



## Massachusetts Cannabis Control Commission

### Marijuana Delivery Operator

#### General Information:

License Number: MD1268  
Original Issued Date: 01/20/2022  
Issued Date: 01/20/2022  
Expiration Date: 01/20/2023

### MARIJUANA DELIVERY OPERATOR PRE-CERTIFICATION NUMBER

Marijuana Delivery Operator Pre-Certification  
Number:

### ABOUT THE MARIJUANA DELIVERY OPERATOR LICENSEE

Business Legal Name: Kush Kart LLC

Phone Number: 845-741-5582  
Email Address: tamsam915@gmail.com

Business Address 1: 11 Hadwen Road  
Business City: Worcester  
Business State: MA  
Business Zip Code: 01602  
Business Address 2:  
Mailing Address 1: 11 Hadwen Road  
Mailing City: Worcester  
Mailing State: MA  
Mailing Zip Code: 01602  
Mailing Address 2:

### CERTIFIED DISADVANTAGED BUSINESS ENTERPRISES (DBES)

No documents uploaded

Certified Disadvantaged Business Enterprises (DBEs): Not a  
DBE

### SOCIAL EQUITY OR ECONOMIC EMPOWERMENT LICENSE

Social Equity or Economic Empowerment License Number: SE304623

### ADDITIONAL SOCIAL EQUITY OR ECONOMIC EMPOWERMENT LICENSE NUMBERS

No records found

### PERSONS HAVING DIRECT OR INDIRECT CONTROL

Person with Direct or Indirect Authority 1

Percentage Of Ownership: 75  
Role: Owner / Partner  
First Name: Tamika  
Gender: Female  
Percentage Of Control: 75  
Other Role:  
Middle Name:  
Last Name: Samson  
Suffix:  
User Defined Gender:

What is this person's race or ethnicity?: Black or African American (of African Descent, African American, Nigerian, Jamaican, Ethiopian, Haitian,

Somali)

Specify Race or Ethnicity: Worcester

#### Person with Direct or Indirect Authority 2

Percentage Of Ownership: 25

Percentage Of Control:  
25

Role: Owner / Partner

Other Role:

First Name: Taylor

Middle Name:

Last Name: Weaver Suffix:

Gender: Male

User Defined Gender:

What is this person's race or ethnicity?: Black or African American (of African Descent, African American, Nigerian, Jamaican, Ethiopian, Haitian, Somali)

Specify Race or Ethnicity:

#### ENTITIES HAVING DIRECT OR INDIRECT CONTROL

No records found

#### CAPITAL RESOURCES - INDIVIDUALS

##### Individual Contributing Capital 1

First Name: Taylor

Last Name: Weaver

Suffix:

Types of Capital: Monetary/Equity Other Type of Capital: Total Value of the Capital Provided: \$20000 Percentage of Initial Capital: 100

Capital Attestation: Yes

#### CAPITAL RESOURCES - ENTITIES

No records found

#### BUSINESS INTERESTS IN OTHER STATES OR COUNTRIES

No records found

#### DISCLOSURE OF INDIVIDUAL INTERESTS

No records found

#### MARIJUANA DELIVERY OPERATOR LICENSEE PROPERTY DETAILS

Establishment Address 1: 120 Holmes Road

Establishment Address 2:

Establishment City: Eastham

Establishment Zip Code: 02642

Approximate square footage of the establishment: 2476

How many abutters does this property have?: 52

Have all property abutters been notified of the intent to open a Marijuana Delivery Operator Licensee at this address?: Yes

#### HOST COMMUNITY INFORMATION

Host Community Documentation:

Document Category	Document Name	Type	ID	Upload Date
Plan to Remain Compliant with Local Zoning	Kush Kart - Plan to Remain Compliant with Local Zoning.pdf	pdf	614e1d6a53eb05681e9cb15f	09/24/2021
Community Outreach Meeting Documentation	Kush Kart - Community Outreach.pdf	pdf	614e1dea578bf568253b6dea	09/24/2021
Certification of Host Community Agreement	Host Community Attestation Certification KK.pdf	pdf	6153791a578bf568253b820a	09/28/2021

Total amount of financial benefits accruing to the municipality as a result of the host community agreement. If the total amount is

zero, please enter zero and provide documentation explaining this number.: \$

#### PLAN FOR POSITIVE IMPACT

Plan to Positively Impact Areas of Disproportionate Impact:

Document Category	Document Name	Type	ID	Upload Date
Donation Acceptance Letter	Kush Kart_ELEVATE Donation Acceptance Letter.pdf	pdf	6137a0c40f4d6c075e3dc5c2	09/07/2021
Plan for Positive Impact	Kush Kart - PIP - 10.5.21 Update.pdf	pdf	615c8dab3d1a3f6867ed1cc5	10/05/2021

#### INDIVIDUAL BACKGROUND INFORMATION

##### Individual Background Information 1

Role: Owner / Partner      Other Role:  
First Name: Tamika      Last Name: Samson      Suffix:  
RMD Association: Not associated with an RMD  
Background Question: no

##### Individual Background Information 2

Role: Owner / Partner      Other Role:  
First Name: Taylor      Last Name: Weaver      Suffix:  
RMD Association: Not associated with an RMD  
Background Question: no

#### ENTITY BACKGROUND CHECK INFORMATION

No records found

#### MASSACHUSETTS BUSINESS REGISTRATION

Certificates of Good Standing:

Document Category	Document Name	Type	ID	Upload Date
Secretary of Commonwealth - Certificate of Good Standing	Kush Kart LLC - SOC COG.jpg	jpeg	61252fa6e014b807395c1d5d	08/24/2021
Department of Unemployment Assistance - Certificate of Good standing	Kush Kart - DUA COGS.pdf	pdf	6125315625900e079f2b0d87	08/24/2021
Department of Revenue - Certificate of Good standing	Certificate of Good Standing_DOR.pdf	pdf	61688e72c28c0968f38495a6	10/14/2021

Required Business Documentation:

Document Category	Document Name	Type	ID	Upload Date
Bylaws	Operating Agreement - Kush Kart LLC 8.24.pdf	pdf	61255da08aea4607aa2a979f	08/24/2021
Articles of Organization	Cert of Amendment.pdf	pdf	61546bc02831f56830cd48eb	09/29/2021
Articles of Organization	Articles of Organization.pdf	pdf	61546bc2ff5a8a691f8553b2	09/29/2021

Massachusetts Business Identification Number: 001443857

Doing-Business-As Name:

DBA Registration City: Worcester

## BUSINESS PLAN

### Business Plan Documentation:

Document Category	Document Name	Type	ID	Upload Date
Business Plan	1 update Kush_Kart_Draft_10.05.20 business plan.pdf	pdf	60ba44f7b0ce31363c8e15ac	06/04/2021
Plan for Liability Insurance	KushKart_Plan for Obtaining Liability Insurance.pdf	pdf	60e75884fb983a0274aacc69	07/08/2021
Proposed Timeline	Kush Kart - Timeline.pdf	pdf	614e1ecd7afdc8683b264549	09/24/2021

## OPERATING POLICIES AND PROCEDURES

### Policies and Procedures Documentation:

Document Category	Document Name	Type	ID	Upload Date
Delivery procedures (pursuant to 935 CMR 500.145 and 935 CMR 500.146)	Delivery Plan.pdf	pdf	60babbe7d96e5535e0395ece	06/04/2021
Energy Compliance Plan	Energy Compliance plan.pdf	pdf	60babbfd31b11b3610220fbd	06/04/2021
Maintenance of financial records	Maintaining of Financial Records.pdf	pdf	60bab302f000f35f656277b	06/04/2021
Personnel policies	Personnel Policies Including Background Checks.pdf	pdf	60bab34e7f6a51360532b7ef	06/04/2021
Dispensing procedures	Plan for dispensing.pdf	pdf	60bab3655f6249360c05116d	06/04/2021
A detailed plan for White Labeling	Plan for White Labeling.pdf	pdf	60bab37b86c10c3617e67f59	06/04/2021
A plan to obtain marijuana and marijuana products	Plan to Obtain marijuana and marijuana products.pdf	pdf	60bab3937f6a51360532b7f3	06/04/2021
Prevention of diversion	Prevention of Diversion.pdf	pdf	60bab3a6b6e66436292308b1	06/04/2021
Quality control and testing procedures	Quality Control and Testing.pdf	pdf	60bab3cdc47412a35e7f01aff	06/04/2021
Record-keeping procedures	Recordkeeping Procedures.pdf	pdf	60bab3cf0ff799435f63834f3	06/04/2021
Security plan	Security Plan.pdf	pdf	60babd0731b11b3610220fc7	06/04/2021
Storage of marijuana	Storage Plan.pdf	pdf	60babd21bcb35a3617910d5e	06/04/2021
Inventory procedures	KushKart_Inventory Plan.pdf	pdf	60e757ef8d6c3f02b7d1b226	07/08/2021
Qualifications and training	KushKart_Qualifications and Training.pdf	pdf	60e757fe0bb484027d8bdc41	07/08/2021
Transportation of marijuana	KushKart_Transportation Plan.pdf	pdf	60e758163678b8028bd43999	07/08/2021
Diversity plan	Kush Kart_Diversity Plan.pdf	pdf	6137a0d925900e079f2b5f63	09/07/2021

## COMPLIANCE WITH POSITIVE IMPACT PLAN

No records found

## COMPLIANCE WITH DIVERSITY PLAN

No records found

## HOURS OF OPERATION

Monday From: 9:00 AM Monday To: 9:00 PM

Tuesday From: 9:00 AM Tuesday To: 9:00 PM

Wednesday From: 9:00 AM Wednesday To: 9:00 PM

Thursday From: 9:00 AM Thursday To: 9:00 PM

Friday From: 9:00 AM Friday To: 9:00 PM

Saturday From: 9:00 AM Saturday To: 9:00 PM

Sunday From: 9:00 AM Sunday To: 9:00 PM

#### ATTESTATIONS

I certify that no additional entities or individuals meeting the requirement set forth in 935 CMR 500.101 have been omitted by the applicant from any marijuana establishment application(s) for licensure submitted to the Cannabis Control Commission.: I Agree

I understand that the regulations stated above require an applicant for licensure to list all Persons and Entities Having Direct or Indirect Control over the Marijuana Delivery Operator Licensee and a list of all persons or entities contributing 10% or more of the initial capital to operate the Marijuana Delivery Operator Licensee including capital that is in the form of land or buildings.: I Agree

I certify that any entities who are required to be listed by the regulations above do not include any omitted individuals, who by themselves, would be required to be listed individually in any marijuana establishment application(s) for licensure submitted to the Cannabis Control Commission.: I Agree

Notification:

I certify that any changes in ownership or control, location, or name will be made pursuant to a separate process, as required under 935 CMR 500.104(1), and none of those changes have occurred in this application.:

I certify that to the best knowledge of any of the individuals listed within this application, there are no background events that have arisen since the issuance of the establishment's final license that would raise suitability issues in accordance with 935 CMR 500.801.:

I certify that all information contained within this renewal application is complete and true.:

#### AGREEMENTS WITH THIRD-PARTY TECHNOLOGY PLATFORM PROVIDER

No records found

#### THIRD-PARTY TECHNOLOGY PLATFORM PROVIDER DOCUMENTATION

No documents uploaded

### **PLAN TO REMAIN COMPLIANT WITH LOCAL ZONING**

Kush Kart LLC (“Kush Kart”) will remain compliant at all times with the local zoning requirements set forth in the Town of Eastham’s Zoning By-Laws. Kush Kart’s proposed marijuana delivery operator is located within the Town’s Trade Park Zoning District, which allows marijuana uses subject to the issuance of a Special Permit from the Planning Board. Kush Kart will diligently seek such a permit, which shall expire should Kush Kart seek any changes in ownership.

