums required hereunder to be paid by Tenant during the remainder of the Term, diminished by any net sums thereafter received by Landlord through reletting the Premises during such period, after deducting all costs incurred by Landlord in reletting the Premises. If Landlord elects to terminate Tenant's right to possession without terminating this Lease, and to retake possession of the Premises (and Landlord shall have no duty to make such election), Landlord shall use reasonable efforts to relet the Premises as further described in Section 19.4 below. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or to collect rent due for such reletting. Tenant shall not be entitled to the excess of any consideration obtained by reletting over the Rent due hereunder. Reentry by Landlord in the Premises shall not affect Tenant's obligations hereunder for the unexpired Term; rather, Landlord may, from time to time, bring an action against Tenant to collect amounts due by Tenant, without the necessity of Landlord's waiting until the expiration of the Term. Unless Landlord delivers written notice to Tenant expressly stating that it has elected to terminate this Lease, all actions taken by Landlord to dispossess or exclude Tenant from the Premises shall be deemed to be taken under this Section 18.2. If Landlord elects to proceed under this Section 18.2, it may at any time elect to terminate this Lease under Section 18.1;

18.3 **Perform Acts on Behalf of Tenant**. Perform any act Tenant is obligated to perform under the terms of this Lease (and enter upon the Premises in connection therewith if necessary) in Tenant's name and on Tenant's behalf, without being liable for any claim for damages therefor, and Tenant shall reimburse Landlord on demand for any reasonable and documented expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease (including collection costs and legal expenses), plus interest thereon at the Default Rate;

18.4 **Suspension of Above-Building Standard Services**. Suspend any above-Building standard services required to be provided by Landlord hereunder without being liable for any claim for damages therefor; or

18.5 **Alteration of Locks**. Additionally, with or without notice, Landlord may alter locks or other security devices at the Premises to deprive Tenant of access thereto, and Landlord shall not be required to provide a new key or right of access to Tenant.

19. **Payment by Tenant; Non-Waiver; Cumulative Remedies; Mitigation of Damage**.

19.1 **Payment by Tenant**. Upon any Event of Default, Tenant shall pay to Landlord all amounts, costs, losses and/or expenses incurred, abated or foregone by Landlord (including court costs and reasonable attorneys' fees and expenses) in (a) obtaining possession of the Premises, (b) removing, storing and/or disposing of Tenant's or any other occupant's property, (c) repairing, restoring, altering, remodeling, or otherwise putting the Premises into the condition acceptable to a new tenant, (d) if Tenant is dispossessed of the Premises and this Lease is not terminated, reletting all or any part of the Premises (including brokerage commissions, cost of tenant finish work, and other costs incidental to such reletting), (e) performing Tenant's obligations under this Lease which Tenant failed to perform, (f) enforcing, or advising Landlord of, its rights, remedies, and recourses arising out of the default, and (g) securing this Lease, including all commissions, allowances, reasonable attorneys' fees, and if this Lease or any amendment hereto contains any abated Rent granted by Landlord as an inducement or concession to secure this Lease or amendment hereto, the full amount of all Rent so abated (and such abated amounts shall be payable immediately by Tenant to Landlord, without any obligation by Landlord to provide written notice thereof to Tenant, and Tenant's right to any abated rent accruing following such Event of Default shall immediately terminate).

19.2 **No Waiver**. Landlord's acceptance of Rent following an Event of Default shall not waive Landlord's rights regarding such Event of Default. No waiver by Landlord of any violation or breach of any of the terms contained herein shall waive Landlord's rights regarding any future violation of such term. Landlord's acceptance of any partial payment of Rent shall not waive Landlord's rights with regard to the remaining portion of the Rent that is due, regardless of any endorsement or other statement on any instrument delivered in payment of Rent or any writing delivered in connection therewith; accordingly, Landlord's acceptance of a partial payment of Rent shall not constitute an accord and satisfaction of the full amount of the Rent that is due.

19.3 **Cumulative Remedies**. Any and all remedies set forth in this Lease: (a) shall be in addition to any and all other remedies Landlord may have at law or in equity, (b) shall be cumulative, and (c) may be pursued successively or concurrently as Landlord may elect. The exercise of any remedy by Landlord shall not be deemed an election of remedies or preclude Landlord from exercising any other remedies in the future. Additionally, Tenant shall defend, indemnify and hold harmless Landlord, Landlord's Mortgagee and their respective representatives and agents from and against all claims, demands, liabilities, causes of action, suits, judgments, damages and expenses (including reasonable attorneys' fees) arising from Tenant's failure to perform its obligations under this Lease.

19.4 **Mitigation of Damage**. The parties agree any duty imposed by Law on Landlord to mitigate damages after a default by Tenant under this Lease shall be satisfied in full if Landlord uses reasonable efforts to lease the Premises to another tenant (a "**Substitute Tenant**") in accordance with the following criteria: (a) Landlord shall have no obligation to solicit or entertain negotiations with any Substitute Tenant for the Premises until 60 days

following the date upon which Landlord obtains full and complete possession of the Premises, including the relinquishment by Tenant of any claim to possession of the Premises by written notice from Tenant to Landlord; (b) Landlord shall not be obligated to lease or show the Premises on a priority basis or offer the Premises to any prospective tenant when other space in the Project or any related complex is or soon will be available; (c) Landlord shall not be obligated to lease the Premises to a Substitute Tenant for less than the current fair market value of the Premises, as determined by Landlord in its sole discretion, nor will Landlord be obligated to enter into a new lease for the Premises under other terms and conditions that are unacceptable to Landlord under Landlord's then-current leasing policies; (d) Landlord shall not be obligated to enter into a lease with a Substitute Tenant: (1) whose use would violate any restriction, covenant or requirement contained in the lease of another tenant in the Project or any related complex; (2) whose use would adversely affect the reputation of the Project or any related complex; (3) whose use would require any addition to or modification of the Premises or Project or any related complex in order to comply with applicable Law, including building codes; (4) who does not satisfy the Tangible Net Worth/Credit Threshold or who does not have, in Landlord's sole opinion, the creditworthiness to be an acceptable tenant; (5) that is a governmental entity, or quasi-governmental entity, or subdivision or agency thereof, or any other entity entitled to the defense of sovereign immunity, or is otherwise prohibited by Section 9; (6) that does not meet Landlord's reasonable standards for tenants of the Project or any related complex or is otherwise incompatible with the character of the occupancy of the Project, as reasonably determined by Landlord; (7) whose use does not comply with the Permitted Use; (8) whose use or occupancy would result in an increase in the insurance premiums for the Project; or (9) whose use would result in utilization of more parking spaces or other common areas such as loading docks or driveways on the Project in excess of the number or areas, as applicable, previously utilized by or allocated to Tenant; and (e) Landlord shall not be required to expend any amount of money to alter, remodel or otherwise make the Premises suitable for use by a Substitute Tenant unless: (1) Tenant pays any such amount to Landlord prior to Landlord's execution of a lease with such Substitute Tenant (which payment shall not relieve Tenant of any amount it owes Landlord as a result of Tenant's default under this Lease); or (2) Landlord, in Landlord's sole discretion, determines any such expenditure is financially prudent in connection with entering into a lease with the Substitute Tenant.

20. **Landlord's Lien**. Landlord hereby fully and forever waives and disclaims any statutory or contractual lien rights Landlord may have or assert with respect to any of the property situated in or upon, or used in connection with, the Premises or the Project, and all proceeds thereof.

21. **Surrender of Premises**. No act by Landlord shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless it is in writing and signed by Landlord. At the expiration or termination of this Lease or Tenant's right to possess the Premises, Tenant shall (a) deliver to Landlord the Premises broom-clean with all alterations, additions, betterments and improvements (collectively, "**Improvements**") located therein in good repair and condition (except for condemnation and Casualty damage not caused by Tenant, as to which Sections 14 and 15 shall control), free of any liens or encumbrances and free of Hazardous Materials placed on the Premises during the Term; (b) deliver to Landlord all keys to the Premises and all access cards to the Project (and shall reimburse Landlord for the then-current replacement cost charged by Landlord for all such keys and access cards that are not returned); (c) remove all unattached trade fixtures, furniture (including demountable walls), and personal property placed in the Premises or elsewhere in the Project by a Tenant Party and unattached equipment located in the Premises (but Tenant may not remove any such item which was paid for, in whole or in part, by Landlord unless Landlord requires such removal); (d) abandon and leave in place, without additional payment to Tenant or credit against Rent, any and all such cabling [including conduit], whether located in the Premises or elsewhere in the Project, and Tenant covenants that such cabling shall be left in a neat and safe condition in accordance with the requirements of all applicable Laws, including the National Electric Code or any successor statute, and shall be terminated at both ends of a connector, properly labeled at each end and in each electrical closet and junction box; and (e) remove such Improvements, and Tenant's Off-Premises Equipment as Landlord may require and restore the areas surrounding such Improvements, and Tenant's Off-Premises Equipment to their conditions existing immediately prior to the installation of such Improvements, and Tenant's Off-Premises Equipment; however, Tenant shall not be required to remove any Improvements to the Premises or the Project if Landlord has specifically agreed in writing that the Improvements in question need not be removed. Tenant shall have the right to remove some or all of the Improvements constituting all or any portion of the Work. Tenant shall repair all damage caused by the removal of the items described above. If Tenant fails to remove any property, including any of the property described above, Landlord may, at Landlord's option, (1) deem such items to have been abandoned by Tenant, the title thereof shall immediately pass to Landlord at no cost to Landlord, and such items may be appropriated, sold, stored, destroyed, or otherwise disposed of by Landlord without notice to Tenant and without any obligation to

account for such items; any such disposition shall not be considered a strict foreclosure or other exercise of Landlord's rights in respect of the security interest granted hereunder or otherwise, (2) remove such items, perform any work required to be performed by Tenant hereunder, and repair all damage caused by such work, and Tenant shall reimburse Landlord on demand for any expenses which Landlord may incur in effecting compliance with Tenant's obligations hereunder (including collection costs and attorneys' fees), plus interest thereon at the Default Rate, or (3) elect any of the actions described in clauses (1) and (2) above as Landlord may elect in its sole discretion. The provisions of this Section 21 shall survive the end of the Term.

22. **Holding Over**. If Tenant fails to vacate the Premises at the end of the Term, then Tenant shall be a tenant at sufferance and, in addition to all other damages and remedies to which Landlord may be entitled for such holding over, (a) Tenant shall pay, in addition to the other Rent, Basic Rent equal to 150% of the Rent payable during the last month of the Term, and (b) Tenant shall otherwise continue to be subject to all of Tenant's obligations under this Lease. The provisions of this Section 22 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including any claims made by any succeeding tenant founded upon such failure to surrender, and any lost profits or other consequential damages to Landlord resulting therefrom.

23. **Certain Rights Reserved by Landlord**. Landlord shall have the following rights:

23.1 **Building Operations**. To decorate and to make inspections, repairs, alterations, additions, changes, or improvements, whether structural or otherwise, in and about the Project, or any part thereof; to enter upon the Premises (after giving Tenant reasonable notice thereof, which may be verbal notice, except in cases of real or apparent emergency, in which case no notice shall be required) to perform Landlord's obligations under this Lease and, during the continuance of any such work, to temporarily close doors, entryways, public space, and corridors in the Building; to interrupt or temporarily suspend Building services and facilities; to change the name of the Building; and to change the arrangement and location of entrances or passageways, doors, and doorways, corridors, elevators, stairs, restrooms, or other public parts of the Building;

23.2 **Security**. To take such reasonable measures as Landlord deems advisable for the security of the Building and its occupants; evacuating the Building for cause, suspected cause, or for drill purposes; temporarily denying access to the Building; and closing the Building after Building Hours, subject, however, to Tenant's right to enter when the Building is closed after Building Hours under such reasonable regulations as Landlord may prescribe from time to time, which may include, by way of example but not limitation, that persons entering or leaving the Building, whether or not during Building Hours, identify themselves to a security officer by registration or otherwise and that such persons establish their right to enter or leave the Building;

23.3 **Prospective Purchasers and Lenders**. Upon reasonable prior notice (which notice may be verbal) to Tenant, to enter the Premises at all reasonable hours to show the Premises to prospective purchasers or lenders; and

23.4 **Prospective Tenants**. At any time during the last 12 months of the Term (or earlier if Tenant has notified Landlord in writing that it does not desire to extend the Term) upon reasonable prior notice (which notice may be verbal) to Tenant, or at any time following the occurrence of an Event of Default, to enter the Premises at all reasonable hours to show the Premises to prospective tenants.

In exercising the foregoing rights in this Section 23, Landlord shall use commercially reasonable efforts to minimize any interference with Tenant's occupancy of the Premises.

24. Substitution Space. [Intentionally deleted.]

25. **Miscellaneous**.

25.1 **Landlord Transfer**. Landlord may transfer any portion of the Project and any of its rights under this Lease. If Landlord assigns its rights under this Lease, then Landlord shall thereby be released from any further obligations hereunder arising after the date of transfer, provided that the assignee assumes in writing Landlord's obligations hereunder arising from and after the transfer date.

25.2 **Landlord's Liability**. The liability of Landlord (and its successors, partners, shareholders or members) to Tenant (or any person or entity claiming by, through or under Tenant) for any default by Landlord under the terms of this Lease or any matter relating to or arising out of the occupancy or use of the Premises and/or other areas of the Building, Project or any related complex shall be limited to Tenant's actual direct, but not consequential, damages therefor and shall be recoverable only from the amount which is equal to the lesser of (a) the equity interest of Landlord in the Building, or (b) the equity interest Landlord would have in the Building if the Building were encumbered by third-party debt in an amount equal to 70% of the value of the Building (as such value is reasonably determined by Landlord). Further, Landlord (and its successors, partners, shareholders or members) shall not be personally liable for any deficiency, and in no event shall any liability hereunder extend to any sales or insurance proceeds received by Landlord (or its successors, partners, shareholders or members) in connection with the Project, the Building or the Premises. Additionally, Tenant hereby waives its statutory lien under Section 91.004 of the Texas Property Code. The provisions of this Section shall survive the expiration or earlier termination of this Lease.

25.3 **Force Majeure**. Other than for Tenant's obligations under this Lease that can be performed by the payment of money (e.g., payment of Rent and maintenance of insurance), and Tenant's obligation to vacate and surrender the Premises upon the expiration or earlier termination of the Term, whenever a period of time is herein prescribed for action to be taken by either party hereto, such party shall not be liable or responsible for, and there shall be excluded from the computation of any such period of time, any delays due to strikes, riots, acts of God, weather, shortages of labor or materials, war, terrorist acts or activities, governmental laws, regulations, or restrictions, or any other causes of any kind whatsoever which are beyond the control of such party.

25.4 **Brokerage**. Neither Landlord nor Tenant has dealt with any broker or agent in connection with the negotiation or execution of this Lease, other than Jones Lang LaSalle Brokerage, Inc., whose commission shall be paid by Landlord pursuant to a separate written agreement. Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, liens and other liability for commissions or other compensation claimed by any other broker or agent claiming the same by, through or under the indemnifying party.

25.5 **Estoppel Certificates**. From time to time, Tenant shall furnish to any party designated by Landlord, within ten days after Landlord has made a request therefor, a certificate substantially in the form attached hereto as Exhibit F signed by Tenant and Guarantor confirming and containing such factual certifications and representations as to this Lease and the Guaranty as required thereby or Landlord may otherwise reasonably request. If Tenant does not deliver to Landlord the certificate signed by Tenant and Guarantor within such required time period, Landlord, Landlord's Mortgagee and any prospective purchaser or mortgagee may conclusively presume and rely upon the following facts: (a) this Lease and the Guaranty are in full force and effect; (b) the terms and provisions of this Lease and the Guaranty have not been changed except as otherwise represented by Landlord; (c) not more than one monthly installment of Basic Rent and other charges have been paid in advance; (d) there are no claims against Landlord nor any defenses or rights of offset against collection of Rent or other charges; and (e) Landlord is not in default under this Lease or the Guaranty. In such event, Tenant and Guarantor shall be estopped from denying the truth of the presumed facts.

25.6 **Notices**. All notices and other communications given pursuant to this Lease shall be in writing and shall be (a) mailed by first class, United States Mail, postage prepaid, certified, with return receipt requested, and addressed to the parties hereto at the address specified in the Basic Lease Information, (b) hand- delivered to the intended addressee, or (c) sent by a nationally recognized overnight courier service. All notices shall be effective upon delivery to the address of the addressee (even if such addressee refuses delivery thereof). The parties hereto may change their addresses by giving notice thereof to the other in conformity with this provision.

25.7 **Separability**. If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws, then the remainder of this Lease shall not be affected thereby and in lieu of such clause or provision, there shall be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal, valid, and enforceable.

25.8 **Amendments; Binding Effect; No Electronic Records**. This Lease may not be amended except by instrument in writing signed by Landlord and Tenant. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord, and no custom or practice which may evolve between the parties in the administration of the terms hereof shall waive or diminish the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms hereof. Landlord and Tenant hereby agree not to conduct the transactions or communications contemplated by this Lease by electronic means, except by electronic signatures as specifically set forth in Section 25.9; nor shall the use of the phrase "in writing" or the word "written" be construed to include electronic communications except by electronic signatures as specifically set forth in Section 25.9. The terms and conditions contained in this Lease shall inure to the benefit of and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided. This Lease is for the sole benefit of Landlord and Tenant, and, other than Landlord's Mortgagee, no third party shall be deemed a third party beneficiary hereof.

25.9 **Counterparts**. This Lease (and amendments to this Lease) may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one document. To facilitate execution of this Lease, the parties may execute and exchange, by electronic mail PDF, counterparts of the signature pages. Signature pages may be detached from the counterparts and attached to a single copy of this Lease to physically form one document.

25.10 **Quiet Enjoyment**. Provided Tenant has performed all of its obligations hereunder, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance from Landlord or any party claiming by, through or under Landlord, but not otherwise, subject to the terms and conditions of this Lease and all matters of record as of the Lease Date which are applicable to the Premises.

25.11 **No Merger**. There shall be no merger of the leasehold estate hereby created with the fee estate in the Premises or any part thereof if the same person acquires or holds, directly or indirectly, this Lease or any interest in this Lease and the fee estate in the leasehold Premises or any interest in such fee estate.

25.12 **No Offer**. The submission of this Lease to Tenant shall not be construed as an offer, and Tenant shall not have any rights under this Lease unless Landlord executes a copy of this Lease and delivers it to Tenant.

25.13 **Entire Agreement; Arms'-Length Negotiation; No Reliance**. This Lease constitutes the entire agreement between Landlord and Tenant regarding the subject matter hereof and supersedes all verbal statements and prior writings relating thereto. Except for those set forth in this Lease, no representations, warranties, or agreements have been made by Landlord or Tenant to the other with respect to this Lease or the obligations of Landlord or Tenant in connection therewith. Except as otherwise provided herein, no subsequent alteration, amendment, change or addition to this Lease shall be binding unless in writing and signed by Landlord and Tenant. Landlord and Tenant agree that they have both had the opportunity to retain legal counsel to review, revise, and negotiate this Lease on their individual behalf. Landlord and Tenant stipulate that this Lease has been reviewed and revised by both Landlord and Tenant and their respective legal counsel and that this Lease is the result of an arms'- length negotiation and compromise. Landlord and Tenant further stipulate that they are both sophisticated individuals or business entities capable of understanding and negotiating the terms of this Lease. The normal rule of construction that any ambiguities be resolved against the drafting party shall not apply to the interpretation of this Lease or any exhibits or amendments hereto. Further, Tenant disclaims any reliance upon any and all representations, warranties or agreements not expressly set forth in this Lease.

25.14 **Waiver of Jury Trial**. TO THE MAXIMUM EXTENT PERMITTED BY LAW, TENANT (ON BEHALF OF ITSELF AND ITS RESPECTIVE SUCCESSORS, ASSIGNS AND SUBTENANTS) AND LANDLORD EACH, AFTER CONSULTATION WITH COUNSEL, KNOWINGLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LITIGATION OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY

DISPUTE ARISING OUT OF OR WITH RESPECT TO THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO. Each party further acknowledges and agrees that this Section has been negotiated at arms' length with the assistance of legal counsel and the legal effect fully explained, and that its provisions constitute a knowing and voluntary agreement.

25.15 **Governing Law; Jurisdiction**. This Lease shall be governed by and construed in accordance with the laws of the state in which the Premises are located. The proper place of venue to enforce this Lease will be the county or district in which the Premises are located. In any legal proceeding regarding this Lease, including enforcement of any judgments, Tenant irrevocably and unconditionally (a) submits to the jurisdiction of the courts of law in the county or district in which the Premises are located; (b) accepts the venue of such courts and waives and agrees not to plead any objection thereto; and (c) agrees that (1) service of process may be effected at the address specified for Tenant in this Lease, or at such other address of which Landlord has been properly notified in writing, and (2) nothing herein will affect Landlord's right to effect service of process in any other manner permitted by applicable law.

25.16 **Recording**. Tenant shall not record this Lease or any memorandum of this Lease without the prior written consent of Landlord, which consent may be withheld or denied in the sole and absolute discretion of Landlord, and any recordation by Tenant shall be a material breach of this Lease. Tenant grants to Landlord a power of attorney to execute and record a release releasing any such recorded instrument of record that was recorded without the prior written consent of Landlord, which power is coupled with an interest and is irrevocable.

25.17 **Water or Mold Notification**. To the extent Tenant or its agents or employees discover any water leakage, water damage or mold in or about the Premises or Project, Tenant shall promptly notify Landlord thereof in writing.

25.18 **Joint and Several Liability**. If Tenant consists of more than one party (or if Tenant permits any other party to occupy the Premises), each such party shall be jointly and severally liable for Tenant's obligations under this Lease. All unperformed obligations of Tenant hereunder not fully performed at the end of the Term shall survive the end of the Term, including payment obligations with respect to Rent and all obligations concerning the condition and repair of the Premises.

25.19 **Financial Reports**. Within 15 days after Landlord's request, Tenant will furnish Guarantor's most recent audited financial statements (including any notes to them) to Landlord, or, if no such audited statements have been prepared, such other financial statements (and notes to them) as may have been prepared by an independent certified public accountant or, failing those, Guarantor's internally prepared financial statements. Tenant will discuss such financial statements with Landlord and, following the occurrence of an Event of Default hereunder, Tenant will cause Guarantor to give Landlord access to such entity's books and records in order to enable Landlord to verify the financial statements. Landlord will not disclose any aspect of such financial statements that Tenant or Guarantor designates to Landlord as confidential except (a) to Landlord's Mortgagee or prospective mortgagees or actual or prospective purchasers or investors of interests in the Building, (b) in litigation between Landlord and Tenant or Guarantor, (c) to attorneys, accountants, consultants, appraisers, or other advisors, (d) otherwise as reasonably necessary for the operation of the Project or administration of Landlord's business, and/or (e) if required by Law or court order. Tenant shall not be required to deliver the financial statements required under this Section 25.19 more than once in any 12-month period unless some event has occurred that necessitates Landlord's review of such financial reports, including a possible sale or financing of the Project, Tenant's renewal of the Term, an expansion or relocation of the Premises, or if requested by Landlord's Mortgagee or a prospective buyer or lender of the Building or an Event of Default occurs.

25.20 **Landlord's Fees**. Whenever Tenant requests Landlord to take any material action not required of Landlord hereunder or give any consent required or permitted under this Lease, Tenant will reimburse Landlord for Landlord's reasonable, out-of-pocket costs payable to third parties and incurred by Landlord in reviewing and taking the proposed action or consent, including reasonable engineers' or architects' fees and reasonable attorneys' fees (including amounts allocated by Landlord to Landlord's in-house counsel as well as fees and expenses charged by outside counsel engaged by Landlord), within 30 days after Landlord's delivery to Tenant of a statement of such costs. Tenant will be obligated to make such reimbursement without regard to whether Landlord consents to any such proposed action.

25.21 **Telecommunications**. Tenant and its telecommunications companies, including local exchange telecommunications companies and alternative access vendor services companies, shall have no right of access to and within the Building, for the installation and operation of telecommunications systems, including voice, video, data, Internet, and any other services provided over wire, fiber optic, microwave, wireless, and any other transmission systems ("**Telecommunications Services**"), for part or all of Tenant's telecommunications within the Building and from the Building to any other location unless Landlord has previously reviewed and approved all plans, specifications and contracts pertaining to telecommunication service entry points, and any documents to which Landlord is a party or which may encumber the Project, which consent will not be unreasonably withheld. All providers of Telecommunications Services shall be required to comply with the rules and regulations of the Project, applicable Laws and Landlord's policies and practices for the Project, and shall be required, at Landlord's election, to enter into a license agreement with Landlord to confirm and approve items such as, without limitation, the proposed location (and labeling requirements) of wiring, cabling, fiber lines, points of demarcation, entry into the Project, insurance requirements and the like, all at no cost to Landlord. Tenant acknowledges that Landlord shall not be required to provide or arrange for any Telecommunications Services and that Landlord shall have no liability to any Tenant Party in connection with the installation, operation or maintenance of Telecommunications Services or any equipment or facilities relating thereto. Tenant, at its cost and for its own account, shall be solely responsible for obtaining all Telecommunications Services.

25.22 **Confidentiality**. Tenant acknowledges that the terms and conditions of this Lease are to remain confidential for Landlord's benefit, and may not be disclosed by Tenant to anyone, by any manner or means, directly or indirectly, without Landlord's prior written consent; however, Tenant may disclose the terms and conditions of this Lease to its attorneys, accountants, employees and existing or prospective financial partners, or if required by Law or court order or any applicable stock exchange or securities regulatory agency, provided all parties to whom Tenant is permitted hereunder to disclose such terms and conditions are advised by Tenant of the confidential nature of such terms and conditions and agree to maintain the confidentiality thereof (in each case, prior to disclosure). Tenant shall be liable for any disclosures made in violation of this Section by Tenant or by any entity or individual to whom the terms of and conditions of this Lease were disclosed or made available by Tenant. The consent by Landlord to any disclosures shall not be deemed to be a waiver on the part of Landlord of any prohibition against any future disclosure.

25.23 **Authority**. Tenant (if a corporation, partnership or other business entity) hereby represents and warrants to Landlord that Tenant is and will remain during the Term a duly formed and existing entity qualified to do business in the state in which the Premises are located, that Tenant has full right and authority to execute and deliver this Lease, and that each person signing on behalf of Tenant is authorized to do so, and that Tenant's organizational identification number assigned by the Colorado Secretary of State is 20041447110. Landlord hereby represents and warrants to Tenant that Landlord is a duly formed and existing entity qualified to do business in the state in which the Premises are located, that Landlord has full right and authority to execute and deliver this Lease, and that each person signing on behalf of Landlord is authorized to do so.

25.24 **Hazardous Materials**. The term "**Hazardous Materials**" means any substance, material, or waste which is now or hereafter classified or considered to be hazardous, toxic, or dangerous under any Law relating to pollution or the protection or regulation of human health, natural resources or the environment, or poses or threatens to pose a hazard to the health or safety of persons on the Premises or in the Project. No Tenant Party shall use, generate, store or Release (defined below), or permit the use, generation, storage or Release of Hazardous Materials on or about the Premises or the Project except for storage within the Premises of *de minimis* quantities found in typical office buildings in a manner and quantity necessary for the ordinary performance of Tenant's business, and then only in compliance with all Laws and in a reasonable and prudent manner. As used herein, "**Release**" means depositing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing. If any Tenant Party breaches its obligations under this Section 25.24, Landlord may immediately take any and all action reasonably appropriate to remedy the same, including taking all appropriate action to clean up or remediate any contamination resulting from such Tenant Party's use, generation, storage or disposal of Hazardous Materials. Tenant shall defend, indemnify, and hold harmless Landlord and its representatives and agents from and against any and all claims, demands, liabilities, causes of action, suits, judgments, damages and expenses (including reasonable attorneys' fees and cost of clean up and remediation) arising from any Tenant Party's failure to comply with the provisions of this Section 25.24.

This indemnity provision is intended to allocate responsibility between Landlord and Tenant under environmental Laws and shall survive termination or expiration of this Lease.

25.25 **List of Exhibits**. All exhibits and attachments attached hereto are incorporated herein by this reference.

Exhibit A—Outline of Premises
Exhibit B—Description of the Land
Exhibit C—Building Rules and Regulations
Exhibit D—Tenant Finish-Work: Allowance (Tenant Performs the Work)
Exhibit E—Form of Confirmation of Commencement Date Letter
Exhibit F—Form of Tenant Estoppel Certificate
Exhibit G—Parking
Exhibit H—Extension Option
Exhibit I—Right of First Refusal
Exhibit J—Guaranty
Exhibit K—Subordination Agreement

25.26 **Determination of Charges**. Landlord and Tenant agree that each provision of this Lease for determining charges and amounts payable by Tenant (including provisions regarding Additional Rent) is commercially reasonable and, as to each such charge or amount, constitutes a statement of the amount of the charge or a method by which the charge is to be computed for purposes of Section 93.012 of the Texas Property Code.

25.27 **Prohibited Persons and Transactions**. Tenant represents and warrants that Tenant is not, and covenants and agrees that Tenant will not become, a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Assets Control ("**OFAC**") of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action, and Tenant covenants and agrees that it will not Transfer this Lease to any such persons or entities (and any such Transfer shall be void).

25.28 Waiver of Consumer Rights. TENANT HEREBY WAIVES ALL ITS RIGHTS UNDER THE TEXAS DECEPTIVE TRADE PRACTICES—CONSUMER PROTECTION ACT, SECTION 17.41 ET SEQ. OF THE TEXAS BUSINESS AND COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER CONSULTATION WITH AN ATTORNEY OF TENANT'S OWN SELECTION, TENANT VOLUNTARILY ADOPTS THIS WAIVER.

25.29 **UBTI and REIT Qualification**. Landlord and Tenant agree that all Rent payable by Tenant to Landlord shall qualify as "rents from real property" within the meaning of both Sections 512(b)(3) and 856(d) of the Internal Revenue Code of 1986, as amended (the "**Code**") and the U.S. Department of Treasury Regulations promulgated thereunder (the "**Regulations**"). In the event that Landlord, in its sole and absolute discretion, determines that there is any risk that all or part of any Rent shall not qualify as "rents from real property" for the purposes of Sections 512(b)(3) or 856 (d) of the Code and the Regulations promulgated thereunder, Tenant agrees (a) to cooperate with Landlord by entering into such amendment or amendments as Landlord deems necessary to qualify all Rents as "rents from real property," and (b) to permit an assignment of this Lease; provided, however, that any adjustments required pursuant to this Section 25.29 shall be made so as to produce the equivalent Rent (in economic terms) payable prior to such adjustment.

25.30 Sustainability. [Intentionally deleted.]

25.31 **No Construction Contract**. Landlord and Tenant acknowledge and agree that this Lease, including all exhibits a part hereof, is not a construction contract or an agreement collateral to or affecting a construction contract.

25.32 **Abated Rent Buy-Out**. If this Lease or any amendment hereto contains any provision for the abatement of Rent granted by Landlord as an inducement or concession to secure this Lease or amendment hereto (other than as a result of Casualty, condemnation, or interruption of services), then in connection with any sale, financing or refinancing of the Building or Project, Landlord shall have the right to buy out all or any portion of the abated Rent at any time prior to the expiration of the abatement period by (a) providing written notice thereof to Tenant and (b) paying to Tenant the amount of abated Rent then remaining due. If Landlord elects to buy out all or a portion of the abated Rent, Landlord and Tenant shall, at Landlord's option, enter into an amendment to this Lease. In no event shall Landlord be obligated to pay a commission with respect to the abated Rent and Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed with respect to the abated Rent by any broker or agent claiming the same by, through or under the indemnifying party.

26. **Other Provisions**.

26.1 **Guaranty**. As additional consideration for Landlord toenter into this Lease, Tenant hascaused Guarantor (as defined in Exhibit J) to execute the guaranty attached hereto as Exhibit J and Tenant has delivered same to Landlord contemporaneously with Tenant's execution hereof.

26.2 **Monument Signage**. Subject to Landlord's and all applicable authorities' prior approval of the location, design, size, color, material composition and plans and specifications therefor, Landlord will install, at Tenant's expense, a sign panel (the "Sign Panel") displaying Tenant's name on Landlord's existing monument sign situated on the grounds of the Project. Should the Sign Panel require repair or replacement, Landlord may perform such repair or replacement work at Tenant's sole cost. After the earliest of the end of the Term, or after Tenant's right to possess the Premises has been terminated or the date on which Tenant's rights pursuant to this Section 26.1 have been revoked, Tenant shall remove the Sign Panel, repair all damage caused thereby, and restore the monument sign to its condition before the installation of the Sign Panel within fifteen days after Landlord's request therefor; provided, that Landlord shall have the right to elect to perform such removal, repair and restoration work on Tenant's behalf, and in such event, Tenant shall reimburse Landlord promptly upon demand for all costs related to such removal, repair and restoration work. Additionally, if Tenant fails to timely do so, Landlord may, without compensation to Tenant and at Tenant's expense, remove the Sign Panel, perform the related restoration and repair work and dispose of the Sign Panel in any manner Landlord deems appropriate. The rights granted to Tenant under this Section 26.2 are personal to DIRTT Environmental Solutions, Inc., may not be assigned to any party other than to a Permitted Transferee, and may be revoked by Landlord if Tenant fails to lease at least 80% of the rentable square feet in the Building leased to Tenant as of the Lease Date. For all purposes under this Lease, the Sign Panel shall be deemed to be included within the definition of Tenant's Off-Premises Equipment.

26.3 **First Floor Restrooms**. Tenant may, at Tenant's sole cost and expense, upgrade the common area restrooms located on the first floor of the Building adjacent to the Premises (the "**First Floor Restrooms**") using products manufactured by Tenant (which products have been approved by Landlord in writing, such consent not to be unreasonably withheld); however, no alterations or physical additions in or to the First Floor Restrooms may be made without Landlord's prior written consent in Landlord's sole discretion. Upon the completion of any such upgrade work, the products and improvements installed therein shall become the property of Landlord. If Landlord unilaterally elects to renovate the First Floor Restrooms, prior to performing such renovation work, Landlord shall allow Tenant to competitively bid for the right to utilize Tenant's products and services in connection with such renovation. To the extent not inconsistent with this Section 26.3, Section 8 of this Lease shall govern any First Floor Restrooms work performed by Tenant.

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LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE, AND TENANT'S OBLIGATION TO PAY RENT HEREUNDER IS NOT DEPENDENT UPON THE CONDITION OF THE PREMISES OR THE PERFORMANCE BY LANDLORD OF ITS OBLIGATIONS HEREUNDER, AND, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, TENANT SHALL CONTINUE TO PAY THE RENT, WITHOUT ABATEMENT, DEMAND, SETOFF OR DEDUCTION, NOTWITHSTANDING ANY BREACH BY LANDLORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER, WHETHER EXPRESS OR IMPLIED.

This Lease is executed as of the Lease Date (as defined in the Basic Lease Information).

TENANT:

DIRTT ENVIRONMENTAL SOLUTIONS, INC.,
a Colorado corporation

By: /s/ Kevin O'Meara
Name: Kevin O'Meara
Title: President & CEO

LANDLORD:

TENNYSON CAMPUS OWNER, LP, a Delaware limited partnership
By: Tennyson Campus Owner GP, LLC, a Delaware limited liability company, its general partner

By: /s/ Rajiv S. Patel
Rajiv S. Patel, Vice President

[Signature Page - Less Agreement]

EXHIBIT A

OUTLINE OF PREMISES

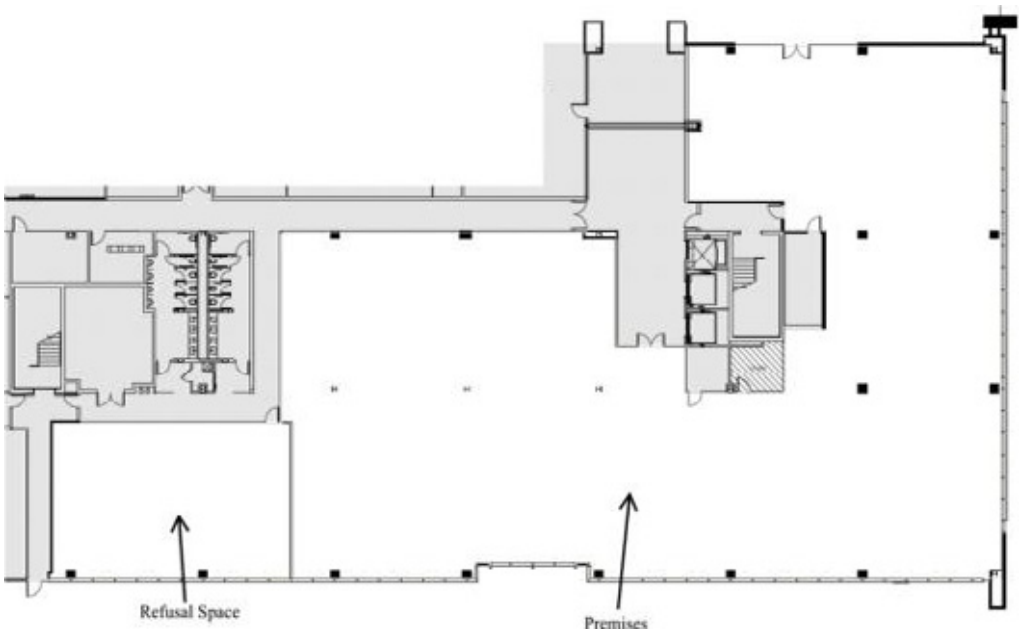


EXHIBIT B

DESCRIPTION OF THE LAND

12.885 ACRES

BEING a tract of land situated in the Henry Cook Survey, Abstract No. 183, City of Plano, Collin County, Texas, and being all of Lot 2R, Block A, of the Replat entitled "ERICSSON VILLAGE ADDITION LOTS 2R AND 3, BLOCK A", an addition to the City of Plano, Texas, according to the plat thereof filed 06/23/2015, recorded in Volume 2015, Page 346, cc# 20150623010002250, Official Public Records, Collin County, Texas.

EXHIBIT C

BUILDING RULES AND REGULATIONS

The following rules and regulations shall apply to the Premises, the Building, any parking garage or other parking lot or facility associated therewith, and the appurtenances thereto:

1. Sidewalks, doorways, vestibules, halls, stairways, and other similar areas shall not be obstructed by tenants or used by any tenant for purposes other than ingress and egress to and from their respective leased premises and for going from one to another part of the Building. The halls, passages, exits, entrances, elevators, stairways, balconies and roof are not for the use of the general public and Landlord shall, in all cases, retain the right to control and prevent access thereto by all persons whose presence in the judgment of Landlord, reasonably exercised, shall be prejudicial to the safety, character, reputation and interests of the Project. No Tenant Party shall go upon the roof of the Project.

2. Landlord reserves the right to exclude from the Project at all times other than Building Hours all persons who do not present a pass to the Project on a form or card approved by Landlord. Tenant shall be responsible for all of its employees, agents, invitees and guests who have been issued a pass at the request of Tenant and shall be liable to Landlord for all acts of such persons.

3. Plumbing, fixtures and appliances shall be used only for the purposes for which designed, and no sweepings, rubbish, rags or other unsuitable material shall be thrown or deposited therein. Damage resulting to any such fixtures or appliances from misuse by a tenant or its agents, employees or invitees, shall be paid by such tenant.

4. No signs, advertisements or notices (other than those that are not visible outside the Premises) shall be painted or affixed on or to any windows or doors or other part of the Building without the prior written consent of Landlord. No nails, hooks or screws (other than those which are necessary to hang paintings, prints, pictures, or other similar items on the Premises' interior walls) shall be driven or inserted in any part of the Building except by Building maintenance personnel. No curtains or other window treatments shall be placed between the glass and the Building standard window treatments.