In compliance with 935 CMR 500.110(3) and the Zoning Bylaw, the property is not located within 500 feet of a pre-existing public or private school providing education in kindergarten or any of grades 1 through 12.

Kush Kart will apply for any other local permits required to operate at the proposed location, including a Building Permit and Certificate of Occupancy. Kush Kart will comply with all conditions and standards set forth in any local permit required to operate a Marijuana Retailer at Kush Kart’s proposed location.

# Community Outreach Meeting Attestation Form

## Instructions

Community Outreach Meeting(s) are a requirement of the application to become a Marijuana Establishment (ME) and Medical Marijuana Treatment Center (MTC). 935 CMR 500.101(1), 500.101(2), 501.101(1), and 501.101(2). The applicant must complete each section of this form and attach all required documents as a single PDF document before uploading it into the application. If your application is for a license that will be located at more than one (1) location, and in different municipalities, applicants must complete two (2) attestation forms – one for each municipality. Failure to complete a section will result in the application not being deemed complete. Please note that submission of information that is “misleading, incorrect, false, or fraudulent” is grounds for denial of an application for a license pursuant to 935 CMR 500.400(2) and 501.400(2).

## Attestation

I, the below indicated authorized representative of that the applicant, attest that the applicant has complied with the Community Outreach Meeting requirements of 935 CMR 500.101 and/or 935 CMR 501.101 as outlined below:

1. The Community Outreach Meeting was held on the following date(s):
2. At least one (1) meeting was held within the municipality where the ME is proposed to be located.
3. At least one (1) meeting was held after normal business hours (this requirement can be satisfied along with requirement #2 if the meeting was held within the municipality and after normal business hours).



4. A copy of the community outreach notice containing the time, place, and subject matter of the meeting, including the proposed address of the ME or MTC was published in a newspaper of general circulation in the municipality at least 14 calendar days prior to the meeting. A copy of this publication notice is labeled and attached as "Attachment A."

a. Date of publication:

b. Name of publication:

5. A copy of the community outreach notice containing the time, place, and subject matter of the meeting, including the proposed address of the ME or MTC was filed with clerk of the municipality. A copy of this filed notice is labeled and attached as "Attachment B."

a. Date notice filed:

6. A copy of the community outreach notice containing the time, place, and subject matter of the meeting, including the proposed address of the ME or MTC was mailed at least seven (7) calendar days prior to the community outreach meeting to abutters of the proposed address, and residents within 300 feet of the property line of the applicant's proposed location as they appear on the most recent applicable tax list, notwithstanding that the land of the abutter or resident is located in another municipality. A copy of this mailed notice is labeled and attached as "Attachment C." Please redact the name of any abutter or resident in this notice.

a. Date notice(s) mailed:

7. The applicant presented information at the Community Outreach Meeting, which at a minimum included the following:
- The type(s) of ME or MTC to be located at the proposed address;
  - Information adequate to demonstrate that the location will be maintained securely;
  - Steps to be taken by the ME or MTC to prevent diversion to minors;
  - A plan by the ME or MTC to positively impact the community; and
  - Information adequate to demonstrate that the location will not constitute a nuisance as defined by law.
8. Community members were permitted to ask questions and receive answers from representatives of the ME or MTC.





Name of applicant:

Name of applicant's authorized representative:

Signature of applicant's authorized representative:

Taylor Weaver	 Digitally signed by Taylor Weaver Date: 2021.09.20 08:13:35 -04'00'
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Attachment A

See attached.





Atlantic Coin. Will Travel  
Member ANA 896-8760

**Community Outreach Meeting - Public Notice** - Notice is hereby given that a Community Outreach Meeting for a proposed Marijuana Establishment is scheduled for **September 18, 2021 at 6:30pm EST** at 120 Holmes Rd, Eastham, MA. The proposed Marijuana Delivery Operator Establishment is anticipated to be located at 120 Holmes Rd Eastham, MA. There will be an opportunity for the public to ask questions.



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Attachment B

See attached.



Taylor Weaver &lt;taylor@thekushkart.com&gt;

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## KushKart Community Outreach Meeting

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**Taylor Weaver** <taylor@thekushkart.com>

Fri, Sep 3, 2021 at 1:00 PM

To: Laurie Gillespie-Lee &lt;admin2@eastham-ma.gov&gt;

Cc: Jacqueline Beebe &lt;jbeebe@eastham-ma.gov&gt;

Hi Laurie,

All set! We just need the town to post on your outlets. Please see attached the ad that will run tomorrow for our meeting at 6:30 pm, September 18th at 120 Holmes Rd Eastham, MA.

Please let me know if you have any questions or need anything from us.

Thanks,  
Taylor

[Quoted text hidden]

**Adportal Self Service Advertising Confirmation.pdf**

173K

Attachment C

See attached.