5. Landlord shall provide all door locks at the entry of each tenant's leased premises, at the cost of such tenant, and no tenant shall place any additional door locks in its leased premises without Landlord's prior written consent. Landlord shall furnish to each tenant a reasonable number of keys and/or access cards to such tenant's leased premises, at such tenant's cost, and no tenant shall make a duplicate thereof. Replacement keys and/or access cards shall be provided on a reasonable basis and at Tenant's cost.

6. Movement in or out of the Building of furniture or office equipment, or dispatch or receipt by tenants of any bulky material, merchandise or materials which require use of elevators or stairways, or movement through the Building entrances or lobby shall be conducted under Landlord's supervision at such times and in such a manner as Landlord may reasonably require. Each tenant assumes all risks of and shall be liable for all damage to articles moved and injury to persons or public engaged or not engaged in such movement, including equipment, property and personnel of Landlord if damaged or injured as a result of acts in connection with carrying out this service for such tenant.

7. Landlord may prescribe weight limitations and determine the locations for safes and other heavy equipment or items, which shall in all cases be placed in the Building so as to distribute weight in a manner acceptable to Landlord which may include the use of such supporting devices as Landlord may require. All damages to the Building caused by the installation or removal of any property of a tenant, or done by a tenant's property while in the Building, shall be repaired at the expense of such tenant.

8. Corridor doors, when not in use, shall be kept closed. Nothing shall be swept or thrown into the corridors, halls, elevator shafts or stairways. No bicycles, birds or animals (other than those that are medically necessary) shall be brought into or kept in, on or about any tenant's leased premises. No portion of any tenant's leased premises shall at any time be used or occupied as sleeping or lodging quarters or for any immoral, disreputable or illegal purposes.

9. Tenant shall cooperate with Landlord's employees in keeping its leased premises neat and clean. Tenants shall not employ any person for the purpose of such cleaning other than the Building's cleaning and maintenance personnel.

10. To ensure orderly operation of the Building, no ice, mineral or other water, towels, newspapers, etc. shall be delivered to any leased area except by persons approved by Landlord.

11. Tenant shall not make or permit any vibration or improper, objectionable or unpleasant noises or odors in the Building or otherwise interfere in any way with other tenants or persons having business with them.

12. No machinery or appliances of any kind (other than normal office equipment and normal break room appliances and other than a professional espresso/coffee maker and a wine chiller) shall be operated by any tenant on its leased area without Landlord's prior written consent, nor shall any tenant use or keep in the Building any flammable or explosive fluid or substance (other than typical office supplies [e.g., photocopier toner] used in compliance with all Laws).

13. Landlord will not be responsible for lost or stolen personal property, money or jewelry from tenant's leased premises or public or common areas regardless of whether such loss occurs when the area is locked against entry or not.

14. No vending or dispensing machines of any kind may be maintained in any leased premises without the prior written permission of Landlord.

15. Tenant shall not conduct any activity on or about the Premises or Building which will draw pickets, demonstrators, or the like.

16. All vehicles are to be currently licensed, in good operating condition, parked for business purposes having to do with Tenant's business operated in the Premises, parked within designated parking spaces, one vehicle to each space. No vehicle shall be parked as a "billboard" vehicle in the parking lot. Any vehicle parked improperly may be towed away. Tenant, Tenant's agents, employees, vendors and customers who do not operate or park their vehicles as required shall subject the vehicle to being towed at the expense of the owner or driver. Landlord may place a "boot" on the vehicle to immobilize it and may levy a charge of $50.00 to remove the "boot." Tenant shall indemnify, hold and save harmless Landlord of any liability arising from the towing or booting of any vehicles belonging to a Tenant Party.

17. No tenant may enter into phone rooms, electrical rooms, mechanical rooms, or other service areas of the Building unless accompanied by Landlord or the Building manager.

18. Tenant will not permit any Tenant Party to bring onto the Project any handgun, firearm or other weapons of any kind, marijuana, cannabis-based products, illegal drugs or, unless expressly permitted by Landlord in writing, alcoholic beverages (other than nominal quantities thereof, for purposes of on-site consumption, to the extent permitted by Law).

19. Tenant shall not permit any Tenant Party to smoke (including the use of any form of tobacco, marijuana, cannabis-based products, e-cigarette, electronic cigarette, personal vaporizer or electronic nicotine delivery system) in the Premises or anywhere else on the Project, except for tobacco products in any Landlord-designated smoking area outside the Building. Tenant shall cooperate with Landlord in enforcing this prohibition and use its best efforts in supervising each Tenant Party in this regard.

20. Tenant shall not allow any Tenant Party to use any type of portable space heater in the Premises or the Building.

21. Only artificial holiday decorations may be placed in the Premises, no live or cut trees or other real holiday greenery may be maintained in the Premises or the Building.

22. Tenant shall not park or operate any semi-trucks or semi-trailers in the parking areas associated with the Building.

23. Tenant shall cooperate fully with Landlord to assure the most effective operation of the Premises or the Project's heating and air conditioning, and shall refrain from attempting to adjust any controls, other than room thermostats installed for Tenant's use. Tenant shall keep corridor doors closed and shall turn off all lights before leaving the Project at the end of the day.

24. Without the prior written consent of Landlord, Tenant shall not use the name of the Project or any picture of the Project in connection with, or in promoting or advertising the business of, Tenant, except Tenant may use the address of the Project as the address of its business.

25. Canvassing, soliciting and peddling within the Project is prohibited, and Tenant shall cooperate in preventing such activities.

26. Tenant shall comply with any recycling programs implemented by Landlord from time to time with respect to the Project.

27. Tenant shall not exhibit, sell or offer for sale, rent or exchange in the Premises or at the Project any article, thing or service to the general public or anyone other than Tenant's employees without the prior written consent of Landlord.

28. Tenant shall ensure that all portions of the leased premises visible from any interior Building common areas are lighted at all times during Building Hours regardless of whether the leased premises are occupied.

EXHIBIT D

TENANT FINISH-WORK: ALLOWANCE
(Tenant Performs the Work)

1. **Acceptance of Premises**. Except as set forth in this Exhibit, Tenant accepts the Premises in their "AS-IS" condition on the date that this Lease is entered into.

2. **Space Plans**.

2.1 **Preparation and Delivery**. On or before the tenth day following the Lease Date (such earlier date is referred to herein as the "**Space Plans Delivery Deadline**"), Tenant shall deliver to Landlord a space plan prepared by a design consultant reasonably acceptable to Landlord (the "**Architect**") depicting improvements to be installed in the Premises (the "**Space Plans**").

2.2 **Approval Process**. Landlord shall notify Tenant whether it approves of the submitted Space Plans within five business days after Tenant's submission thereof, such approval not to be unreasonably withheld. If Landlord disapproves of such Space Plans, then Landlord shall notify Tenant thereof specifying in reasonable detail the reasons for such disapproval, in which case Tenant shall, within five business days after such notice, revise such Space Plans in accordance with Landlord's objections and submit to Landlord for its review and approval, such approval not to be unreasonably withheld. Landlord shall notify Tenant in writing whether it approves of the resubmitted Space Plans within three business days after its receipt thereof. This process shall be repeated until the Space Plans have been finally approved by Landlord and Tenant. If Landlord fails to notify Tenant that it disapproves of the initial Space Plans within five business days (or, in the case of resubmitted Space Plans, within three business days) after the submission thereof, and such failure continues for three business days following Tenant's second written request therefor, then Landlord shall be deemed to have approved the Space Plans in question. If Tenant fails to timely deliver such Space Plans, then each day after the Space Plans Delivery Deadline that such Space Plans are not delivered to Landlord shall be a Tenant Delay Day. Notwithstanding anything to the contrary in this Section 2.2, Landlord may withhold its approval of any Space Plans, in its sole discretion, as to any portion of the Work affecting the entrance to the Premises and/or visible from the Project's common areas or elevator lobby areas.

3. **Working Drawings**.

3.1 **Preparation and Delivery**. On or before the twentieth day following the date on which the Space Plans are approved (or deemed approved) by Landlord and Tenant (such earlier date is referred to herein as the "**Working Drawings Delivery Deadline**"), Tenant shall provide to Landlord for its approval final working drawings, prepared by the Architect, of all improvements that Tenant proposes to install in the Premises; such working drawings shall include the partition layout, ceiling plan, electrical outlets and switches, telephone outlets, drawings for any modifications to the mechanical, electrical, life safety and plumbing and any other systems of the Building, and detailed plans and specifications for the construction of the improvements called for under this Exhibit in accordance with all applicable Laws and suitable for permitting and construction.

3.2 **Approval Process**. Landlord shall notify Tenant whether it approves of the submitted working drawings within ten business days after Tenant's submission thereof, such approval not to be unreasonably withheld. If Landlord disapproves of such working drawings, then Landlord shall notify Tenant thereof specifying in reasonable detail the reasons for such disapproval, in which case Tenant shall, within five business days after such notice, revise such working drawings in accordance with Landlord's objections and submit the revised working drawings to Landlord for its review and approval, such approval not to be unreasonably withheld. Landlord shall notify Tenant in writing whether it approves of the resubmitted working drawings within three business days after its receipt thereof. This process shall be repeated until the working drawings have been finally approved by Tenant and Landlord. If Landlord fails to notify Tenant that it disapproves of the initial working drawings within five business days (or, in the case of resubmitted working drawings, within three business days) after the submission thereof, and such failure continues for three business days following Tenant's second written request therefor, then Landlord shall be deemed to have approved the working drawings in question. Notwithstanding anything to the contrary in this Section 3.2, Landlord may withhold its approval of any working drawings, in its sole discretion, as to any portion of the Work affecting the entrance to the Premises and/or visible from the Project's common areas or elevator lobby areas.

3.3 **Landlord's Approval; Performance of Work**. If any of Tenant's proposed construction work will affect the Building's Structure or the Building's Systems, then the working drawings pertaining thereto must be approved by the Project's engineer of record. Landlord's approval of such working drawings shall not be unreasonably withheld, provided that (a) they comply with all Laws, (b) the improvements depicted thereon do not (1) adversely affect (in the reasonable discretion of Landlord) the Building's Structure or the Building's Systems (including the Project's restrooms or mechanical rooms), or (2) affect (in the sole discretion of Landlord) (A) the exterior appearance of the Project, (B) the appearance of the Project's common areas or elevator lobby areas, or (C) the provision of services to other occupants of the Project, (c) such working drawings are sufficiently detailed to allow construction of the improvements and associated work in a good and workmanlike manner for the entire Premises, and (d) the improvements depicted thereon conform to the rules and regulations promulgated from time to time by Landlord for the construction of tenant improvements (a copy of which has been delivered to Tenant). In no event may any Tenant Party install any power or data poles or other vertical drop poles in the Premises. As used herein, "**Working Drawings**" means the final working drawings approved by Landlord, as amended from time to time by any approved changes thereto, and "**Work**" means all improvements to be constructed in accordance with and as indicated on the Working Drawings, including, without limitation, improvements and materials which Tenant (or its Affiliates) fabricate or manufacture (or caused to be fabricated or manufactured) for retail sale, all of which are hereby pre-approved by Landlord as constituting a portion of the Work), together with any work required by governmental authorities to be made to other areas of the Project as a result of the improvements indicated by the Working Drawings. Landlord's approval of the Working Drawings shall not be a representation or warranty of Landlord that such drawings are adequate for any use or comply with any Law, but shall merely be the consent of Landlord thereto. Landlord shall, at Tenant's request, sign the Working Drawings to evidence its review and approval thereof. After the Working Drawings have been approved, Tenant shall cause the Work to be performed in accordance with the Working Drawings. **LANDLORD MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE SPACE PLANS, THE WORKING DRAWINGS OR THE WORK (OR ANY OTHER SERVICES PROVIDED BY THE ARCHITECT, TENANT'S CONTRACTOR OR ANY OF THEIR SUBCONTRACTORS). ALL IMPLIED WARRANTIES BY LANDLORD WITH RESPECT THERETO, INCLUDING THOSE OF HABITABILITY, MERCHANTABILITY, MARKETABILITY, QUALITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY NEGATED AND WAIVED. WITHOUT LIMITING THE FOREGOING, LANDLORD SHALL NOT BE RESPONSIBLE FOR ANY FAILURE OF THE WORK. LANDLORD WILL NOT BE RESPONSIBLE FOR, OR HAVE CONTROL OR CHARGE OVER, THE ACTS OR OMISSIONS OF THE ARCHITECT OR ITS AGENTS OR EMPLOYEES. LANDLORD IS NOT ACTING AS A CONTRACTOR AND IS NOT GUARANTEEING THE SPACE PLANS, THE WORKING DRAWINGS OR THE WORK, TENANT'S SOLE RECOURSE WITH RESPECT THERETO BEING THE PURSUIT OF TENANT'S REMEDIES UNDER THE WARRANTIES CONTAINED IN TENANT'S CONSTRUCTION CONTRACT OR IN TENANT'S ARCHITECT'S AGREEMENT.**

4. **Contractors; Performance of Work**. The Work shall be performed only by licensed contractors and subcontractors mutually agreed upon by Landlord and Tenant, which approval shall not be unreasonably withheld. Tenant shall be required to use Landlord's designated contractor with respect to any work involving life safety systems (including fire sprinkler and alarm system) or Building automation systems. All contractors and subcontractors shall be required to procure and maintain insurance against such risks, in such amounts, and with such companies as Landlord may reasonably require. Certificates of such insurance, with paid receipts therefor, must be received by Landlord before the Work is commenced. The Work shall be performed in a good and workmanlike manner free of defects, shall conform strictly with the Working Drawings, and shall be performed in such a manner and at such times as not to interfere with or delay Landlord's other contractors, the operation of the Project, and the occupancy thereof by other tenants. All contractors and subcontractors shall contact Landlord and schedule time periods during which they may use Project facilities in connection with the Work (e.g., elevators, excess electricity, etc.).

5. **Construction Contracts**.

5.1 **Tenant's General Contractor**. Tenant shall enter into a construction contract with a general contractor selected by Tenant and approved by Landlord (such approval not to be unreasonably withtheld) in a form acceptable to Tenant's representative for the Work, which shall comply with the provisions of this Section 5

and provide for, among other things, (a) a one-year warranty for all defective Work; (b) a requirement that Tenant's contractor maintain commercial general liability insurance of not less than a combined single limit of $5,000,000, listing the Landlord Insured Parties, and each of their respective Affiliates as additional insureds; (c) a requirement that the contractor perform the Work in substantial accordance with the Space Plans and the Working Drawings (and such plans and drawings are specifically referenced and/or itemized in Tenant's construction contract) and in a good and workmanlike manner; (d) a requirement that the contractor is responsible for daily cleanup work and final clean up (including removal of debris); and (e) those items described in Section 5.2 below (collectively, the "**Approval Criteria**"). Landlord shall have three business days to notify Tenant whether it approves the proposed construction agreements. If Landlord disapproves of the proposed construction agreements, then it shall specify in reasonable detail the reasons for such disapproval, in which case Tenant shall revise the proposed construction agreements to correct the objections and resubmit them to Landlord within five business days after Landlord notifies Tenant of its objections thereto, following which Landlord shall have two business days to notify Tenant whether it approves the revised construction agreements. If Landlord fails to notify Tenant that it disapproves of the construction agreements within three business days after the initial construction agreements or two business days after the revised construction agreements (as the case may be) are delivered to Landlord, then Landlord shall be deemed to have approved the construction agreements.

5.2 **All Construction Contracts**. Unless otherwise agreed in writing by Landlord and Tenant, each of Tenant's construction contracts shall: (a) provide a schedule and sequence of construction activities and completion reasonably acceptable to Landlord, (b) be in a contract form that satisfies the Approval Criteria, (c) require the contractor and each subcontractor to be contractually obligated to procure and maintain insurance coverage listing the Landlord Insured Parties, as additional insureds against such risks, in such amounts, and with such companies as Landlord may reasonably require, (d) be assignable following an Event of Default by Tenant under the Lease to Landlord and Landlord's Mortgagees, (e) contain at least a one-year warranty for all workmanship and materials, and (f) provide payment and performance bonds for each contract in excess of $100,000.

6. **Change Orders**. Tenant may initiate changes in the Work. Each such change must receive the prior written approval of Landlord, such approval shall be granted or withheld in accordance with the standards set forth in Section 3.3 above; additionally, if any such requested change might (a) delay the Commencement Date or, (b) leave any portion of the Premises not fully finished and ready for occupancy, Landlord may withhold its consent in its sole and absolute discretion. Tenant shall, upon completion of the Work, furnish Landlord with accurate architectural, mechanical, electrical and plumbing "as built" plans of the Work as constructed in both blueprint and electronic CADD format (or a comparable format subject to Landlord's prior written approval), which plans shall be incorporated into this Exhibit D by this reference for all purposes. If Tenant requests any changes to the Work described in the Space Plans or the Working Drawings, then such increased costs and any additional design costs incurred in connection therewith as the result of any such change shall be added to the Total Construction Costs.

7. **Definitions**. As used herein, "**Landlord Delay Day**" means any delay in the completion of the Work which is directly attributable to the affirmative acts or willful refusal to reasonably cooperate, at no additional cost to Landlord, of Landlord or the employees, agents or contractors of Landlord, e.g., Landlord fails to execute any documents required by a governmental entity in order for Tenant to complete the Work, or the performance of Landlord's construction work in and around the Project unreasonably impedes Tenant's performance of the Work, and in each case which affirmative act or refusal to act continues for two business days following written notice from Tenant to Landlord of the event giving rise to the delay; and "**Substantial Completion**," "**Substantially Completed**," and any derivations thereof mean the Work in the Premises is substantially completed (as reasonably determined by Landlord) in accordance with the Working Drawings. Substantial Completion shall have occurred even though minor details of construction, decoration, landscaping and mechanical adjustments remain to be completed.

8. **Walk-Through; Punchlist**. When Tenant considers the Work in the Premises to be Substantially Completed, Tenant will notify Landlord and within three business days thereafter, Landlord's representative and Tenant's representative shall conduct a walk-through of the Premises and identify any necessary touch-up work, repairs and minor completion items that are necessary for final completion of the Work. Neither Landlord's representative nor Tenant's representative shall unreasonably withhold his or her agreement on punchlist items. Tenant shall use reasonable efforts to cause the contractor performing the Work to complete all punchlist items within 30 days after agreement thereon.

9. **Excess Costs**. Tenant shall pay the entire amount by which the Total Construction Costs (hereinafter defined) exceed the Construction Allowance (hereinafter defined) (such excess amount being referred to herein as the "**Excess Amount**"). Upon approval of the Working Drawings and selection of a contractor, Tenant shall promptly execute a project budget which identifies such drawings and itemizes the Total Construction Costs and sets forth the Construction Allowance. As used herein, "**Total Construction Costs**" means the entire cost of performing the Work, including design of and space planning for the Work and preparation of the Working Drawings and the final "as-built" plan of the Work, costs of construction labor and materials, the cost of all improvements made from concrete slab to concrete deck, electrical usage during construction, additional janitorial services, standard building directory and suite tenant signage, related taxes and insurance costs, licenses, permits, certifications, surveys and other approvals required by Law, any applicable governmental fees, and the construction supervision fee referenced in Section 12 of this Exhibit.

10. **Construction Allowance**. Landlord shall provide to Tenant a construction allowance not to exceed $[***] per rentable square foot in the Premises (the "**Construction Allowance**") to be applied toward the Total Construction Costs, as adjusted for any changes to the Work. In no event shall more than $[***] per rentable square foot of the Construction Allowance be used toward soft costs, including, without limitation, Tenant's moving expenses, furniture, fixtures and equipment, amounts payable to a project coordinator, construction consultant or similar consultant, data and telecommunications wiring and furniture, including free standing workstations, fixtures and related equipment (collectively, "**Soft Costs**"). No advance of the Construction Allowance shall be made by Landlord until Tenant has first paid to the contractor from its own funds (and provided reasonable evidence thereof to Landlord) the anticipated Excess Amount. Thereafter, Landlord shall pay to Tenant the Construction Allowance, to be applied solely toward the remaining Total Construction Costs and not in reimbursement of the Excess Amount paid by Tenant, in multiple disbursements (but not more than once in any calendar month) following the receipt by Landlord of the following items: (a) a request for payment, (b) final, unconditional or partial lien waivers, as the case may be, from all persons performing five thousand dollars ($5,000) or more of work or supplying or fabricating materials for the Work, fully executed, acknowledged and in recordable form, (c) copies of all invoices and proof of payment of same , and (d) the Architect's certification that the Work for which reimbursement has been requested has been finally completed, including (with respect to the last application for payment only) any punch-list items, on the appropriate AIA form or another form approved by Landlord, and, with respect to the disbursement of the last 10% of the Construction Allowance: (1) the permanent certificate of occupancy issued for the Premises, (2) Tenant's occupancy of the Premises, (3) delivery of the "as-built" plans for the Work as constructed (and as set forth above) to Landlord's construction representative (set forth below) together with an air balance report confirming that the HVAC system has been properly balanced, and (4) an estoppel certificate confirming such factual matters as Landlord or Landlord's Mortgagee may reasonably request (collectively, a "**Completed Application for Payment**"). Landlord shall pay the amount requested in the applicable Completed Application for Payment to Tenant within 30 days following Tenant's submission of the Completed Application for Payment. If, however, the Completed Application for Payment is incomplete or incorrect, Landlord's payment of such request shall be deferred until 15 days following Landlord's receipt of the corrected Completed Application for Payment. Notwithstanding anything to the contrary contained in this Exhibit, Landlord shall not be obligated to make any disbursement of the Construction Allowance during the pendency of any of the following: (A) Landlord has received written notice of any unpaid claims relating to any portion of the Work or materials in connection therewith, other than claims which will be paid in full from such disbursement, (B) there is an unbonded lien outstanding against the Project or the Premises or Tenant's interest therein by reason of work done, or claimed to have been done, or materials supplied or specifically fabricated, claimed to have been supplied or specifically fabricated, to or for Tenant or the Premises, (C) the conditions to the advance of the Construction Allowance are not satisfied, or (D) an Event of Default by Tenant exists. After the final completion of the Work and a reconciliation by Landlord of the Construction Allowance and the Total Construction Costs and provided no default under this Lease then exists and no Event of Default has occurred, Tenant may use any excess Construction Allowance (up to a maximum of $10.00 per rentable square foot in the Premises) towards Soft Costs. Landlord will reimburse Tenant for the Soft Costs (subject to the cap described above) within 30 days after receiving invoices therefor and supporting documentation reasonably acceptable to Landlord. The Construction Allowance must be used (that is, the Work must be fully complete and the Construction Allowance disbursed) within six months following the Commencement Date or shall be deemed forfeited with no further obligation by Landlord with respect thereto, time being of the essence with respect thereto.

11. **Test-Fit Allowance**. Landlord shall provide Tenant a test-fit allowance of $0.10 per rentable square foot in the Premises (the "**Test-Fit Allowance**"). Within 30 days following the date on which Tenant presents Landlord with an invoice from the Architect and evidence of Tenant's payment thereof, Landlord shall reimburse Tenant's actual, out-of-pocket expenses incurred in connection with the Architect with respect to the Work, up to a maximum amount of the Test-Fit Allowance.

12. **Right of Inspection**. Landlord or its Affiliate or agent may inspect the Work and coordinate the relationship between the Work, the Project and the Building's Systems. Any third party fees incurred by Landlord in conjunction with its construction supervision/coordination shall be paid from the Construction Allowance. In consideration for Landlord's construction supervision services, Tenant shall pay to Landlord a construction supervision fee equal to one percent of the Total Construction Costs (exclusive of the construction supervision fee).

13. **Construction Representatives**. Landlord's and Tenant's representatives for coordination of construction and approval of change orders will be as follows, provided that either party may change its representative upon written notice to the other:

Landlord's Representative:	Mike George c/o Jones Lang LaSalle 2701 Dallas Parkway, Suite 680 Dallas, TX 75093 Telephone: 972.943.9795 Email: mike.george@am.jll.com
Tenant's Representative:	Michelle Mouly c/o DIRTT Environmental Solutions, Ltd. 7303 30th Street SE Calgary, Alberta Canada T2C 1N6 Telephone: 403-200-4618 Email: mmouly@dirtt.com and Andrea Wilkins, LEED® AP O+M, WELL AP c/o Jones Lang LaSalle 8343 Douglas Avenue, Suite 100 Dallas, Texas 75225 Telephone : 214- 438-6517 Mobile: +1 702 277 5193 Email : andrea.wilkins@am.jll.com

14. **Miscellaneous**. To the extent not inconsistent with this Exhibit, Sections 8.1 and 21 of this Lease shall govern the performance of the Work and Landlord's and Tenant's respective rights and obligations regarding the improvements installed pursuant thereto.

EXHIBIT E

CONFIRMATION OF COMMENCEMENT DATE

_____, 20_

DIRTT Environmental Solutions, Inc.
6105 Tennyson Parkway – South Building, Suite 100
Plano, TX 75024

Re: Lease Agreement (the "**Lease**") dated March 4, 2020, between **TENNYSON CAMPUS OWNER, LP**, a Delaware limited partnership ("**Landlord**"), and **DIRTT ENVIRONMENTAL SOLUTIONS, INC.**, a Colorado corporation ("**Tenant**"). Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Lease.

Ladies and Gentlemen:

Landlord and Tenant agree as follows:

1. **Condition of Premises**. Tenant has accepted possession of the Premises pursuant to the Lease. Any improvements required by the terms of the Lease to be made by Landlord have been completed to the full and complete satisfaction of Tenant in all respects except for the punchlist items described on Exhibit A hereto (the "**Punchlist Items**"), and except for such Punchlist Items, Landlord has fulfilled all of its duties under the Lease with respect to such initial tenant improvements. Furthermore, Tenant acknowledges that the Premises are suitable for the Permitted Use.

2. **Commencement Date**. The Commencement Date of the Lease is_____, 20 .

3. **Expiration Date**. The Term is scheduled to expire on_____, 20 , which is the last day of the 89th full calendar month following the Commencement Date.

4. **Contact Person**. Tenant's contact person in the Premises is:

DIRTT Environmental Solutions, Inc.
6105 Tennyson Parkway – South Building, Suite 100 Plano, TX 75024
Attention:_____
Telephone:_____
Email:_____

5. **Ratification**. Tenant hereby ratifies and confirms its obligations under the Lease, and represents and warrants to Landlord that it has no defenses thereto. Additionally, Tenant further confirms and ratifies that, as of the date hereof, (a) the Lease is and remains in good standing and in full force and effect, and (b) Tenant has no claims, counterclaims, set-offs or defenses against Landlord arising out of the Lease or in any way relating thereto or arising out of any other transaction between Landlord and Tenant.

6. **Binding Effect; Governing Law**. Except as modified hereby, the Lease shall remain in full effect and this letter shall be binding upon Landlord and Tenant and their respective successors and assigns. If any inconsistency exists or arises between the terms of this letter and the terms of the Lease, the terms of this letter shall prevail. This letter shall be governed by the laws of the state in which the Premises are located.

Please indicate your agreement to the above matters by signing this letter in the space indicated below and returning an executed original to us.

Sincerely,

JONES LANG LASALLE AMERICAS, INC., on behalf of Landlord

By: _____
Name:
Title:

Agreed and accepted:

DIRTT ENVIRONMENTAL SOLUTIONS, INC., a Colorado corporation

By: _____
Name:
Title:

EXHIBIT A

PUNCHLIST ITEMS

Please insert any punchlist items that remain to be performed by Landlord. If no items are listed below by Tenant, none shall be deemed to exist.

EXHIBIT F

FORM OF TENANT ESTOPPEL CERTIFICATE

The undersigned is the Tenant under the Lease (defined below) between_____, a_____, as Landlord, and the undersigned as Tenant, for the Premises on the_____ floor(s) of the building located at_____, _____ and commonly known as_____, and hereby certifies as follows:

1. The Lease consists of the original Lease Agreement dated as of , 20 , between Tenant and Landlord*[‘s predecessor-in-interest]* and the following amendments or modifications thereto (if none, please state “none”):

_____

_____

_____

_____

The documents listed above are herein collectively referred to as the “**Lease**” and represent the entire agreement between the parties with respect to the Premises. All capitalized terms used herein but not defined shall be given the meaning assigned to them in the Lease.

2. The Lease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in Section 1 above.

3. The Term commenced on _____, 20 , and the Term expires, excluding any extension options, on_____, 20 , and Tenant has no option to purchase all or any part of the Premises or the Building or, except as expressly set forth in the Lease, any option to terminate or cancel the Lease.

4. Tenant currently occupies the Premises described in the Lease and Tenant has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows (if none, please state “none”):

_____

_____

_____

_____

5. All monthly installments of Basic Rent, all Additional Rent and all monthly installments of estimated Additional Rent have been paid when due through_____ . The current monthly installment of Basic Rent is $__.

6. All conditions of the Lease to be performed by Landlord necessary to the enforceability of the Lease have been satisfied and Landlord is not in default thereunder. In addition, Tenant has not delivered any notice to Landlord regarding a default by Landlord thereunder.

7. As of the date hereof, there are no existing defenses or offsets, or, to Tenant’s knowledge, claims or any basis for a claim, that Tenant has against Landlord and no event has occurred and no condition exists, which, with the giving of notice or the passage of time, or both, will constitute a default under the Lease.

8. No rental has been paid more than 30 days in advance and no security deposit has been delivered to Landlord except as provided in the Lease.

9. If Tenant is a corporation, partnership or other business entity, each individual executing this Estoppel Certificate on behalf of Tenant hereby represents and warrants that Tenant is and will remain during the Term a duly formed and existing entity qualified to do business in the state in which the Premises are located and that Tenant has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of Tenant is authorized to do so.

10. There are no actions pending against Tenant under any bankruptcy or similar laws of the United States or any state.

11. Other than in compliance with all applicable laws and incidental to the ordinary course of the use of the Premises, Tenant has not used or stored any hazardous substances in the Premises.

12. All tenant improvement work to be performed by Landlord under the Lease has been completed in accordance with the Lease and has been accepted by Tenant and all reimbursements and allowances due to Tenant under the Lease in connection with any tenant improvement work have been paid in full.

Tenant acknowledges that this Estoppel Certificate may be delivered to Landlord, Landlord's Mortgagee or to a prospective mortgagee or prospective purchaser, and their respective successors and assigns, and acknowledges that Landlord, Landlord's Mortgagee and/or such prospective mortgagee or prospective purchaser will be relying upon the statements contained herein in disbursing loan advances or making a new loan or acquiring the property of which the Premises are a part and that receipt by it of this certificate is a condition of disbursing loan advances or making such loan or acquiring such property.

TENANT: _____, a_____

By:_____
Name:_____
Title:

Executed as of_____, 20_.

GUARANTOR'S CONFIRMATION

The undersigned is the Guarantor under the Guaranty (defined below) executed by Guarantor in favor of_____, a_____, as Landlord, in connection with the Lease, and hereby certifies as follows:

1. The Guaranty consists of the original Guaranty dated as of_____, 20__ , executed by Guarantor in favor of Landlord*[*'*s predecessor-in-interest]* and the following amendments or modifications thereto (if none, please state "none"):

_____

_____

_____

_____

The documents listed above are herein collectively referred to as the "**Guaranty**".

2. The Guaranty is in full force and effect and has not been modified, supplemented or amended in any way except as provided in Section 1 above.

3. As of the date hereof, there are no existing defenses or offsets, or, to Guarantor's knowledge, claims or any basis for a claim, that Guarantor has against Landlord and no event has occurred and no condition exists, which, with the giving of notice or the passage of time, or both, will constitute a default under the Guaranty.

4. If Guarantor is a corporation, partnership or other business entity, each individual executing this Estoppel Certificate on behalf of Guarantor hereby represents and warrants that Guarantor is and will remain during the Term a duly formed and existing entity and that Guarantor has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of Guarantor is authorized to do so.

5. There are no actions pending against Guarantor under any bankruptcy or similar laws.

Guarantor acknowledges that this Guarantor's Confirmation to the Estoppel Certificate may be delivered to Landlord, Landlord's Mortgagee or to a prospective mortgagee or prospective purchaser, and their respective successors and assigns, and acknowledges that Landlord, Landlord's Mortgagee and/or such prospective mortgagee or prospective purchaser will be relying upon the statements contained herein in disbursing loan advances or making a new loan or acquiring the property of which the Premises are a part and that receipt by it of this certificate is a condition of disbursing loan advances or making such loan or acquiring such property.

GUARANTOR: _____, a_____

By:_____
Name:_____
Title:_____

EXHIBIT G

PARKING

Tenant shall be provided a total of 90 unreserved parking spaces in the parking facilities associated with the Building (the "**Parking Area**") subject to such terms, conditions and regulations as are from time to time applicable to patrons of the Parking Area, 54 of which shall be in the parking garage associated with the Building with the balance being in the surface lot associated with the Building. In addition, Tenant shall be provided five reserved parking spaces in the parking garage and five reserved parking spaces in the surface lot, in each case at the locations depicted in Schedule I attached hereto, and Landlord shall install visitor parking signs for each such reserved parking space, which visitor parking signs shall be mutually agreed upon by Landlord and Tenant. There shall be no separate charge for Tenant's use of the unreserved and reserved parking spaces during the initial Term. Tenant shall be provided parking access cards for all parking spaces requiring such cards for purposes of access.

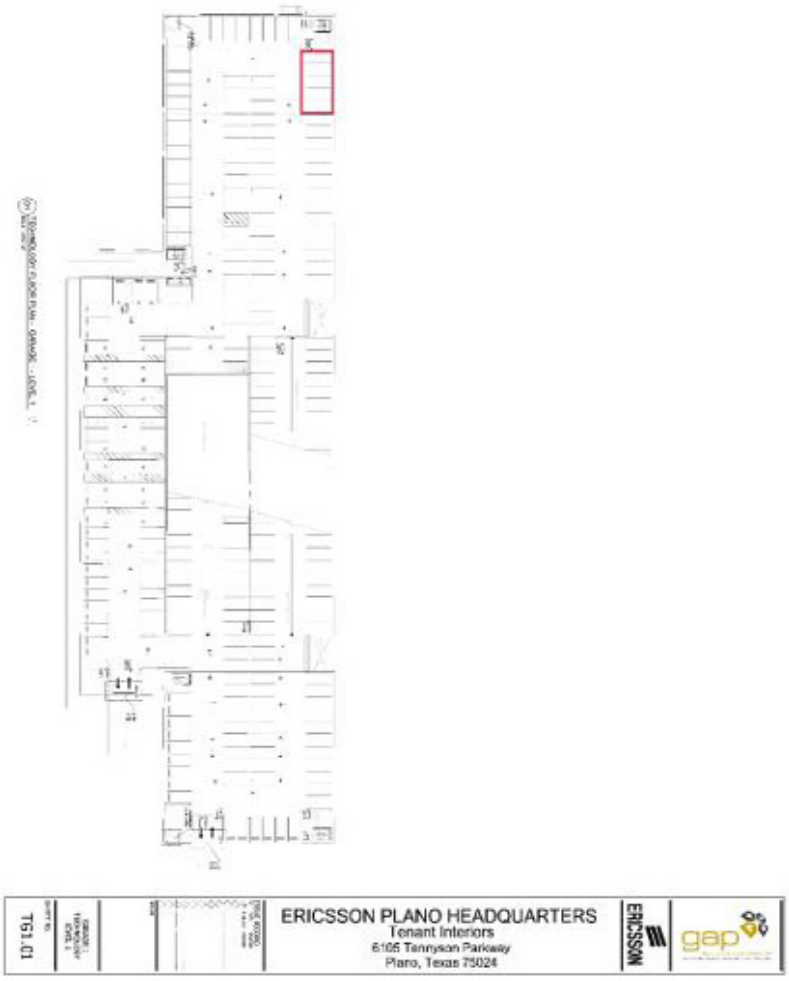
Tenant shall at all times comply with all Laws respecting the use of the Parking Area. Landlord reserves the right to adopt, modify, and enforce reasonable rules and regulations governing the use of the Parking Area from time to time including designation of assigned parking spaces, requiring use of any key-card, sticker, or other identification or entrance systems and charging a fee for replacement of any such key-card sticker or other item used in connection with any such system and hours of operations. Landlord may refuse to permit any person who violates such rules and regulations to park in the Parking Area, and any violation of the rules and regulations shall subject the car to removal from the Parking Area.

Tenant may validate visitor parking by such method or methods as Landlord may approve, at the validation rate from time to time generally applicable to visitor parking. Unless specified to the contrary above, the parking spaces provided hereunder shall be provided on an unreserved, "first-come, first served" basis. Tenant acknowledges that Landlord has arranged or may arrange for the Parking Area to be operated by an independent contractor, not affiliated with Landlord.