[REDACTED]  
Address: [REDACTED]  
[REDACTED]

, Eastham MA 02642

September 8, 2021

Dear [REDACTED],

On behalf of Kush Kart LLC, notice is hereby given that a Community Outreach Meeting for a proposed Marijuana Establishment is scheduled for September 18, 2021 at 6:30 pm EST at 120 Holmes Rd, Eastham, MA. The proposed Marijuana Delivery Operator Establishment is anticipated to be located at 120 Holmes Rd, Eastham, MA. There will be an opportunity for the public to ask questions.

Sincerely,

*Taylor Weaver*



## Host Community Agreement Certification Form

### Instructions

Certification of a host community agreement is a requirement of the application to become a Marijuana Establishment (ME) and Medical Marijuana Treatment Center (MTC). Applicants must complete items 1-3. The contracting authority for the municipality must complete items 4-8. Failure to complete a section will result in the application not being deemed complete. This form should be completed and uploaded into your application. Please note that submission of information that is “misleading, incorrect, false, or fraudulent” is grounds for denial of an application for a license pursuant to 935 CMR 500.400(2) and 501.400(2).

### Certification

The parties listed below do certify that the applicant and municipality have executed a host community agreement on the specified date below pursuant to G.L. c. 94G § 3(d):

1. Name of applicant:

KushKart LLC

2. Name of applicant's authorized representative:

Taylor Weaver

3. Signature of applicant's authorized representative:

*Taylor Weaver*

4. Name of municipality:

Town of Eastham

5. Name of municipality's contracting authority or authorized representative:

*Jacqueline W. Beebe*



6. Signature of municipality's contracting authority or authorized representative:



7. Email address of contracting authority or authorized representative of the municipality (*this email address may be used to send municipal notices pursuant to 935 CMR 500.102(1) and 501.102(1).*):



8. Host community agreement execution date:





Beth Waterfall  
Executive Director  
ELEVATE Northeast  
346 River Street  
Norwell, MA 02061

September 1, 2021

Tamika Samson  
Chief Operating Officer  
Kush Kart, LLC  
120 Holmes Road  
Eastham, MA 02642

Re: Letter of Acceptance of Financial Support

Dear Tamika:

Thank you for Kush Kart, LLC's (Kush Kart) commitment to support ELEVATE Northeast Events and Education, Inc. ("ELEVATE"). As you know, ELEVATE is a Massachusetts-based, women-founded 501(c)3 nonprofit organization that exists for the good of the cannabis industry. And, in partnership with Holyoke Community College, ELEVATE oversees curriculum, staffing, and execution of the cannabis workforce development programs at the Cannabis Education Center ("CEC").

This letter serves as confirmation that ELEVATE agrees to accept an annual financial donation from Kush Kart. The donation will be used to help fund ELEVATE programs that support Social Equity Applicants and individuals from communities most disproportionately affected by drug law enforcement.

We wish you the best of luck as you complete the application process, and look forward to receiving Kush Kart's financial contributions to help move the mission of ELEVATE forward.

Gratefully,

A handwritten signature in black ink, appearing to read "Beth Waterfall", written in a cursive style.

Beth Waterfall  
Executive Director  
ELEVATE Northeast Events and Education, Inc.

## **Positive Impact Plan**

### **Overview**

Kush Kart is dedicated to serving and supporting populations falling within areas of disproportionate impact, which the Commission has identified as the following:

1. Past or present residents of the geographic “areas of disproportionate impact,” which have been defined by the Commission and identified in its Guidance for Identifying Areas of Disproportionate Impact;
2. Commission-designated Economic Empowerment Priority applicants;
3. Commission-designated Social Equity Program participants;
4. Massachusetts residents who have past drug convictions; and
5. Massachusetts residents with parents or spouses who have drug convictions.

As lifelong friends with residents of the Outer Cape, the founders of Kush Kart embrace and support the positive impact objectives established by the Legislature and promulgated by the Commission.

Kush Kart in cooperation with ELEVATE Northeast Events and Education, Inc. (“ELEVATE Northeast”) will institute the following plan to ensure it meets the objective established by the Legislature and promulgated by the Commission. ELEVATE Northeast is a women-founded, Massachusetts-based 501(c)(3) nonprofit that provides educational events, job fairs, and community outreach to help foster an inclusive and compliant cannabis industry across the Commonwealth and within communities designated as disproportionately affected by drug law enforcement.

**Goal 1:** Kush Kart will become a business member of ELEVATE upon licensure, and collaborate with ELEVATE Northeast on the following:

- Management training and/or other forms of industry-specific technical training twice per year via the Kush Kart Positive Impact Training Program with educators or presenters discussing topics ranging from how to enter the cannabis industry, different job types and career paths, cannabis regulations, structuring a business plan, the licensing process, cultivation techniques, inventory management, and quality control.
- Invite individuals who participate in the Kush Kart Positive Impact Training Program to participate in a peer support group held by Kush Kart in an online forum where individuals can ask questions and seek guidance on industry-specific questions.
- Host at least one cannabis informational session or career session per year in either Wareham, Fall River, New Bedford, or another community designated by the Commission as an area of disproportionate impact.
- Post Kush Kart job openings on ELEVATE Northeast’s online job board annually and participate in at least one job fair organized by ELEVATE annually.

**Goal 1 Metrics:** Kush Kart will provide the following metrics at the time of license renewal to ensure Kush Kart is reaching their intended goal:

- Number of management training and/or other forms of industry specific technical training, and to whom.
- Subject matter of training offered and performed, to whom and maintaining positive impact on the trainees.
- Number of and attendance records for peer support groups organized by Kush Kart.

**Goal 2:** Donate 1% of net income annually to ELEVATE Northeast to help fund the organization and its programs to benefit Social Equity Program participants.