All motor vehicles (including all contents thereof) shall be parked in the Parking Area at the sole risk of Tenant and each other Tenant Party, it being expressly agreed and understood Landlord has no duty to insure any of said motor vehicles (including the contents thereof), and Landlord is not responsible for the protection and security of such vehicles. If for any reason (other than a Casualty) either any of the reserved parking spaces or seventy-five percent (75%) or more of the unreserved parking spaces to which Tenant is entitled pursuant to this Exhibit are not reasonably available to Tenant, Tenant is then continuously operating at the Premises and has not abandoned or vacated the Premises or a substantial portion thereof, Tenant promptly notifies Landlord of such unavailability (including a reasonably detailed specification of the number, type and location within the Parking Area of such unavailable parking spaces), and substitute parking which is reasonably comparable to such unavailable parking (provided, however, that Landlord's provision of valet services, at Landlord's sole cost and expense, to Tenant's employees and customers at reasonable times shall be deemed to satisfy such substitute parking requirement for all purposes) ("Substitute Parking") is not made or does not become available to Tenant within forty-five (45) days following such notice (or, if Substitute Parking is not made or does not become available to Tenant within such forty- five [45] day period, such longer period as may be reasonably necessary for Landlord to make Substitute Parking available to Tenant, provided that Landlord has commenced and diligently prosecutes to completion the same), then Tenant may deliver notice of termination to Landlord within ten (10) days following the expiration of such period and this Lease shall terminate thirty (30) days following such notice of termination; provided, however, that if Substitute Parking is made or becomes available to Tenant within such thirty (30) day period, such notice of termination shall be deemed void *ab initio***; provided, further, that Tenant shall have no rights under this paragraph if an Event of Default exists as of any such notice or termination dates. Notwithstanding anything in this Lease to the contrary, Landlord shall have the right, at any time and from time to time, to re-stripe and/or reconfigure the Parking Area to create Substitute Parking and to make such Substitute Parking available to Tenant.** *Tenant's rights pursuant to this paragraph shall be in full settlement of all claims that Tenant might otherwise have against Landlord because of Landlord's failure or inability to provide Tenant with the parking to which Tenant is entitled pursuant to this Lease.* **Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD SHALL HAVE NO LIABILITY WHATSOEVER FOR ANY PROPERTY DAMAGE OR LOSS WHICH MIGHT OCCUR ON THE PARKING AREA OR AS A RESULT OF OR IN CONNECTION WITH THE PARKING OF MOTOR VEHICLES IN ANY OF THE PARKING SPACES.**

SCHEDULE I-A

PARKING GARAGE



SCHEDULE 1-B

SURFACE LOT

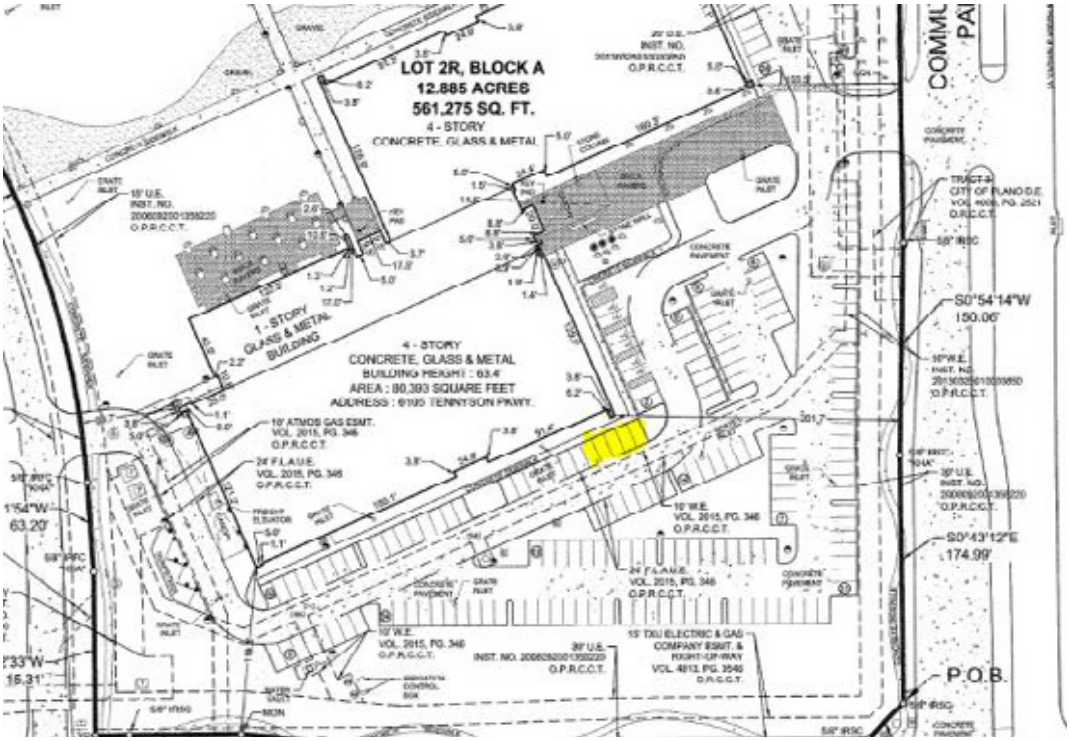


EXHIBIT H

EXTENSION OPTION

Tenant may extend the Term for one additional period of five years, by delivering written notice of the exercise thereof to Landlord not earlier than 15 months or later than 12 months before the expiration of the Term. The Basic Rent payable for each month during such extended Term (including periodic increases in same) shall be the prevailing rental rate (the "**Prevailing Rental Rate**"), at the commencement of such extended Term, for renewals of space in the Plano/Legacy submarket of equivalent quality, size, utility and location, with the economic concessions landlords have accepted and granted in current transactions between non-affiliated parties from non-expansion and non-equity tenants of comparable creditworthiness for a comparable use for a comparable period of time, the length of the extended Term, the credit standing of Tenant and the amount and frequency of increases in Basic Rent to be taken into account. Within 30 days after receipt of Tenant's notice to extend, Landlord shall deliver to Tenant written notice of the Prevailing Rental Rate and shall advise Tenant of the required adjustment to Basic Rent, if any, and the other terms and conditions offered. Tenant shall, within ten days after receipt of Landlord's notice, notify Landlord in writing whether Tenant accepts or rejects Landlord's determination of the Prevailing Rental Rate. If Tenant timely notifies Landlord that Tenant accepts Landlord's determination of the Prevailing Rental Rate, then, within 30 days following the determination of the Prevailing Rental Rate, Landlord and Tenant shall execute an amendment to this Lease extending the Term on the same terms and conditions provided in this Lease, except as follows:

(a) Basic Rent shall be adjusted to the Prevailing Rental Rate, with periodic increases therein as described above;

(b) Tenant shall have no further option to extend the Term unless expressly granted by Landlord in writing; and

(c) Landlord shall lease to Tenant the Premises in their then-current condition, and Landlord shall not provide to Tenant any allowances (e.g., moving allowance, construction allowance, and the like) or other tenant inducements.

If Tenant timely delivers written notice to Landlord that Tenant rejects Landlord's determination of the Prevailing Rental Rate, time being of the essence with respect thereto, Tenant shall be deemed to have irrevocably renewed the Term, and the determination of the Prevailing Rental Rate shall be made by brokers as provided below. In such event, within ten days thereafter, each party shall select a licensed commercial real estate broker with at least ten years' experience in leasing office buildings in the city or submarket in which the Premises are located (a "**Qualified Broker**"). The two brokers shall give their opinion of prevailing rental rates (based upon the same criteria as described in the first paragraph above) within ten days after their retention. If such brokers timely reach agreement, such agreed determination shall be the Prevailing Rental Rate for purposes of this Exhibit and shall be final and binding on Landlord and Tenant. In the event the opinions of the two brokers differ and, after good faith efforts for ten days after the expiration of such initial ten-day period, they cannot mutually agree, the brokers shall immediately and jointly appoint a third Qualified Broker. If the brokers are unable to agree upon such third Qualified Broker, then such third Qualified Broker shall be appointed by the American Arbitration Association upon the request of either Landlord or Tenant (and such appointee shall satisfy the requirement of a Qualified Broker and shall be bound by the procedures described in this paragraph). This third broker shall immediately (within five days) choose either the determination of Landlord's broker or Tenant's broker and such choice of this third broker shall be the Prevailing Rental Rate for purposes of this Exhibit and shall be final and binding on Landlord and Tenant. Each party shall pay its own costs for its real estate broker. Following the determination of the Prevailing Rental Rate by the brokers, the parties shall equally share the costs of any third broker. The parties shall immediately execute an amendment as set forth above. If Tenant fails to timely notify Landlord in writing that Tenant accepts or rejects Landlord's determination of the Prevailing Rental Rate, time being of the essence with respect thereto, then, at Landlord's option, (A) Tenant's rights under this Exhibit shall terminate and Tenant shall have no right to extend the Term; or (B) Tenant shall be deemed to have irrevocably renewed the Term and to have accepted Landlord's determination of the Prevailing Rental Rate.

Tenant's rights under this Exhibit shall terminate, at Landlord's option, if (A) an Event of Default exists as of the date of Tenant's exercise of its rights under this Exhibit or as of the commencement date of the extended Term, (B) this Lease or Tenant's right to possession of any of the Premises is terminated, (C) Tenant assigns its interest in this Lease or sublets any portion of the Premises other than to a Permitted Transferee, (D) Tenant fails to lease from Landlord at least 80% of the rentable square feet leased to Tenant as of the Lease Date, (E) Landlord determines, in its sole but reasonable discretion, that Tenant's financial condition or creditworthiness has materially deteriorated since the Lease Date, (F) Tenant fails to timely exercise its option under this Exhibit, time being of the essence with respect to Tenant's exercise thereof, or (G) the Guaranty fails to be effective for any reason, or if Guarantor attempts to revoke, rescind or otherwise challenge the effectiveness of the Guaranty, or if Guarantor fails or refuses to consent to the proposed lease amendment and confirm and ratify that Tenant's obligations under the Lease, as amended by any previous amendments and the proposed lease amendment in question, are fully included in the obligations to be guaranteed by Guarantor under the Guaranty.

EXHIBIT I

RIGHT OF FIRST REFUSAL

Subject to then-existing renewal or expansion options or other preferential rights of Qualtrics, LLC, its successors, assigns and subtenants (collectively, the "**Priority Tenant**"), if Landlord receives an offer from a third party (other than the then-current tenant or occupant therein) (a "**Third Party Offer**") to lease any of the space designated on Exhibit A hereto (the "**Refusal Space**") and Landlord is willing to accept the terms of such Third Party Offer and the Priority Tenant does not timely exercise its rights of first refusal with respect thereto (or, if the Priority Tenant timely exercises its rights but fails to satisfy all the conditions precedent to the Priority Tenant's rights to lease the space which is the subject of the Third Party Offer), Landlord shall offer to lease to Tenant the Refusal Space on the same terms and conditions as the Third Party Offer; such offer shall (a) be in writing, (b) specify the part of the Refusal Space being offered to Tenant hereunder (the "**Designated Refusal Space**"), (c) specify the rent to be paid for the Designated Refusal Space, and (d) contain the basic terms and conditions of the Third Party Offer and the date on which the Designated Refusal Space shall be included in the Premises (the "**Refusal Notice**"). The Refusal Notice shall be substantially similar to the Refusal Notice attached to this Exhibit. Tenant shall notify Landlord in writing whether Tenant elects to lease the Designated Refusal Space subject to the Third Party Offer on the same terms and conditions as the Third Party Offer in the Refusal Notice, within ten business days after Landlord delivers to Tenant the Refusal Notice. If Tenant timely elects to lease the Designated Refusal Space within such ten business day period, Landlord and Tenant shall execute an amendment to this Lease, effective as of the date the Designated Refusal Space is to be included in the Premises, on the same terms as this Lease except (1) the Basic Rent and parking charges shall be the amounts specified in the Refusal Notice, (2) the term for the Designated Refusal Space shall be that specified in the Refusal Notice, (3) Tenant shall lease the Designated Refusal Space in an "**AS-IS**" condition, (4) Landlord shall not be required to perform any work therein, (5) Landlord shall not provide to Tenant any allowances other than those contained in the Third Party Offer (e.g., moving allowance, construction allowance, and the like) if any, and (6) other terms set forth in the Lease which are inconsistent with the terms of the Refusal Notice shall be modified accordingly. Notwithstanding the foregoing, if the Refusal Notice includes space in excess of the Refusal Space, Tenant must exercise its right hereunder, if at all, as to all of the space contained in the Refusal Notice. To the extent that multiple tenants have rights to lease the Refusal Space, Landlord may elect to deliver a Refusal Notice to Tenant and such third party tenants at the same time, and if both Tenant and another third party tenant accept the Refusal Notice, the party with the superior rights shall prevail.

Landlord represents to Tenant that the Priority Tenant is the only party that has a right to lease the Refusal Space which is superior to Tenant's right to lease the Refusal Space as set forth in this Exhibit.

If Tenant fails or is unable to timely exercise its right hereunder with respect to the Designated Refusal Space, such right shall lapse, time being of the essence with respect to the exercise thereof (it being understood Tenant's right hereunder is a one-time right only as to each Designated Refusal Space the first time it is offered to Tenant hereunder), and Landlord may lease all or a portion of the Designated Refusal Space to third parties on such terms as Landlord may elect. For purposes hereof, if a Refusal Notice is delivered for less than all of the Refusal Space but such notice provides for an expansion, right of first refusal, or other preferential right to lease some of the remaining portion of the Refusal Space, such remaining portion of the Refusal Space shall thereafter be excluded from the provisions of this Exhibit. Unless otherwise agreed in writing by Landlord and Tenant's real estate broker, in no event shall Landlord be obligated to pay a commission with respect to any space leased by Tenant under this Exhibit, and Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any broker or agent claiming the same by, through or under the indemnifying party.

Tenant's rights under this Exhibit shall terminate, at Landlord's option, if (a) an Event of Default exists as of the date of Tenant's exercise of its rights under this Exhibit or as of the effective date of the addition of the Designated Refusal Space to the Premises, (b) this Lease or Tenant's right to possession of any of the Premises is terminated, (c) Tenant assigns its interest in this Lease or sublets any portion of the Premises other than to a Permitted Transferee, (d) Tenant fails to lease from Landlord at least 80% of the rentable square feet leased to Tenant as of the Lease Date, (e) Landlord determines, in its sole but reasonable discretion, that Tenant's financial condition or creditworthiness has materially deteriorated since the Lease Date, (f) Tenant fails to timely exercise its option under this Exhibit, time being of the essence with respect to Tenant's exercise thereof, or (g) less than two full calendar years remain in the initial Term of this Lease.

Tenant's rights under this Exhibit shall not apply to leases that allow tenants in the Building to use such space as unfinished storage area and other temporary leases to provide temporary space to tenants that ultimately will occupy other space in the Building on a permanent basis, any management space, tenant relocation space and other building space/amenities (conference center, fitness center, etc.), including without limitation any Refusal Space that Landlord elects, in its sole discretion, to convert into common area or amenities.

FORM OF REFUSAL NOTICE

[Insert Date of Notice]

BY OVERNIGHT COURIER

DIRTT Environmental Solutions, Inc.
6105 Tennyson Parkway – South Building, Suite 100
Plano, TX 75024

Re: Lease Agreement (the "**Lease**") dated March 4, 2020, between **TENNYSON CAMPUS OWNER, LP**, a Delaware limited partnership ("**Landlord**"), and **DIRTT ENVIRONMENTAL SOLUTIONS, INC.**, a Colorado corporation ("**Tenant**"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Lease.

Ladies and Gentlemen:

Pursuant to the Right of First Refusal attached to the Lease, this is a Refusal Notice on Suite_____. The basic terms and conditions are as follows:

LOCATION: _____

SIZE: _____rentable square feet

BASIC RENT RATE: Initially, $_____per rentable square foot in the Designated Refusal Space, with _____% annual increases

TERM: _____

IMPROVEMENTS: _____

COMMENCEMENT: _____

PARKING TERMS: _____

OTHER MATERIAL TERMS: _____

Under the terms of the Right of First Refusal, you must exercise your rights, if at all, as to the Designated Refusal Space on the depiction attached to this Refusal Notice within ten business days after Landlord delivers such Refusal Notice. Accordingly, you have until 5:00 p.m. local time on_____, 20_, to exercise your rights under the Right of First Refusal and accept the terms as contained herein, failing which your rights under the Right of First Refusal shall terminate and Landlord shall be free to lease the Designated Refusal Space to any third party. If possible, any earlier response would be appreciated. Please note your acceptance of this Refusal Notice shall be irrevocable and may not be rescinded.

Upon receipt of your acceptance herein, Landlord and Tenant shall execute an amendment to the Lease memorializing the terms of this Refusal Notice including the inclusion of the Designated Refusal Space in the Premises; provided, however, the failure by Landlord and Tenant to execute such amendment shall not affect the inclusion of such Designated Refusal Space in the Premises in accordance with this Refusal Notice.

THE FAILURE TO ACCEPT THIS REFUSAL NOTICE BY (A) DESIGNATING THE "ACCEPTED" BOX, AND (B) EXECUTING AND RETURNING THIS REFUSAL NOTICE TO LANDLORD WITHOUT MODIFICATION WITHIN SUCH TIME PERIOD SHALL BE DEEMED A WAIVER OF TENANT'S RIGHTS

UNDER THE RIGHT OF FIRST REFUSAL, AND TENANT SHALL HAVE NO FURTHER RIGHTS TO THE DESIGNATED REFUSAL SPACE. THE FAILURE TO EXECUTE THIS LETTER WITHIN SUCH TIME PERIOD SHALL BE DEEMED A WAIVER OF THIS REFUSAL NOTICE.

Should you have any questions, do not hesitate to call.

Sincerely,

TENNYSON CAMPUS OWNER, LP, a Delaware limited partnership
By: Tennyson Campus Owner GP, LLC, a Delaware limited liability company, its general partner
By:
Name:
Title:

[please check appropriate box]

ACCEPTED☐
REJECTED☐

DIRTT ENVIRONMENTAL SOLUTIONS, INC., a Colorado corporation

By: _____
Name: _____
Title: _____
Date:

Enclosure *[attach depiction of Designated Refusal Space]*

EXHIBIT J

GUARANTY

As a material inducement to Landlord to enter into the Lease Agreement, dated March 4, 2020 (the "**Lease**"), between **DIRTT ENVIRONMENTAL SOLUTIONS, INC.**, a Colorado corporation, as Tenant, and **TENNYSON CAMPUS OWNER, LP**, a Delaware limited partnership, as Landlord, **DIRTT ENVIRONMENTAL SOLUTIONS LTD.,** an Alberta corporation ("**Guarantor**"), hereby unconditionally and irrevocably guarantees the complete and timely performance of each obligation of Tenant (and any assignee) under the Lease, and any extensions or renewals of and amendments to the Lease. This Guaranty is an absolute, primary, and continuing, guaranty of payment and performance (not collection) and is independent of Tenant's obligations under the Lease. Guarantor (and if this Guaranty is signed by more than one person or entity, each Guarantor hereunder) shall be primarily liable, jointly and severally, with Tenant and any other guarantor of Tenant's obligations. Guarantor waives any right to require Landlord to (a) join Tenant with Guarantor in any suit arising under this Guaranty, (b) proceed against or exhaust any security given to secure Tenant's obligations under the Lease, (c) exercise any rights under Landlord's remedies pursuant to the Lease, (d) take any action pursuant to applicable forcible entry and detainer statutes, or (e) pursue or exhaust any other person (including Tenant) or any other remedy in Landlord's power.

Until all of Tenant's obligations to Landlord have been discharged in full, Guarantor's right of subrogation against Tenant shall be subject and subordinate to Landlord's rights under the Lease and this Guaranty. Landlord may, without notice or demand and without affecting Guarantor's liability hereunder, from time to time, compromise, extend, renew or otherwise modify any or all of the terms of the Lease by amendment, novation or otherwise (including a new lease, to the extent a court of competent jurisdiction determines any of the foregoing constitutes a new lease), or fail to perfect, or fail to continue the perfection of, any security interests granted under the Lease. Without limiting the generality of the foregoing, if Tenant elects to increase the size of the leased premises, extend or renew the lease term, or otherwise expand Tenant's obligations under the Lease, Tenant's execution of such lease documentation shall constitute Guarantor's consent thereto (and such increased obligations of Tenant under the Lease shall constitute a guaranteed obligation hereunder); Guarantor hereby waives any and all rights to consent thereto. Guarantor waives any right to participate in any security now or hereafter held by Landlord. Guarantor hereby waives all presentments, demands for performance, notices of nonperformance, protests, notices of protest, dishonor and notices of acceptance of this Guaranty, and waives all notices of existence, creation or incurring of new or additional obligations from Tenant to Landlord. Guarantor further waives all defenses afforded guarantors or based on suretyship or impairment of collateral under applicable Law, other than payment and performance in full of Tenant's obligations under the Lease. The liability of Guarantor under this Guaranty will not be affected by (a) the release or discharge of Tenant from, or impairment, limitation or modification of, Tenant's obligations under the Lease in any bankruptcy, receivership, or other debtor relief proceeding, whether state or federal and whether voluntary or involuntary; (b) the rejection or disaffirmance of the Lease in any such proceeding; or (c) the cessation from any cause whatsoever of the liability of Tenant under the Lease.

Guarantor shall not, without the prior written consent of Landlord, (a) assign or transfer this Guaranty or any estate or interest herein, whether directly or by operation of law, (b) permit any other entity to become Guarantor hereunder by merger, consolidation, or other reorganization, (c) if Guarantor is an entity other than a corporation whose stock is publicly traded, permit the transfer of an ownership interest in Guarantor so as to result in a change in the current direct or indirect control of Guarantor, or (d) sell or otherwise transfer, in one or more transactions, a majority of Tenant's assets. If Guarantor violates the foregoing restrictions or otherwise defaults under this Guaranty, Landlord shall have all available remedies at law and in equity against Guarantor and Tenant. Without limiting the generality of the foregoing, Landlord may (1) declare an immediate Event of Default under the Lease, (2) require Guarantor and/or Tenant (at Landlord's election) to deliver to Landlord additional security for the obligations of Tenant and Guarantor under the Lease and the Guaranty, respectively, which additional security may be in the form of an irrevocable letter of credit in form and substance satisfactory to Landlord, and in an amount to be determined by Landlord in its sole and absolute discretion, and (3) increase the amount of Basic Rent payable by Tenant under the Lease by 150% of the Basic Rent otherwise payable under the Lease to compensate Landlord, for among other things, the reasonable estimate in the diminution in the fair market value of the Project. Landlord and Tenant agree that Landlord's damages resulting from Guarantor's default under this Guaranty are difficult, if not impossible, to determine and the Basic Rent increase as provided above is a fair estimate of those damages which has been agreed to in an effort to cause the amount of such damages to be certain. Any and all remedies set forth in this Guaranty:

(A) shall be in addition to any and all other remedies Landlord may have at law or in equity, (B) shall be cumulative, and (C) may be pursued successively or concurrently as Landlord may elect. The exercise of any remedy by Landlord shall not be deemed an election of remedies or preclude Landlord from exercising any other remedies in the future. However, Guarantor may permit any other entity to become Guarantor hereunder and/or permit the transfer of an ownership interest in Guarantor (each a "**Permitted Guarantor Change**") without the written consent of Landlord, provided the new Guarantor is:

(4) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity in which or with which Guarantor, or its corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions governing merger and consolidation of business entities, so long as (A) Guarantor's obligations hereunder are assumed by the entity surviving such merger or created by such consolidation; and (B) the proposed transferee satisfies the Tangible Net Worth/Credit Threshold as of the effective date of the Permitted Guarantor Change; or

(5) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity acquiring all or substantially all of Guarantor's assets, so long as (A) Guarantor's obligations hereunder are assumed by the entity acquiring such assets; and (B) the proposed transferee satisfies the Tangible Net Worth/Credit Threshold as of the effective date of the Permitted Guarantor Change.