**Goal 2 Metrics:** Kush Kart will provide the following metrics at the time of license renewal to ensure Kush Kart is reaching their intended goal:

- Documentation of the monetary donation to ELEVATE Northeast in accordance with recordkeeping policies and generally accepted accounting principles.

Kush Kart believes that it is a core responsibility to be a reliable and conscious member of the Eastham community. Kush Kart believes that demonstrating a strong social conscience and building community partnerships is not only good business, but the right thing to do.

Any actions taken, or programs instituted, by the applicant will not violate the Commission's regulations with respect to limitations on ownership or control or other applicable state laws.

Kush Kart positive impact plan will adhere to the requirements set forth in 935 CMR 500.105(4) which provides the permitted and prohibited advertising, branding, marketing, and sponsorship practices of Marijuana Establishments.

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KUSH KART, LLC  
A Massachusetts Limited Liability Company

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OPERATING AGREEMENT

Dated as of May 5, 2021

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## **OPERATING AGREEMENT OF KUSH KART, LLC**

This Operating Agreement of Kush Kart, LLC, a limited liability company organized under the laws of the State of Massachusetts (the “Company”), is made and entered into effective as of May 5, 2021, by and among those Persons listed as “Members” on the signature pages hereof, which Persons constitute all of the members of the Company.

### **ARTICLE 1. DEFINITIONS**

Certain terms used in this Operating Agreement shall have special meanings as designated in this Article:

1.01 “Act” means the Massachusetts Limited Liability Company Act, as set forth in Massachusetts Code Chapter 156C, and any successor statute, as amended from time to time.

1.02 “Affiliate” means any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a Person. The term “control” as used in the immediately preceding sentence means, when used with respect to any Person, the power to direct the management and policies of such Person, directly or indirectly, whether through ownership of voting securities, by contract, or otherwise.

1.03 “Agreement” or “Operating Agreement” means this Operating Agreement as it may be modified or amended from time to time in accordance with Section 11.04 hereof.

1.04 “Adjusted Capital Account Deficit” shall mean, with respect to any Member, the deficit balance, if any, in such Member’s Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments: (a) credit to such Capital Account of amounts that such Member is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Section 1.704-2(g)(1) and 1.704-2(i)(5); and (b) debit to such Capital Account the items described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6). The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

1.05 “Available Cash” means the gross cash proceeds from Company operations (including but not limited to sales and dispositions of property) less the portion thereof used to pay or establish reserves for all Company expenses, guaranteed payments, debt payments, capital improvements, replacements and contingencies, all as determined by the Board of Managers. Available Cash shall not be reduced by depreciation, amortization, cost recovery deductions, or similar allowances, but shall be increased by any reductions of cash reserves previously established.

1.06 “Board of Managers” means the Manager(s) of the Company acting together as the governing board of the Company pursuant to the terms of this Agreement.

1.07 “Book Value” means, with respect to any asset, the asset’s adjusted basis for federal income tax purposes, except as follows:

(a) the initial Book Value of any asset other than cash contributed by a Member to the Company will be the gross fair market value of such asset, as agreed to by the contributing Member and the Board of Managers;

(b) the Book Value of all Company assets will be adjusted to equal their respective gross fair market values, as determined by the Board of Managers, as of any of the following times: (i) the contribution of more than a *de minimis* amount of money or other property to the Company by a new or an existing Member as consideration for Units; (ii) the distribution by the Company to a Member of more than a *de minimis* amount of Company assets as consideration for Units; (iii) the issuance of more than a *de minimis* amount of Profits Interest Units or other Units as consideration for the provision of services to or for the benefit of the Company; and (iv) the liquidation of the Company within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Treasury Regulations; provided, however, that adjustments pursuant to clauses (i), (ii) and (iii) of this sentence will be made only if the Board of Managers reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

(c) the Book Values of the Company's assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Section 734(b) of the Code or Section 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Section 1.704-1(b)(2)(iv)(m) of the Treasury Regulations; provided, however, that Book Values shall not be adjusted pursuant to this paragraph (c) to the extent that the Board of Managers reasonably determines that an adjustment pursuant to paragraph (b) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this paragraph (c);

(d) the Book Value of any Company asset distributed to any Member will be the gross fair market value of such asset on the date of distribution, as determined by the Board of Managers; and

(e) if the Book Value of an asset has been determined or adjusted pursuant to paragraph (a), (b) or (c) above, such Book Value will thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses (and not by the depreciation, amortization or other cost recovery deductions allowable with respect to that asset for federal income tax purposes) to be contributed to the Company, the value on the books of the owner of the assets prior to contribution to the Company, and with respect to any Company assets, the Company's adjusted basis for federal income tax purposes adjusted from time to time to reflect the adjustments required or permitted by Treasury Regulation Section 1.704-1(b)(2)(iv)(d)-(g).

1.08 "Capital Account" shall refer to a Member's equity in the Company as described and adjusted in Section 4.03 and the other applicable provisions of this Agreement.

1.09 "Capital Contribution" means the cash or property, other than services, contributed to the Company in return for Units.

1.10 “Cause” means for purposes of Section 7.01, means only a termination as a result of fraud, misappropriation of or intentional material damage to the property or business of the Company (including its subsidiaries), or commission of a felony by any manager.

1.11 “Certificate” means the Certificate of Organization of the Company that has been filed with the Division to organize the Company as a limited liability company, including any amendments and restatements thereof.

1.12 “Code” means the Internal Revenue Code of 1986, as amended, including any applicable Treasury Regulations promulgated thereunder.

1.13 “Company Minimum Gain” means “partnership minimum gain” (as that term is defined in Section 1.704-2(b)(2) of the Treasury Regulations) with respect to the Company.

1.14 “Depreciation” means, for each fiscal year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such fiscal year; provided, however, that if the Book Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such fiscal year, Depreciation will be an amount that bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization, or other cost recovery deduction with respect to such asset for such fiscal year bears to such beginning adjusted tax basis; and, provided further, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such fiscal year is zero, Depreciation will be determined with reference to such beginning Book Value using any reasonable method selected by the Board of Managers.

1.15 “Division” means the Secretary of State for the Commonwealth of Massachusetts, or any other department or division of the Commonwealth of Massachusetts which hereafter may be given responsibility for administering the Act and accepting filings made on behalf of the Company pursuant to the Act.

1.16 “IRS” means the Internal Revenue Service of the United States.

1.17 “Losses” has the meaning set forth in the definition of “Profits” and “Losses.”

1.18 “Majority Vote” means, in the case of a vote or consent by the Members, the vote or consent of Members holding more than 50% of the Units entitled to vote upon or consent to such matter. In the case of a vote or consent by the Board of Managers, the term “Majority Vote” shall mean the vote or consent of a majority of the Managers, each Manager being entitled to one vote.

1.19 “Manager” means a Person, whether or not a Member, who is named as an initial manager of the Company in Section 7.01 or hereafter is appointed as an additional or successor Manager in accordance with the terms of this Agreement.

1.20 “Member” means each Person executing this Agreement and identified on the signature page(s) hereof as a “Member” and any Person who is subsequently admitted as an additional or substitute Member of the Company pursuant to the terms of this Agreement.

Notwithstanding the foregoing, the term “Member” shall not include any Person who has dissociated as a member of the Company.

1.21 “Member Minimum Gain” means “partner nonrecourse debt minimum gain” (as that term is defined in Section 1.704-2(i)(2) of the Treasury Regulations) with respect to the Company.

1.22 “Member Nonrecourse Debt” means “partner nonrecourse debt” (as that term is defined in Section 1.704-2(b)(4) of the Treasury Regulations) with respect to the Company.

1.23 “Member Nonrecourse Debt Minimum Gain” means “partner nonrecourse debt minimum gain” (as that term is defined in Section 1.704-2(i)(2) of the Treasury Regulations) with respect to the Company.

1.24 “Member Nonrecourse Deductions” means “partner nonrecourse deductions” (as that term is defined in Section 1.704-2(i)(2) of the Treasury Regulations) with respect to the Company.

1.25 “Nonrecourse Deductions” shall have the meaning given in Section 1.704-2(b)(1) of the Treasury Regulations.

1.26 “Permitted Transfer” means a Transfer (a) by a partnership to its partners or former partners in accordance with partnership interests, (b) by a limited liability company to its members or former members in accordance with their interest in the limited liability company,

(a) by a corporation or other entity to its equity holders in accordance with such equity interests,

(b) by a Member to the Member’s spouse, parent, sibling, lineal descendant, a spouse of a lineal descendant, or to one or more trusts, corporations, partnerships, or limited liability companies for the exclusive benefit of such Member, or those members of such Member’s family specified in this clause, (e) by a Member to the Member’s estate or testamentary trust, or (f) by a trust to a beneficiary of such trust.

1.27 “Person” means any individual, association, cooperative, corporation, trust, partnership, joint venture, limited liability company, or other legal entity.

1.28 “Profits” and “Losses” refer, for each fiscal year, to an amount equal to the Company’s taxable income or loss (as the case may be) for such fiscal year, determined in accordance with the principles of Section 703(a) of the Code (but including in taxable income or loss, for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code), with the following adjustments, it being the intention not to duplicate any item of income or loss:

(a) any income of the Company exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition will be taken into account in computing such taxable income or loss;

(b) any expenditures of the Company described in Section 705(a)(2)(B) of the Code (or treated as expenditures described in Section 705(a)(2)(B) of the Code pursuant to Section 1.704-1(b)(2)(iv)(i) of the Treasury Regulations) and not otherwise taken into account in computing Profits or Losses pursuant to this definition will be taken into account in computing such taxable income or loss;

(c) in the event the Book Value of any Company asset is adjusted in accordance with paragraph (b) or (d) of the definition of “Book Value” above, the amount of such adjustment will be taken into account as gain or loss from the disposition of such asset in computing Profits or Losses;

(d) gain or loss resulting from any disposition of any asset of the Company with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Book Value of the asset disposed of, notwithstanding that the adjusted tax basis of such asset differs from its Book Value;

(e) in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there will be taken into account Depreciation for such fiscal year;

(f) to the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) of the Code is required pursuant to Section 1.704-1(b)(2)(iv)(m)(4) of the Treasury Regulations to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member’s interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account in computing Profits and Losses; and

(g) notwithstanding any other provision of this definition, any items that are specially allocated pursuant to this Agreement will not be taken into account in computing Profits and Losses.

The amounts of the items of Company income, gain, loss, deduction or expense available to be specially allocated hereunder shall be determined by applying rules analogous to those set forth in paragraphs (a) through (f) of this definition of Profits and Losses.

1.29 “Profits Interest” means an interest in Company Profits and Losses from operations, distributions from operations, and an interest in future appreciation or depreciation in Company asset values but which does not represent an interest in any existing capital of the Company (as described in Treasury Regulations Section 1.721-1(b)(1) and the Profits Interest Revenue Procedures).

1.30 “Profits Interest Pool” means the Profits Interest Units that are reserved for issuance as of the date of this Agreement as set forth in Exhibit A.