Guarantor shall promptly notify Landlord of any such Permitted Guarantor Change. Guarantor shall remain liable for the performance of all of the obligations of Guarantor hereunder, or if Guarantor no longer exists because of a merger, consolidation, or acquisition, the surviving or acquiring entity shall expressly assume in writing the obligations of Guarantor hereunder. No later than ten days after the effective date of any Permitted Guarantor Change, Guarantor agrees to furnish Landlord with (i) copies of the instrument effecting any of the foregoing Permitted Guarantor Changes, and (ii) documentation establishing Guarantor's satisfaction of the requirements set forth above applicable to any such Permitted Guarantor Change.

Guarantor represents and warrants, as a material inducement to Landlord to enter into the Lease, that (a) this Guaranty and each instrument securing this Guaranty have been duly executed and delivered and constitute legally enforceable obligations of Guarantor; (b) there is no action, suit or proceeding pending or, to Guarantor's knowledge, threatened against or affecting Guarantor, at law or in equity, or before or by any governmental authority, which might result in any materially adverse change in Guarantor's business or financial condition; (c) execution of this Guaranty will not render Guarantor insolvent; (d) Guarantor expects to receive substantial benefits from Tenant's financial success; and (e) this Guaranty may reasonably be expected directly or indirectly to benefit Guarantor.

Guarantor shall pay to Landlord all costs incurred by Landlord in enforcing this Guaranty (including, without limitation, reasonable attorneys' fees and expenses). The obligations of Tenant under the Lease to execute and deliver estoppel and financial statements, as therein provided, shall be deemed to also require the Guarantor hereunder to do so and provide the same relative to Guarantor following written request by Landlord in accordance with the terms of the Lease (except that Guarantor shall have no such obligation to deliver financial statements if Guarantor is a publicly traded entity whose financial statements are publicly available). All notices and other communications given pursuant to, or in connection with, this Guaranty shall be delivered in the same manner required in the Lease. All notices or other communications addressed to Guarantor shall be delivered at the address set forth below. This Guaranty shall be binding upon the heirs, legal representatives, successors and assigns of Guarantor and shall inure to the benefit of Landlord's successors and assigns.

This Guaranty will be governed by and construed in accordance with the laws of the State in which the Premises (as defined in the Lease) are located. The proper place of venue to enforce this Guaranty will be the county or district in which the Premises are located. In any legal proceeding regarding this Guaranty, including enforcement of any judgments, Guarantor irrevocably and unconditionally (a) submits to the jurisdiction of the courts of law in the county or district in which the Premises are located; (b) accepts the venue of such courts and waives and agrees not to plead any objection thereto; and (c) agrees that (1) service of process may be effected at the address specified herein, or at such other address of which Landlord has been properly notified in writing, and (2) nothing herein will affect Landlord's right to effect service of process in any other manner permitted by applicable law.

Guarantor acknowledges that it and its counsel have reviewed and revised this Guaranty and that the rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Guaranty or any document executed and delivered by Guarantor in connection with the transactions contemplated by this Guaranty.

The representations, covenants and agreements set forth herein will continue and survive the termination of the Lease or this Guaranty. The masculine and neuter genders each include the masculine, feminine and neuter genders. This instrument may not be changed, modified, discharged or terminated orally or in any manner other than by an agreement in writing signed by Guarantor and Landlord. The words "Guaranty" and "guarantees" will not be interpreted to limit Guarantor's primary obligations and liability hereunder.

TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS, GUARANTOR KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON THIS GUARANTY, ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS LEASE, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN), OR ACTION BETWEEN LANDLORD AND GUARANTOR OR ANY EXERCISE BY LANDLORD OR GUARANTOR OF ANY OF THEIR RESPECTIVE RIGHTS UNDER THIS GUARANTY OR IN ANY WAY RELATING TO THE PREMISES. THIS WAIVER IS A MATERIAL INDUCEMENT FOR LANDLORD TO ENTER INTO THE LEASE. THIS WAIVER SURVIVES THE EXPIRATION OR TERMINATION OF THE LEASE AND THIS GUARANTY.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

Executed as of the Lease Date.

DIRTT ENVIRONMENTAL SOLUTIONS LTD., an Alberta corporation

By: _____
Name: _____
Title: _____

Attention: _____
Telephone: _____
Email: _____

EXHIBIT K

FORM OF SUBORDINATION AGREEMENT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Wells Fargo Bank, National Association
Commercial Real Estate Loan Administration
400 Capitol Mall, 7th Floor
Sacramento, California 95814

Attention: Eleanor Harrison
Loan No. 1018484

SUBORDINATION AGREEMENT; ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT
(Lease To Security Instrument)

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT; ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT ("Agreement") is made as of _____, 2020, by and between TENNYSON CAMPUS OWNER, LP, a Delaware limited partnership ("Mortgagor"), DIRTT ENVIRONMENTAL SOLUTIONS, INC., a Colorado corporation ("Tenant"), and WELLS FARGO BANK, NATIONAL ASSOCIATION (collectively with its successors or assigns, "Lender").

R E C I T A L S

A. Pursuant to the terms and provisions of the Lease Agreement dated March 4, 2020 ("Lease"), Tenant holds a leasehold estate in and to a portion of the property described on Exhibit A attached hereto and incorporated herein by this reference (which property, together with all improvements now or hereafter located on the property, is defined as the "Property").

B. Mortgagor has executed that certain Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing ("Security Instrument") securing, among other things, that certain Promissory Note Secured by Deed of Trust dated October 3, 2018 ("Note") in the principal sum of Fifty-Two Million Eight Hundred Thirty-Five Thousand Dollars ($52,835,000), in favor of Lender, evidencing a loan in that amount ("Loan"). The Security Instrument was recorded on October 10, 2018, as Document No. 20181010001265890, Collin County, Texas Official Records.

C. As a condition to Lender making the Loan secured by the Security Instrument, Lender requires that the Security Instrument be unconditionally and at all times remain a lien on the Property, prior and superior to all the rights of Tenant under the Lease and that the Tenant specifically and unconditionally subordinate the Lease to the lien of the Security Instrument.

D. Mortgagor and Tenant have agreed to the subordination, attornment and other agreements herein in favor of Lender.

NOW THEREFORE, for valuable consideration and to induce Lender to make the Loan, Mortgagor and Tenant hereby agree for the benefit of Lender as follows:

1. **SUBORDINATION**. Mortgagor and Tenant hereby agree that:

   1.1 **Prior Lien**. The Security Instrument securing the Note in favor of Lender, and any modifications, renewals or extensions thereof (including, without limitation, any modifications, renewals or extensions with respect to any additional advances made subject to the Security Instrument), shall unconditionally be and at all times remain a lien on the Property prior and superior to the Lease;

   1.2 **Subordination**. Lender would not make the Loan without this agreement to subordinate; and

   1.3 **Whole Agreement**. This Agreement shall be the whole agreement and only agreement with regard to the subordination of the Lease to the lien of the Security Instrument and shall supersede and cancel, but only insofar as would affect the priority between the Security Instrument and the Lease, any prior agreements as to such subordination, including, without limitation, those provisions, if any, contained in the Lease which provide for the subordination of the Lease to a deed or deeds of trust or to a mortgage or mortgages.

   AND FURTHER, Tenant individually declares, agrees and acknowledges for the benefit of Lender that:

   1.4 **Use of Proceeds**. Lender, in making disbursements pursuant to the Note, the Security Instrument or any loan agreements with respect to the Property, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat this agreement to subordinate in whole or in part;

   1.5 **Waiver, Relinquishment and Subordination**. Tenant intentionally and unconditionally waives, relinquishes and subordinates all of Tenant's right, title and interest in and to the Property to the lien of the Security Instrument and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Lender and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

2. **ASSIGNMENT**. Tenant acknowledges and consents to the assignment of the Lease by Mortgagor in favor of Lender.

3. **ESTOPPEL**. Tenant acknowledges and represents that:

   3.1 **Entire Agreement**. The Lease constitutes the entire agreement between Mortgagor and Tenant with respect to the Property and Tenant claims no rights with respect to the Property other than as set forth in the Lease;

   3.2 **No Prepaid Rent**. No deposits or prepayments of rent have been made in connection with the Lease, except as follows (if none, state "None"): NONE

   3.3 **No Default**. To the best of Tenant's knowledge, as of the date hereof: (i) there exists no breach, default, or event or condition which, with the giving of notice or the passage of time or both, would constitute a breach or default under the Lease; and (ii) there are no existing claims, defenses or offsets against rental due or to become due under the Lease;

   3.4 **Lease Effective**. The Lease has been duly executed and delivered by Tenant and, subject to the terms and conditions thereof, the Lease is in full force and effect, the obligations of Tenant thereunder are valid and binding and there have been no amendments, modifications or additions to the Lease, written or oral; and

   3.5 **No Broker Liens**. Neither Tenant nor Mortgagor has incurred any fee or commission with any real estate broker which would give rise to any lien right under state or local law, except as follows (if none, state "None"): Jones Lang LaSalle Brokerage, Inc.

4. **ADDITIONAL AGREEMENTS**. Tenant covenants and agrees that, during all such times as Lender is the beneficiary under the Security Instrument:

4.1 **Modification, Termination and Cancellation**. Tenant will not consent to: (a) any modification or amendment to the Lease without Lender's prior written consent, not to be unreasonably withheld, conditioned or delayed, if such modification or amendment would (i) shorten the term thereof or affect the area or location of the premises leased under the Lease, (ii) reduce the rent or other amounts payable by Tenant under the Lease or result in a material decrease of Tenant's and/or the Lease Guarantor's other payment or performance obligations thereunder or (iii) result in a increase in Landlord's payment or performance obligations thereunder; or (b) a termination or cancellation of the Lease (in whole or in part) without Lender's prior written consent, not to be unreasonably withheld, conditioned or delayed (except for Tenant's Lease termination and/or cancellation rights expressly set forth in the Lease, all of which are exercisable by Tenant without the consent of Lender) and will not make any payment to Mortgagor in consideration of any modification, termination or cancellation of the Lease (in whole or in part) without Lender's prior written consent, not to be unreasonably withheld, conditioned or delayed (except for any such payments related to Tenant's Lease termination and/or cancellation rights expressly set forth in the Lease, all of which are payable by Tenant to Mortgagor without the consent of Lender);

4.2 **Notice of Default**. Tenant will notify Lender in writing concurrently with any notice given to Mortgagor of any default by Mortgagor under the Lease, and Tenant agrees that Lender has the right (but not the obligation) to cure any breach or default specified in such notice within the time periods set forth below and Tenant will not declare a default of the Lease, as to Lender, if Lender cures such default within fifteen (15) days from and after the expiration of the time period provided in the Lease for the cure thereof by Mortgagor (or any longer cure period provided to Lender under the Lease); provided, however, that if such default cannot with diligence be cured by Lender within such fifteen (15) day period (or such longer cure period provided to Lender under the Lease), the commencement of action by Lender within such fifteen (15) day period (or such longer cure period provided to Lender under the Lease) to remedy the same shall be deemed sufficient so long as Lender pursues such cure with diligence;

4.3 **No Advance Rents**. Tenant will make no payments or prepayments of rent more than one (1) month in advance of the time when the same become due under the Lease; and

4.4 **Assignment of Rents**. Upon receipt by Tenant of written notice from Lender that Lender has elected to terminate the license granted to Mortgagor to collect rents, as provided in the Security Instrument, and directing the payment of rents by Tenant to Lender, Tenant shall comply with such direction to pay and shall not be required to determine whether Mortgagor is in default under the Loan and/or the Security Instrument.

5. **ATTORNMENT**. In the event of a foreclosure under the Security Instrument, Tenant agrees for the benefit of Lender (including for this purpose any transferee of Lender or any transferee of Mortgagor's title in and to the Property by Lender's exercise of the remedy of sale by foreclosure under the Security Instrument) as follows:

5.1 **Payment of Rent**. Tenant shall pay to Lender all rental payments required to be made by Tenant pursuant to the terms of the Lease for the duration of the term of the Lease;

5.2 **Continuation of Performance**. Tenant shall be bound to Lender in accordance with all of the provisions of the Lease for the balance of the term thereof, and Tenant hereby attorns to Lender as its landlord, such attornment to be effective and self-operative without the execution of any further instrument immediately upon Lender succeeding to Mortgagor's interest in the Lease and giving written notice thereof to Tenant;

5.3 **No Offset**. Lender shall not be liable for, nor subject to, any offsets or defenses which Tenant may have by reason of any act or omission of Mortgagor under the Lease (other than those offset or defense rights Tenant may have by reason of any act or omission of the then current Landlord under the Lease which first occurs (a) on or after the date a foreclosure under the Security Instrument, or deed in lieu thereof, occurs ("Transfer Date"), or (b) before the Transfer Date and which continues after the Transfer Date, provided that, prior to the Transfer Date, Tenant shall have given to Lender written notice of such act or omission and an opportunity to cure such act or omission in accordance with Section 4.2 of this Agreement), nor for the return of any sums which Tenant may have paid to Mortgagor under the Lease as and for security deposits, advance rentals or otherwise, except to the extent that such sums are actually delivered by Mortgagor to Lender;

5.4 **Subsequent Transfer**. If Lender, by succeeding to the interest of Mortgagor under the Lease, should become obligated to perform the covenants of Mortgagor thereunder, then, upon any further transfer of Mortgagor's interest by Lender, all of such obligations shall terminate as to Lender;

5.5 **Limitation on Lender's Liability**. Tenant agrees to look solely to Lender's interest in the Property and the rent, income or proceeds derived therefrom for the recovery of any judgment against Lender, and in no event shall Lender or any of its affiliates, officers, directors, shareholders, partners, agents, representatives or employees ever be personally liable for any such obligation, liability or judgment; and

5.6 **No Representation, Warranties or Indemnities**. Lender shall not be liable with respect to any representations or warranties from Mortgagor, whether pursuant to the Lease or otherwise, including, but not limited to, any representation or warranty related to the use of the Property, compliance with zoning, landlord's title, landlord's authority, habitability or fitness for purposes or commercial suitability, or hazardous wastes, hazardous substances, toxic materials or similar phraseology relating to the environmental condition of the Property or any portion thereof; and Lender shall not be liable under any indemnities of Mortgagor contained in the Lease except with respect to any act or omission of Lender occurring on or after the Transfer Date.

6. **NON-DISTURBANCE**. In the event of a foreclosure under the Security Instrument, so long as there shall then exist no breach, default, or event of default on the part of Tenant under the Lease, Lender agrees for itself and its successors and assigns that the leasehold interest of Tenant under the Lease shall not be extinguished or terminated by reason of such foreclosure, but rather the Lease shall continue in full force and effect and Lender (on behalf of itself and its successors and assigns) hereby agrees that it shall recognize and accept Tenant as tenant under the Lease subject to the terms and provisions of the Lease except as modified by this Agreement; provided, however, that Tenant and Lender agree that the following provisions of the Lease (if any) shall not be binding on Lender: any option to purchase with respect to the Property; and any right of first refusal to purchase with respect to the Property

7. **MISCELLANEOUS**.

7.1 **Remedies Cumulative**. All rights of Lender under this Agreement, including, without limitation, all rights of Lender herein to collect rents on behalf of Mortgagor under the Lease, are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Lender and Mortgagor or others.

7.2 **Notices**. All notices, demands, or other communications under this Agreement and the other Loan Documents shall be in writing and shall be delivered to the appropriate party at the address set forth below (subject to change from time to time by written notice to all other parties to this Agreement). All notices, demands or other communications shall be considered as properly given if delivered personally or sent by first class United States Postal Service mail, postage prepaid, or by Overnight Express Mail or by overnight commercial courier service, charges prepaid, except that notice of Default may be sent by certified mail, return receipt requested, charges prepaid. Notices so sent shall be effective three (3) days after mailing, if mailed by first class mail, and otherwise upon delivery or refusal; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication. For purposes of notice, the address of the parties shall be:

Mortgagor:	Tennyson Campus Owner, LP c/o Spear Street Capital, LLC One Market Plaza Spear Tower, Suite 4125 San Francisco, California 94105 Attention: John S. Grassi
Tenant:	DIRTT Environmental Solutions, Inc. 6105 Tennyson Parkway – South Building, Suite 100 Plano, TX 75024 Attention: Property Manager

With a copy to:

DIRTT Environmental Solutions Ltd.
7303 30th Street SE
Calgary, Alberta
Canada T2C 1N6
Attention: Michelle Mouly

Lender: Wells Fargo Bank, National Association
Commercial Real Estate Loan Administration
400 Capitol Mall, 7th Floor
Sacramento, California 95814

Attention: Eleanor Harrison
Loan #: 1018484

With a copy to: Wells Fargo Bank, National Association
Minneapolis Loan Center
600 South 4th Street, 9th Floor
Minneapolis, MN 55415

Attention: Shawn Foss
Loan #: 1018484

Any party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of thirty (30) days notice to the other party in the manner set forth hereinabove.

7.3 **Heirs, Successors and Assigns**. Except as otherwise expressly provided under the terms and conditions herein, the terms of this Agreement shall bind and inure to the benefit of the heirs, executors, administrators, nominees, successors and assigns of the parties hereto.

7.4 **Headings**. All article, section or other headings appearing in this Agreement are for convenience of reference only and shall be disregarded in construing this Agreement.

7.5 **Counterparts**. To facilitate execution, this document may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

7.6 **Exhibits, Schedules and Riders**. All exhibits, schedules, riders and other items attached hereto are incorporated into this Agreement by such attachment for all purposes.

[Signatures follow on next page]

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

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO.

"MORTGAGOR"

TENNYSON CAMPUS OWNER, LP,
a Delaware limited partnership

By: Tennyson Campus Owner GP, LLC,
a Delaware limited liability company,
its general partner

By: _____
Name: _____
Title: _____

"LENDER"

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: _____
Name: Richard W. Daniel
Title: Senior Vice President

"TENANT"

DIRTT ENVIRONMENTAL SOLUTIONS, INC.,
a Colorado corporation

By: _____
Name: _____
Title: _____

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

LEASE GUARANTOR'S CONSENT

The undersigned ("Lease Guarantor") consents to the foregoing Subordination Agreement; Acknowledgment of Lease Assignment, Estoppel, Attornment and Non-Disturbance Agreement and the transactions contemplated thereby and reaffirms its obligations under the Guaranty ("Lease Guaranty") dated March 4, 2020. Lease Guarantor further reaffirms that its obligations under the Lease Guaranty are separate and distinct from Tenant's obligations.