1.31 “Profits Interest Revenue Procedures” means Revenue Procedure 93-27, 1993-2 C.B. 343, and Revenue Procedure 2001-43, 2001-2 C.B. 191.

1.32 “Profits Interest Unit” means a Unit of ownership of the Company that, as of the date of issuance, entitles its holder to a determinate portion of the Company’s Profits and Losses. Notwithstanding anything herein to the contrary, until such time (if ever) that the Profits Interest Revenue Procedures no longer govern the federal income tax treatment of the issuance of Profits Interests, the Company and the Members intend (and shall take all steps necessary to insure) that, as of the date of issuance, Profits Interests represented by Profits Interest Units constitute “profits interests” within the meaning of the Profits Interest Revenue Procedures. The Members are aware that in calendar year 2005, the IRS issued proposed Treasury Regulations Sections 1.83-3(e) and 1.83-3(l). Proposed Treasury Regulation Section 1.83-3(e) clarifies that a Profits Interest is “property” for purposes of Section 83 of the Code. Proposed Treasury Regulation Section 1.83-3(l) provides that, subject to such additional conditions, rules, and procedures that the IRS may prescribe, a partnership (including but not limited to a limited liability company taxed as a partnership for federal tax purposes) and all of its partners (or members, as the case may be) may elect a safe harbor under which the fair market value of a partnership interest that is transferred in connection with the performance of services will be treated as being equal to the liquidation value of that interest (the “Safe Harbor”). Such proposed Treasury Regulations will become effective (if ever) on the date they are published as final Treasury Regulations in the Federal Register. If these proposed Treasury Regulations are finalized, they will supersede the Profits Interest Revenue Procedures. If the proposed Treasury Regulations become effective and the Board of Managers determines that the Company should elect the Safe Harbor, then each Member agrees to take any and all action necessary to elect the Safe Harbor and maintain such election in effect, including but not limited to amending this Agreement as directed by the Board of Managers.

1.33 “Quorum” means, with respect to a meeting of the Board of Managers, a majority of the Managers and, with respect to a meeting of the Members, Members who collectively hold a majority of the Units entitled to vote.

1.34 “Super-Majority Vote” means, in the case of a vote or consent of the Board of Managers, (a) the vote of a two-thirds majority of the Managers present at a meeting of the Board of Managers at which a Quorum exists, each Manager having one vote, or (b) the written consent setting forth the action taken executed by two-thirds of the Managers. In the case of a vote or consent of the Members, the term “Super-Majority Vote” shall mean (i) the vote of Members collectively holding more than two-thirds of the Units entitled to vote upon the applicable matter and represented at a meeting of the Members at which a Quorum exists or (ii) the written consent setting forth the action taken executed by Members collectively holding more than two-thirds of the Units entitled to vote upon such matter.

1.35 “Transfer” and its derivatives mean any gift, sale, assignment, conveyance, transfer, exchange, pledge or grant of a security interest in or other creation of a lien on or other disposition, voluntarily or involuntarily, directly or indirectly, of a Unit; provided that the term “Transfer” shall not include a redemption of all or any portion of a Member’s Units by the Company.

1.36 “Transferee” means a Person who dissociates as a Member or acquires a Unit by Transfer from a Member or another Transferee and is not admitted as a Member in accordance with this Agreement. Notwithstanding anything herein to the contrary, (a) Transferees and the Units held by Transferees shall be subject to all of the obligations and restrictions set forth in this

Agreement applicable to Members and the Units held by Members, (b) Units held by a Transferee shall not have any voting rights, and (c) a Transferee shall not have any of the rights of a Member set forth herein, other than the right to receive distributions made with respect to the Units held by such Transferee.

1.37 “Treasury Regulations” shall refer to the income tax regulations promulgated under the Internal Revenue Code and in effect as of the date hereof, as modified and supplemented or superseded after the date hereof. Where a specific Treasury Regulation is referenced, the reference shall be deemed to extend to any successor regulation of similar scope, whether or not denominated by the same section number or heading.

1.38 “Units” or “Unit” means an ownership interest in the Company (and, unless otherwise stated herein, includes all Profits Interest Units), including all benefits and obligations to which the holder of such Units may be entitled or subject (as the case may be) under this Agreement. Additional Units may be created and issued pursuant to Section 4.06.

## **ARTICLE 2. FORMATION OF LIMITED LIABILITY COMPANY**

**2.01 Creation; Conflict with Act.** The Company has been formed by the filing of the Certificate with the Division pursuant to the Act. This Agreement is intended to provide for the regulation and management of the affairs of the Company. Except for the provisions of the Act that specifically may not be modified by the agreement of the Members, to the extent of any contradiction between the provisions of this Agreement and the Act or the variation of the general terms of the Act by this Agreement, the provisions of this Agreement shall govern and control, and each Member hereby consents to such contradiction or variation. Any conflict between the Certificate and this Agreement shall be controlled by this Agreement.

**2.02 Company Name.** The name of the limited liability company governed by this Agreement is Kush Kart, LLC, and the business of the Company shall be conducted under that name in the Commonwealth of Massachusetts and under such name or variations thereof, as the Board of Managers deems necessary or appropriate to comply with the requirements of any other jurisdiction in which the Company may elect to do business.

**2.03 Agent for Service of Process.** The Company’s initial agent for acceptance of service of process shall be the registered agent named in the Certificate. The Board of Managers may from time to time designate another agent for acceptance of service of process and amend the Certificate or file a statement of change with the Division to reflect such change.

**2.04 Names and Addresses of Members.** The full names and business addresses of the Members are set forth on Exhibit A.