AGREED:

Dated as of: _____

"LEASE GUARANTOR"

DIRTT ENVIRONMENTAL SOLUTIONS LTD., an Alberta corporation

By: _____
Name: _____
Title: _____

DESCRIPTION OF PROPERTY

EXHIBIT A to Subordination Agreement; Acknowledgment of Lease Assignment, Estoppel, Attornment and Non-Disturbance Agreement dated as of _____, 2020, executed by TENNYSON CAMPUS OWNER, LP, a Delaware limited partnership, as "Mortgagor", DIRTT ENVIRONMENTAL SOLUTIONS, INC., a Colorado corporation, as "Tenant", and WELLS FARGO BANK, NATIONAL ASSOCIATION, as "Lender".

All that certain real property located in the City of Plano, County of Collin, State of Texas, and more particularly described as follows:

TRACT 1 (FEE SIMPLE):

BEING a tract of land situated in the Henry Cook Survey, Abstract No. 183, City of Plano, Collin County, Texas and being all of Lot 2R, Block A of ERICSSON VILLAGE ADDITION, LOTS 2R AND 3, BLOCK A, an addition to the City of Plano, Texas, according to the plat thereof recorded in Instrument No. 20150623010002250, Cabinet 2015, Page 346, Official Public Records of Collin County, Texas, and being part of a tract of land described in Warranty Deed to Ericsson Inc. recorded in Instrument No. 20150610000691140, Official Public Records of Collin County, Texas, and being more particularly described as follows:

BEGINNING at a 5/8" iron rod with "KHA" cap set at the northeast corner of a right-of-way corner clip at the intersection of the north right-of-way line of Tennyson Parkway (a variable width right-of-way) and the west right-of-way line of Communications Parkway (a variable width right-of-way);

THENCE with said right-of-way corner clip, South 44°27'49" West, a distance of 35.24 feet to a 5/8" iron rod with "KHA" cap set in the said north right-of-way line of Tennyson Parkway;

THENCE with said north right-of-way line of Tennyson Parkway, the following courses and distances:

South 89°38'50" West, a distance of 175.00 feet to a 1/2" iron rod with "Pacheco Koch" cap found for corner;

South 88°01'19" West, a distance of 150.06 feet to a 1/2" iron rod with "Halff" cap found for corner;

South 89°38'50" West, a distance of 8.53 feet to a 5/8" iron rod with "KHA" cap set for corner; from which a 1/2" iron rod with "Halff" cap found for reference bears South 82°27' East, a distance of 0.5 feet;

North 84°38'33" West, a distance of 110.55 feet to a standard City of Plano concrete monument found for corner;

South 89°38'48" West, a distance of 78.96 feet to a 5/8" iron rod with "KHA" cap set at the beginning of a tangent curve to the left having a central angle of 1°13'29", a radius of 1121.75 feet, a chord bearing and distance of South 89°02'03" West, 23.98 feet;

In a southwesterly direction, with said curve to the left, an arc distance of 23.98 feet to an "X" cut in concrete found for corner in the east line of Lot 1, Block A of Ericsson Village, Lot 1, Block A, an addition to the City of Plano, Texas, according to the plat recorded in Instrument No. 20081202010004190, Official Public Records of Collin County, Texas and being the southwest corner of said Lot 2R;

THENCE departing said north right-of-way line of Tennyson Parkway and with said east line of Lot 1, the following courses and distances:

North 0°32’33” West, a distance of 115.31 feet to a 5/8” iron rod with “KHA” cap found for corner;

North 4°01’54” West, a distance of 63.20 feet to a 5/8” iron rod with “KHA” cap found at the beginning of a tangent curve to the left having a central angle of 53°00’20”, a radius of 600.00 feet, a chord bearing and distance of

North 30°32’05” West, 535.49 feet;

In a northwesterly direction, with said curve to the left, an arc distance of 555.07 feet to a 5/8” iron rod with “KHA” cap found at the end of said curve;

North 0°32’33” West, a distance of 3.73 feet to a 5/8” iron rod with “KHA” cap set for the southwest corner of said Lot 3;

THENCE departing said east line of Lot 1 and with the south line of said Lot 3, the following courses and distances:

North 66°12’39” East, a distance of 795.62 feet to an “X” cut in concrete found for corner;

South 37°14’47” East, a distance of 66.07 feet to an “X” cut in concrete found for corner;

North 89°17’30” East, a distance of 73.88 feet to an “X” cut in concrete found for corner in said west right-of-way line of Communications Parkway and being the southeast corner of said Lot 3;

THENCE with said west right-of-way line of Communications Parkway, the following courses and distances:

South 0°43’08” East, a distance of 565.56 feet to a 5/8” iron rod with “KHA” cap set for corner;

South 0°54’14” West, a distance of 150.06 feet to a 5/8” iron rod with “KHA” cap found for corner;

South 0°43’12” East, a distance of 174.99 feet to the POINT OF BEGINNING and containing 12.885 acres or 561,275 square feet of land.

TRACT 2: (Non-Exclusive Easement)

Non-exclusive easement rights as set out in Access Easement Agreement by and between ERICSSON, INC. and ERICSSON REAL ESTATE HOLDING, INC., dated 04/01/2012, filed 02/28/2013, recorded in cc# 20130228000273100, Real Property Records, Collin County, Texas.

TRACT 3: (Non-Exclusive Easement)

Non-exclusive easement rights as set out in Access Easement Agreement by and between ERICSSON, INC. and ERICSSON REAL ESTATE HOLDING, INC., dated 04/01/2012, filed 02/28/2013, recorded in cc# 20130228000273110, Real Property Records, Collin County, Texas.

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss
COUNTY OF_____)

On_____, before me,_____, Notary Public, personally appeared _____ and _____ who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

Signature _____

My commission expires_____.

STATE OF_____)
) ss
COUNTY OF_____)

This instrument was acknowledged before me on_____, 2020 by_____, the _____ of_____, a _____.

WITNESS my hand and official seal.

_____

Notary Public, State of _____

My Commission expires:

_____

[SEAL]

Exhibit 10.2

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made as of the 13th day of March, 2020 (the "**Effective Date**")

BETWEEN:

DIRTT ENVIRONMENTAL SOLUTIONS, INC.
(the "**Company**")

- and -

CHARLES R. KRAUS
(the "**Executive**")

RECITALS:

A. The Company wishes to employ the Executive pursuant to this Employment Agreement.

B. The Executive wishes to accept employment with the Company under this Agreement.

C. The parties agree that their employment relationship will be governed by the terms and conditions of this Agreement, commencing the Effective Date.

NOW THEREFORE in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Company and the Executive agree as follows:

1. **Definitions**

In this Agreement,

(a) "**Accrued Entitlements**" has the meaning set out in Section 9(a)(iv).

(b) "**Affiliate**" means any person or entity Controlling, Controlled by, or Under Common Control with the Company. The term "**Control**," including the correlative terms "**Controlling**," "**Controlled By**," and "**Under Common Control with**" means possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any Company or other ownership interest, by contract or otherwise) of a person or entity. For the purposes of the preceding sentence, Control shall be deemed to exist when a person or entity possesses, directly or indirectly, through one or more intermediaries (i) in the case of a company, more than 50% of the outstanding voting securities thereof; (ii) in the case of a limited liability company, partnership or joint venture, the right to more than 50% of the distributions therefrom (including liquidating distributions); or (iii) in the case of any other person or entity, more than 50% of the economic or beneficial interest therein. For the avoidance of doubt, with respect to the Company, the term Affiliate includes the Parent.

(c) "**Agreement**" means this Employment Agreement, as may be amended or supplemented from time to time as provided for herein.

(d) "**Board**" means the Board of Directors of the Parent.

(e) "**Bonus**" has the meaning set out in Section 5(c).

(f) "**Business**" means the business of designing, manufacturing and installing prefabricated interiors in commercial and residential buildings, and includes, for greater certainty and without limitation: (i) the following products which can be integrated with interior wall solutions: (A) pre-fabricated modular network data cable distribution, (B) pre-fabricated and electrical power cable distribution, (C) pre-fabricated modular case goods, and (D) pre-fabricated low-profile flooring; (ii) the development and sale or license to third parties of 3D computer aided design software for the design, construction and maintenance of buildings and the design, construction, modification and furnishing of building interiors; and (iii) such other business as the Company or any of its Affiliates becomes engaged in during the Term that is related in a material way to the duties and responsibilities of the Executive.

(g) "**Confidential Information**" means all confidential or proprietary information, intellectual property (including trade secrets) and confidential facts relating to the business and affairs of the Company and its Affiliates, whether oral or in writing, or presented visually or electronically, and includes business and technical information, marketing and business plans, strategies, research and development materials and matters, databases, specifications, formulations, tooling, prototypes, sketches, models, drawings, specifications, procurement requirements, engineering information, samples, computer software (source and object codes), forecasts, identity of or details about actual or potential customers or projects, techniques, inventions, discoveries, know-how, and trade secrets. Notwithstanding the foregoing, Confidential Information does not include any information:

(i) that becomes publicly available through no fault or breach of this Agreement by the Executive; or

(ii) that the Executive possesses prior to the date on which the Executive first became employed or engaged by the Company or any of its Affiliates and that the Executive obtained from a source other than the Company or any of its Affiliates.

(h) "**Distribution Partner**" means a Person engaged in the sale of products or services produced or distributed by the Company or any of its Affiliates.

(i) "**Good Reason**" means:

(i) a material diminution in the Executive's Salary or authority, duties and responsibilities with the Company, the Parent and any of the Parent's other direct or indirect subsidiaries; provided, however, that if the Executive is serving as an officer or member of the board of directors (or similar governing body) of the Parent, the Company or any of their Affiliates, in no event shall the removal of the Executive as an officer or board member, regardless of the reason for such removal, constitute Good Reason;

(ii) a material breach by the Company of any of its obligations under this Agreement; or

(iii) the relocation of the geographic location of the Executive's principal place of employment by more than fifty (50) miles from the location of the Executive's principal place of employment as of the Effective Date; *provided*, *however*, that travel in the course of Executive's employment (including to other locations of the Company and Parent in the United States and Canada) shall not be considered to be a Good Reason event under this Section 1(i)(*iii*).

Notwithstanding the foregoing provisions of this Section 1(i) or any other provision of this Agreement to the contrary, any assertion by the Executive of a termination for Good Reason shall not be effective unless all of the following conditions are satisfied: (A) the condition described in Section 1(i)(*i*), (*ii*) or (*iii*) giving rise to the Executive's termination of employment must have arisen without the Executive's consent; (B) the Executive must provide written notice to the Board of the existence of such condition(s) within thirty (30) days after the initial occurrence of such condition(s); (C) the condition(s) specified in such notice must remain uncorrected for thirty (30) days following the Board's receipt of such written notice; and (D) the date of the Executive's termination of employment must occur within sixty (60) days after the initial occurrence of the condition(s) specified in such notice.

(j) "**Just Cause**" means any gross negligence, willful misconduct or breach of fiduciary duty by the Executive in relation to the performance of the Executive's duties under this Agreement, any material neglect by the Executive of his duties under this Agreement, or any of the following:

(i) fraud, misappropriation, embezzlement or malfeasance on the part of the Executive with respect to the property, interests or funds of the Company or its Affiliates;

(ii) any misfeasance or nonfeasance in office which is willfully or grossly negligent on the part of the Executive;

(iii) the breach by the Executive of any policy of the Company or its Affiliates or the breach by the Executive of any policy or law relating to non-discrimination, non-retaliation or anti-harassment (including sexual harassment);

(iv) the breach by the Executive of his obligations under any noncompetition, non-solicitation, confidentiality or company property covenants under this Agreement; or

(v) the Executive's conviction for a felony or indictable offense or any other crime involving fraud or moral turpitude, or a plea of no contest with regard to any of the same.

(k) "**Materials**" has the meaning set out in Section 14(a).

(l) "**Parent**" means DIRTT Environmental Solutions Ltd.

(m) "**Person**" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation, with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.

(n) "**Restricted Period**" means twelve (12) months from the Termination Date, plus one (1) month per completed year of service from the Effective Date, to a maximum of eighteen (18) months.

(o) "**Restricted Territory**" means: Canada, the United States of America and any other countries as the Company or any of its Affiliates develop business interests during the Term, and which the Company advises the Executive in writing within twenty (20) days following the Termination Date are part of the Restricted Territory.

(p) "**Salary**" has the meaning set out in Section 5(a).

(q) "**Severance Period**" means twelve (12) months from the Termination Date, plus one month per completed year of service from the Effective Date, to a maximum of eighteen (18) months.

(r) "**Term**" has the meaning set out in Section 4.

(s) "**Termination Date**" has the meaning set out in Section 8(b).

2. Employment of the Executive and Position

Commencing on the Effective Date, the Executive shall hold the position of Senior Vice President, General Counsel and Corporate Secretary and shall report directly to the President & Chief Executive Officer. As Senior Vice President, General Counsel and Corporate Secretary of the Company, the Executive shall perform those duties set forth in any applicable position description adopted and amended by the Company from time to time, and such other duties as the Executive shall reasonably be directed to perform by the Company from time to time in respect of the business and operations of the Company, the Parent and their Affiliates.

3. Performance of Duties

(a) During the Term, the Executive shall devote his full working time and attention to the performance of his duties on behalf of the Company and its Affiliates, shall faithfully, honestly and diligently serve the Company and its Affiliates and shall use his best efforts and skill to promote the best interests of the Company and its Affiliates at all times. Notwithstanding the foregoing, the Executive may devote a reasonable amount of time during non-business hours to charitable organizations and boards, provided that such participation does not adversely impact the performance of his duties hereunder or breach any of the other terms of this Agreement or any other obligation that the Executive owes the Company or any of its Affiliates.

(b) In performing his duties under this Agreement, the Executive shall comply with any written policies, procedures or rules established by the Company or Parent from time to time, as may be amended by the Company or Parent at their discretion.

(c) The Executive's principal place of employment as of the Effective Date shall be the Company's offices in Plano, Texas; provided, however, the Executive acknowledges and agrees that business travel will be required in the course of performing his duties.

4. Employment Period

The Executive shall be employed by the Company hereunder commencing on the Effective Date, and the Executive's employment hereunder will terminate upon the Termination Date (as defined below). The period that the Executive is employed hereunder is referred to as the "**Term**".

5. Remuneration

(a) Base Salary. For the Executive's services under this Agreement, during the Term, the Company shall pay the Executive an annualized base salary of $325,000, less required deductions and applicable withholdings (the "**Salary**").

(b) Benefits. During the Term, the Executive shall be eligible to participate in the benefit plans made available by the Company to its similarly situated employees from time to time in accordance with, and subject to, the terms and conditions of such plans as may be amended by the Company at its discretion from time to time. The Company shall not, by reason of this Section 5(b), be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such plan, so long as such changes are similarly applicable to any similarly situated Company employees generally.

(c) Bonus. During the Term, the Executive will be eligible to participate in the Parent's Variable Pay Plan ("**VPP**"), as amended from time to time and in accordance with and subject to the terms and conditions thereof and as set out herein. The Executive's annual target bonus opportunity shall be equal to 50% of Salary as in effect at the beginning of the applicable calendar year (the "**Target Bonus**"). Notwithstanding the foregoing, the Target Bonus for the 2020 calendar year may be less than 50% of Salary; provided, however, that the VPP payment for the 2020 calendar year shall not be less than an amount equal to 25% of Salary and shall not be prorated to reflect the Effective Date. Subject to the foregoing sentence, the amount of the Executive's payment under the VPP, if any, in respect of a calendar year (the "**Bonus**") shall be dependent upon, calculated in reference to, and paid in accordance with, the achievement of applicable performance objectives as set out and evaluated by the Board under the VPP, in its sole discretion.

(d) Equity-Based Incentive Compensation. The Executive will be eligible to receive grants of equity-based incentives under the Company's stock option plan, performance share unit plan or other equity-based incentive arrangements, each as amended from time to time and in accordance with and subject to the terms thereof. The Executive's target with respect to the equity-based incentives is 100% of his Salary. The amount and type of the equity-based incentives for any year will be determined by the Board and may change from year to year.

(e) Signing Bonus. On or before April 15, 2020, the Company shall pay the Executive a one-time bonus of $115,000, less required deductions and applicable withholdings (the "**Signing Bonus**").

6. Expenses

The Company shall pay or reimburse the Executive for all reasonable travel and other out-of-pocket expenses incurred or paid by the Executive in the performance of his duties hereunder, upon the presentation of expense statements or other supporting documentation as the Company may reasonably require, in accordance with any expense reimburse policies implemented by the Company from time to time. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of such documentation (but in any event not later than the close of the Executive's taxable year following the taxable year in which the expense is incurred by the Executive). In no event shall any reimbursement be made to the Executive for any expenses incurred after the date of the Executive's termination of employment with the Company.

7. Vacation

As of the Effective Date, the Executive shall be eligible for vacation with pay of up to four (4) weeks per complete calendar year (pro-rated for partial calendar years) that the Executive is employed hereunder. Vacation eligibility will be increased by 1 week per year for every five (5) completed years of the Executive's service from the Effective Date, to a maximum of up to six (6) weeks per complete calendar year. Vacation shall accrue and be taken in accordance with Company vacation policies as in effect from time to time. The Executive may carry forward a maximum of ten (10) vacation days from one year to the next. Any vacation carried over must be used in the first quarter of the following calendar year.

8. Termination

(a) Notice. The Executive's employment hereunder:

(i) may be terminated by the Company at any time for Just Cause, without prior notice and without further obligation to the Executive, other than as set out in Section 10 of this Agreement;

(ii) will terminate automatically upon the death of the Executive;

(iii) may be terminated by the Company at any time without Just Cause, without prior notice and without further obligation to the Executive, other than as set out in Section 9 of this Agreement;

(iv) may be terminated by the Executive for Good Reason; or

(v) may be terminated by resignation of the Executive without Good Reason upon providing one (1) month's prior written notice to the Company; *provided*, *however*, that if the Executive has provided notice to the Company of the Executive's termination of employment without Good Reason, the Company may determine, in its sole discretion, that such termination shall be effective on any date prior to the effective date of termination provided in such notice (and, if such earlier date is so required, then it shall not change the basis for the Executive's termination of employment nor be construed or interpreted as a termination of employment pursuant to Section 8(a)(iii)).

(b) Effective Date of Termination. The effective date on which the Executive's employment hereunder is terminated (the "**Termination Date**") shall be:

(i) in the case of termination under Section 8(a)(i) or Section 8(a)(iii), the day specified by the Company in writing;

(ii) in the case of termination under Section 8(a)(ii), the date of death; or

(iii) in the case of termination under Section 8(a)(iv), the last day of the applicable notice period referred to in Section 1(i); or

(iv) in the case of termination under Section 8(a)(v), the last day of the applicable notice period referred to therein (unless an earlier date is designated by the Company pursuant to Section 8(a)(v)).

(c) Return of Property, etc. On the Termination Date, the Executive shall (i) be deemed to have automatically resigned from all offices and directorships held by the Executive with the Company and its Affiliates and agrees to execute, immediately upon request, any such written resignations or other documentation as may be requested by the Company with respect thereto, (ii) deliver to the Company (and not retain any copies of) all Materials in the Executive's possession or under the Executive's control, and (iii) deliver to the Company any keys, access cards, business cards, credit and charge cards, computer, cell phone or other property or device issued or provided to him by or on behalf of the Company or any Affiliate.

9. Rights on Termination (without Just Cause or for Good Reason)

Upon termination of the Executive's employment by the Company without Just Cause or by the Executive for Good Reason, the following provisions shall apply:

(a) the Executive shall receive from the Company:

(i) payment of the Executive's accrued but unpaid Salary up to the Termination Date;

(ii) reimbursement of all expenses incurred in accordance with Section 6 up to the Termination Date;

(iii) provision of all benefits up to the Termination Date in accordance with Section 5(b);

(iv) payment of the Executive's accrued but unused vacation entitlement existing as of the Termination Date (subsections (i) through (iv) are hereinafter referred to as the "**Accrued Entitlements**");

(v) subject to the final sentence of Section 5(c), and Sections 9(b), and (d), payment of the Bonus earned (if any) for the year in which the termination occurs, pro-rata from the start of that Bonus year to the Termination Date, based on actual performance during the entire Bonus year, as determined by the Company following the Bonus year and payable to the Executive in accordance with Section 5(c) following completion of the Bonus year (the "**Accrued Bonus Payment**");

(vi) subject to Sections 9(b), (c), and (d), the continued payment of Salary during the Severance Period (such payment, the "**Severance Payment**");

(vii) any equity-based incentive compensation awards held by the Executive shall be dealt with in accordance with the applicable plan terms then in effect; and

(viii) subject to Section 9(b), and (d), for the portion, if any, of the Severance Period that the Executive elects to continue coverage for the Executive and the Executive's spouse and eligible dependents, if any, under the Company's group health plans pursuant to Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), the Company shall promptly reimburse the Executive on a monthly basis for the difference between the amount the Executive pays to effect and continue such coverage and the employee contribution amount that similarly situated employees of the Company pay for the same or similar coverage under such group health plans (the "**COBRA Benefit**"). Each payment of the COBRA Benefit shall be paid to Executive on the Company's first regularly scheduled pay date in the calendar month immediately following the calendar month in which the Executive submits to the Company documentation of the applicable premium payment having been paid by the Executive, which documentation shall be submitted by the Executive to the Company within thirty (30) days following the date on which the applicable premium payment is paid. the Executive shall be eligible to receive such reimbursement payments until the earliest of: (x) the last day of the Severance Period; (y) the date the Executive is no longer eligible to receive COBRA continuation coverage; and (z) the date on which the Executive becomes eligible to receive coverage under a group health plan sponsored by another employer (and any such eligibility shall be promptly reported to

the Company by the Executive); provided, however, that the election of COBRA continuation coverage and the payment of any premiums due with respect to such COBRA continuation coverage shall remain the Executive's sole responsibility, and the Company shall not assume any obligation for payment of any such premiums relating to such COBRA continuation coverage. Notwithstanding the foregoing, if the provision of the benefits described in this paragraph cannot be provided in the manner described above without penalty, tax or other adverse impact on the Company or any of its Affiliates, then the Company and the Executive shall negotiate in good faith to determine an alternative manner in which the Company may provide substantially equivalent benefits to the Executive without such adverse impact on the Company or such other Affiliate.

(b) The Accrued Bonus Payment (if any), the Severance Payment and the COBRA Benefit are subject to and conditioned upon the Executive: (i) executing, on or before the time provided by the Company to do so (which shall not be less than Ten (10) days), and not revoking within any time provided by the Company to do so, a release of all claims in a form acceptable to the Company (the "**Release**"), which Release shall release the Company and each of its Affiliates, and the foregoing entities' respective shareholders, members, partners, officers, managers, directors, fiduciaries, employees, representatives, agents and benefit plans (and fiduciaries of such plans) from any and all claims, including any and all causes of action arising out of the Executive's employment and engagement with the Company and any of its Affiliates or the termination of such employment and engagement, but excluding all claims to the Severance Payment or the COBRA Benefit the Executive may have under Sections 9(a)(vi) or 9(a)(viii), and (ii) abiding by the terms of each of Sections 11, 12, 13, 14 and 15.

(c) The Severance Payment will be divided into a number of substantially equal installments equal to the number of months during the applicable Severance Period. On the Company's first regularly scheduled pay date that is on or after the date that is sixty (60) days after the Termination Date, the Company shall pay to the Executive, without interest, a number of such installments equal to the number of such installments that would have been paid during the period beginning on the Termination Date and ending on the Company's first regularly scheduled pay date that is on or after the date that is sixty (60) days after the Termination Date had the installments been paid on a monthly basis commencing on the Company's first regularly scheduled pay date coincident with or next following the Termination Date, and each of the remaining installments shall be paid on a monthly basis thereafter; provided, however, that (i) to the extent, if any, that the aggregate amount of the installments of the Severance Payment that would otherwise be paid pursuant to the preceding provisions of this Section 9(c) after March 15 of the calendar year following the calendar year in which the Termination Date occurs (the "**Applicable March 15**") exceeds the maximum exemption amount under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A), then such excess shall be paid to the Executive in a lump sum on the Applicable March 15 (or the first Business Day preceding the Applicable March 15 if the Applicable March 15 is not a

Business Day) and the installments of the Severance Payment payable after the Applicable March 15 shall be reduced by such excess (beginning with the installment first payable after the Applicable March 15 and continuing with the next succeeding installment until the aggregate reduction equals such excess), and (ii) all remaining installments of the Severance Payment, if any, that would otherwise be paid pursuant to the preceding provisions of this Section 9(c) after December 31 of the calendar year following the calendar year in which the Termination Date occurs shall be paid with the installment of the Severance Payment, if any, due in December of the calendar year following the calendar year in which the Termination Date occurs.

(d) If the Release is not executed and returned to the Company in the time provided by the Company to do so (which shall not be less than Ten (10) days), and any revocation period specified in the Release has not fully expired without revocation of the Release by the Executive, then the Executive shall not be entitled to any portion of the Accrued Bonus Payment (if any), the Severance Payment or the COBRA Benefit.

10. Rights on Termination for Just Cause or Resignation without Good Reason

Upon resignation by the Executive other than for Good Reason or termination by the Company for Just Cause, the Executive shall be entitled only to the Accrued Entitlements.

11. Non-Competition

The Executive shall not, during the Term and for the Restricted Period (regardless of the reason for termination of the Executive's employment or the party causing it), within the Restricted Territory, be engaged or participate, either directly or indirectly in any manner including as an officer, director, shareholder, owner, partner, member, joint venturer, employee, independent contractor, consultant, advisor or sales representative, in any business or enterprise that competes with or is intending to compete with the Business of the Company or any of its Affiliates. Notwithstanding the foregoing, the Executive shall be permitted to own (as a passive investment) not more than two percent (2%) of the issued shares of a Company (including unexercised options or similar rights to acquire shares at a later date), the shares of which are listed on a recognized stock exchange or traded in the over the counter market, which carries on a business which is the same as or substantially similar to or which competes with or reasonably would compete with the Business. Further, notwithstanding the foregoing, none of the restrictions set forth in this Section 11 or in Section 12 shall be interpreted or applied in a manner to prevent or restrict the Executive from practicing law, as it is the intent of this Section 11 and Section 12 to create certain limitations on the Executive's business activities only, and not to create limitations that would restrict the Executive from practicing law. The Executive acknowledges and agrees that, both before and after the Termination Date, the Executive shall be bound by all ethical and professional obligations (including those with respect to conflicts and confidentiality) that arise from the Executive's provision of legal services to, and acting as legal counsel for, the Company and (as applicable) its Affiliates.

12. Non-Solicitation and No Hire

The Executive shall not, during the Term and for the Restricted Period (regardless of the reason for termination of the Executive's employment or the party causing it):

(a) solicit, entice or attempt to solicit or entice, either directly or indirectly, any customer or prospective customer of the Company or any of its Affiliates about whom or which the Executive obtains Confidential Information or for whom or which the Executive has responsibility as at the Termination Date, or at any time during the twelve (12) months prior to the Termination Date, to become a customer of any business or enterprise that competes with the Company or any of its Affiliates for any Business, or to limit or cease doing any Business with the Company or its Affiliate; or

(b) solicit or entice, or attempt to solicit or entice, or hire, either directly or indirectly, any employee or Distribution Partner of the Company or an Affiliate as at the Termination Date, or during the twelve (12) months prior to the Termination Date, to become employed or engaged by any business or enterprise that competes with the Company or any of its Affiliate for any Business, or solicit or entice such employee or Distribution Partner to limit or cease their employment or engagement with the Company or any of its Affiliate.

13. Confidentiality

In the course of the Executive's employment hereunder, the Company will provide the Executive with (and the Executive will have access to) Confidential Information. The Executive shall not, either during the Term or at any time thereafter, directly or indirectly, use or disclose to any Person any Confidential Information, provided, however, that nothing in this section shall preclude the Executive from disclosing or using Confidential Information if:

(a) the Confidential Information is disclosed in the course of performing the Executive's duties on behalf of the Company or any of its Affiliates;

(b) the Confidential Information is available to the public or in the public domain at the time of such disclosure or use, without breach of this Agreement;

(c) the Confidential Information was in the possession of or known to the Executive, without any obligation to keep it confidential, before it was disclosed to the Executive by the Company or any of its Affiliates; or

(d) disclosure of the Confidential Information is required to be made by any law, regulation, governmental body or authority, or by court order.

Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict the Executive from lawfully (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to the Executive from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority

relating to a possible violation of law, or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires the Executive to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that the Executive has engaged in any such conduct.

14. Proprietary and Moral Rights

(a) Proprietary Rights. The Executive recognizes the Company's and its Affiliates' proprietary rights in the tangible and intangible property of the Company and its Affiliates and acknowledges that the Executive has not obtained or acquired and shall not obtain or acquire any right, title or interest, in any of the property of the Company or its Affiliates or any of their respective predecessors, successors, affiliates or related companies. Accordingly, any writing, communications, manuals, documents, instruments, contracts, agreements, files, literature, data, information, formulas, products, devices, apparatuses, trademarks, trade names, trade styles, service marks, logos, and any other intellectual property created, developed, made or conceived by the Executive either alone or in conjunction with others: (i) in connection with the Executive's duties or responsibilities under this Agreement; and/or (ii) resulting from the use of any information, equipment, materials or premises owned, leased, or contracted for by the Company or any of its Affiliates (collectively, the "**Materials**") shall be the sole and exclusive property of the Company and its Affiliates (as applicable).

(b) Waiver of Moral Rights. The Executive irrevocably waives, to the greatest extent permitted by law, all of the Executive's moral rights whatsoever in the Materials, including any right to the integrity of any Materials, any right to be associated with any Materials, and any right to restrict or prevent the modification or use, of any Materials in any way whatsoever. To the extent applicable, the Executive irrevocably transfers to the Company all rights to restrict any violations of moral rights in any of the Materials, including any distortion, mutilation or other modification.

(c) Assignment of Rights. To the extent that the Executive may own or otherwise acquire any right, title or interest in and to any Materials (including any intellectual property rights in the Materials) during the term of this Agreement and thereafter, the Executive agrees to assign, and hereby irrevocably assigns, all such right, title and interest automatically to the Company, including any renewals, extensions or reversions relating thereto and any right to bring an action or to collect compensation for past infringements, automatically upon the creation, development, making, or conception of same.

(d) Registrations. The Company will have the exclusive right to obtain copyright registrations, letters patent, industrial design registrations, trade-mark registrations or any other protection in respect of the Materials and the intellectual property rights relating to the Materials anywhere in the world. At the expense and request of the Company, the Executive shall, both during and after the Executive's employment with the Company, execute all documents and do all other acts necessary in order to enable the Company to protect its rights in any of the Materials and the intellectual property rights relating to the Materials.

15. Fiduciary and other Obligations

The Executive acknowledges that the obligations contained in Sections 11, 12, 13 and 14 of this Agreement are in addition to any statutory, fiduciary and other common law obligations that the Executive also owes to the Company and its Affiliates, during and after the Term. For greater certainty, nothing contained in this Agreement is a waiver, release or reduction of any statutory, fiduciary or common law obligations owed by the Executive to the Company and its Affiliates.

16. Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by hand delivery or express overnight courier service or internationally-recognized second-day courier service or email as hereinafter provided. Notice of change of address shall also be governed by this section. Notices shall be deemed to have been duly received (a) when delivered in person if given by hand delivery, (b) when sent by email transmission on a business day to the email address set forth below, if applicable; *provided*, *however*, that if a notice is sent by email transmission after normal business hours of the recipient or on a non-business day, then it shall be deemed to have been received on the next business day after it is sent, (c) on the first business day after such notice is sent by express overnight courier service, or (d) on the second business bay following deposit with an internationally-recognized second-day courier service with proof of receipt maintained. Notices and other communications shall be addressed as follows:

(a) if to the Executive:

Charles R. Kraus

(b) if to the Company:

DIRTT Environmental Solutions
7303 30th Street, SE
Calgary AB T2C 1N6

Attention: Chief Executive Officer

17. Headings; Construction

The inclusion of headings in this Agreement is for convenience of reference only and shall not affect the construction or interpretation hereof. Any and all Schedules referred to in this Agreement are, by such reference, incorporated herein and made a part hereof for all purposes. Unless the context requires otherwise, all references to laws, regulations, contracts, documents, agreements and instruments refer to such laws, regulations, contracts, documents, agreements and instruments as they may be amended from time to time, and references to particular provisions of laws or regulations include a reference to the corresponding provisions of any succeeding law or regulation. The words "herein", "hereof", "hereunder" and other compounds of the word "here" shall refer to the entire Agreement, including all Schedules attached hereto, and not to any particular provision hereof. Unless the context requires otherwise, the word "or" is not exclusive. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely. All references to "including" shall be construed as meaning "including without limitation." Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

18. Applicable Deductions and Withholdings

The payments and benefits set forth in this Agreement are subject to all applicable statutory deductions and withholdings including: (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling and (b) any deductions consented to in writing by the Executive.

19. Reasonableness and Enforceability of Restrictions

(a) The Company shall provide the Executive access to Confidential Information for use only during the Term, and the Executive acknowledges and agrees that the Company and its Affiliates will be entrusting the Executive, in the Executive's unique and special capacity, with developing the goodwill of the Company and its Affiliates, and as an express incentive for the Company to enter into this Agreement and employ the Executive hereunder, the Executive has voluntarily agreed to the covenants set forth in Section 11 and Section 12.

(b) The Executive acknowledges and agrees that all of the restrictions contained in Sections 11, 12, 13, 14 and 15 of this Agreement (including the definition of Business, the definition of Restricted Territory (which fairly reflects the geographic scope of the Business activities carried on by the Company and its Affiliates and the length of the Restricted Period) are reasonable in all respects and necessary to protect the Confidential Information and other legitimate interests of the Company and its Affiliates, and will not unduly restrict the Executive's ability to secure alternative employment following the termination of the Executive's employment for any reason. If any covenant or provision (or part thereof) of this Agreement is determined by a court of competent jurisdiction to be void or unenforceable in whole or in part, for any reason, it shall be interpreted to provide the broadest possible restriction permitted by law and will be deemed not to affect or impair the validity of any other covenant or provision of this Agreement, which shall remain in full force and effect.

(c) The Executive acknowledges and agrees the Company and the Affiliate will suffer irreparable harm in the event that the Executive breaches any of its obligations under Sections 11, 12, 13, 14 or 15 of this Agreement, and that monetary damages would be impossible to quantify and inadequate to compensate the Company and its Affiliates for such a breach. Accordingly, the Executive agrees that in the event of any breach or a threatened breach by the Executive of any of the provisions of this Agreement, the Company and each of its Affiliates shall be entitled to seek, in addition to any other rights, remedies or damages available to the Company at law or in equity, an interim and permanent injunction, in order to prevent or restrain any such breach or threatened breach by the Executive, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security.

(d) The restrictions and obligations of the Executive under Sections 11, 12, 13, 14 and 15 of this Agreement shall survive the termination of this Agreement for any reason.

20. Third-Party Beneficiaries

The Parent and each other Affiliate of the Company that is not a signatory to this Agreement shall be a third-party beneficiary of the Executive's representations, covenants, and obligations under Sections 11, 12, 13, 14 and 15 and shall be entitled to enforce such representations, covenants, and obligations as if a party hereto.

21. Entire Agreement, Amendment, No Waiver

This Agreement constitutes the entire agreement between the parties hereto and between the Executive and any other Affiliate of the Company regarding the subject matter hereof, and shall supersede and replace any and all prior agreements, undertakings, representations or negotiations (including the offer letter from the Parent to the Executive dated February 21, 2020). There are no warranties, representations or agreements between the parties except as specifically set forth or referred to in this Agreement. Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall the waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

22. Assignment

Neither the Executive nor the Company may assign its rights hereunder without the consent of the other party; provided, however, that the Company may assign its rights hereunder without the Executive's consent to any Affiliate of the Company or to a successor Company which acquires (whether directly or indirectly, by purchase, amalgamation, arrangement, merger, consolidation, dissolution or otherwise) all or substantially all of the business and/or assets of the Company and expressly assumes and agrees to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

23. Currency

All amounts in this Agreement are in United States currency unless otherwise specified.

24. Governing Law; Submission to Jurisdiction

This Agreement shall in all respects be construed according to the laws of the State of Texas without regard to its conflict of laws principles that would result in the application of the laws of another jurisdiction. With respect to any claim or dispute related to or arising under this Agreement, the parties hereby consent to the exclusive jurisdiction, forum and venue of the state and federal courts (as applicable) located in Dallas County, Texas. THE PARTIES EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY ARE KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVING THEIR RIGHTS TO A JURY TRIAL.

25. Severability

If an arbitrator or court of competent jurisdiction determines that any provision of this Agreement (or portion thereof) is invalid or unenforceable, then the invalidity or unenforceability of that provision (or portion thereof) shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

26. Waiver of Breach

Any waiver of this Agreement must be executed by the party to be bound by such waiver. No waiver by either party hereto of a breach of any provision of this Agreement by the other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either party hereto to take any action by reason of any breach will not deprive such party of the right to take action at any time.

27. Section 409A

(a) Notwithstanding any provision of this Agreement to the contrary, all provisions of this Agreement are intended to comply with Section 409A of the Internal Revenue Code of 1986 (the "**Code**"), and the applicable Treasury regulations and administrative guidance issued thereunder (collectively, "**Section 409A**") or an exemption therefrom and shall be construed and administered in accordance with such intent. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of the Executive's employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A.

(b) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of the Executive's taxable year following the taxable year in which such expense was incurred by the Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; provided, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period in which the arrangement is in effect.

(c) Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if the Executive's receipt of such payment or benefit is not delayed until the earlier of (i) the date of the Executive's death or (ii) the date that is six (6) months after the Termination Date (such date, the "**Section 409A Payment Date**"), then such payment or benefit shall not be provided to the Executive (or the Executive's estate, if applicable) until the Section 409A Payment Date. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement are exempt from, or compliant with, Section 409A and in no event shall the Company or any of its Affiliates be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

28. Clawback

Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation, or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation, or stock exchange listing requirement (or any policy adopted by the Company, whether in existence as of the Effective Date or later adopted, pursuant to any such law, government regulation or stock exchange listing requirement).

29. Counterparts

This Agreement may be signed in counterparts and by facsimile or .pdf electronic mail transmission and each of such counterparts shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument.

[*Signature page follows*]

IN WITNESS WHEREOF the parties acknowledge and agree that they have read and understand the terms of this Agreement, and that they have had an opportunity to seek independent legal advice prior to entering into this Agreement, and have executed this Agreement as of the Effective Date.

DIRTT ENVIRONMENTAL SOLUTIONS, INC.

By: /s/ Kevin P. O'Meara
Name: Kevin P. O'Meara
Title:

CHARLES R. KRAUS

/s/ Charles R. Kraus
Charles R. Kraus

Exhibit 31.1

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULE 13A-14(a) OR RULE 15D-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin O'Meara, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DIRTT Environmental Solutions Ltd. (the "registrant") for the quarter ended March 31, 2020;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 6, 2020

By: /s/ Kevin O'Meara
Kevin O'Meara
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULE 13A-14(a) OR RULE 15D-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Geoffrey D. Krause, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DIRTT Environmental Solutions Ltd. (the "registrant") for the quarter ended March 31, 2020;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 6, 2020

By: /s/ Geoffrey D. Krause
Geoffrey D. Krause
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of DIRTT Environmental Solutions Ltd. (the "Company") for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin O'Meara, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 6, 2020

By: /s/ Kevin O'Meara
Kevin O'Meara
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION
PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of DIRTT Environmental Solutions Ltd. (the "Company") for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Geoffrey D. Krause, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 6, 2020

By: /s/ Geoffrey D. Krause
Geoffrey D. Krause
Chief Financial Officer
(Principal Financial Officer)