**2.05 Members.** The Members identified herein shall constitute all of the members in the Company, and additional Members shall not be admitted to the Company except as expressly provided for herein. The Members shall not Transfer their Units in the Company except as provided in ARTICLE 8 of this Agreement.

**2.06 Character of Business.** The Company may engage in any lawful business activity permitted under the laws of the State of Massachusetts. For all purposes of this Agreement and



the Act, all actions within such scope of activity that are authorized or ratified by the Board of Managers on behalf of the Company or by the Majority Vote of the Members shall be deemed to be within the ordinary course of the Company's business, and, except for and subject to any specific consent requirement set forth in Section 7.04 below, no further vote, consent, ratification, or approval of the Board of Managers or the Members shall be required under any provision of the Act with respect to such actions.

**2.07 Perpetual Duration.** The period of the Company's duration shall be perpetual; provided, however, that the Company may be dissolved in accordance with the provisions of ARTICLE 9 of this Agreement.

### **ARTICLE 3. MEETINGS OF MEMBERS; ACTION TAKEN WITHOUT A MEETING**

**3.01 Annual Member Meetings.** No annual meeting of the Members shall be required. However, the Board of Managers may, in its discretion, schedule an annual meeting of the Members each year on the date, at the time, and at the place, fixed by the Board of Managers. The business conducted at each annual meeting shall include the election of one or more Managers to fill any then-existing vacancy(ies) on the Board of Managers and such other business as may come before the meeting.

**3.02 Special Member Meetings.** Special meetings of the Members may be called for any purposes described in the notice of the meeting, by the Board of Managers, the Chief Executive Officer, or the holder(s) of not less than one-half of all outstanding Units entitled to vote at the meeting.

#### **3.03 Notice of Member Meeting.**

(a) Required Notice. Written notice stating the place, day, and hour of any annual or special Member meeting shall be delivered not less than ten nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the person or group calling the meeting, to each Member entitled to vote at such meeting. Notice shall be deemed to be effective when mailed.

(b) Adjourned Meeting. If any Member meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place, if the new date, time, or place is announced at the meeting before adjournment.

(c) Contents of Notice. Notice of any special meeting of the Members shall include a description of the purpose or purposes for which the meeting is called. Notice of an annual meeting of the Members need not include a description of the purpose or purposes for which the meeting is called.

(d) Waiver of Notice of Meeting. Any Member may waive notice of a meeting by a writing signed by the Member which is delivered to the Company (either before or after the date and time stated in the notice as the date or time when any action will occur or has occurred) for inclusion in the minutes or filing with the Company's records. A Member's attendance at a meeting waives objection to lack of notice or defective notice of the meeting, unless the Member at the beginning of the meeting objects to holding the meeting or transacting business at the

meeting, and waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Member objects to considering the matter when it is presented.

### **3.04 Member Voting Requirements.**

(a) Approval of Actions. If a Quorum exists, action on a matter (other than the election of Managers) is approved if the votes favoring the action exceed the votes opposing the action, unless the Act, the Certificate, or this Agreement requires a greater number of affirmative votes.

(b) Effect of Representation. Once a Unit is represented for any purpose at a meeting, including but not limited to the purpose of determining that a Quorum exists, it is deemed present for Quorum purposes for the remainder of the meeting and for any adjournment of that meeting, unless a new record date is or must be set for that adjourned meeting.

**3.05 Proxies.** At all meetings of the Members, a Member may vote the Units the Member is entitled to vote in person or by a proxy executed in any lawful manner. Such proxy shall be filed with the Company before or at the time of the meeting. Each proxy shall be valid for eleven months from the date of its execution unless a longer or shorter period is provided in the proxy.

**3.06 Voting of Units.** Unless otherwise provided in this Agreement, each outstanding Unit entitled to vote shall be entitled to one vote, and each fractional Unit shall be entitled to a corresponding fractional vote, upon each matter submitted to a vote at a meeting of Members. Units held by Transferees are not entitled to vote on any matter. Except for matters set forth in Section 4.01(b), notwithstanding anything in this Agreement or the Act to the contrary, Profits Interest Units shall have no voting rights and, for purposes of determining the existence of a Quorum or any voting or consent threshold hereunder or under the Act, in each case, except for matters set forth in Section 4.01(b), such determination shall be made as if no Profits Interest Units were outstanding.

**3.07 Action by Members without a Meeting.** Any action which may be taken at any annual or special meeting of Members may be taken without a meeting and without prior notice if one or more consents in writing, setting forth the action so taken, are signed by the holders of outstanding Units having not less than the minimum number of votes necessary to authorize or take the action at a meeting at which all Units entitled to vote thereon were present and voted. Action taken under this Section 3.07 has the same effect as action taken at a meeting of Members and may be so described in any document.

## **ARTICLE 4. MEMBER CONTRIBUTIONS, CAPITALIZATION, AND ADDITIONAL FINANCING**

### **4.01 Contributions to Capital and Ownership of Units.**

(a) Generally. The Members have contributed or shall contribute to the Company the property, or other consideration, set forth in Exhibit A. In consideration for such Member's contributions to the Company, each Member shall receive the number and class of Units

in the Company reflected in Exhibit A. No interest income shall be paid to the Members on their contributions to the Company or on any subsequent contributions made by the Members. No withdrawals of the Company capital, other than Distributions under Section 6.01, shall be made unless approved by Majority Vote of the Board of Managers. No Member shall be obligated to make any capital contributions to the Company, other than those set forth on Exhibit A, except as the Company and such Member may agree in writing. Each Member understands that the value of the consideration for the various Units issued to the Members varies based upon when the consideration was or will be paid, whether on-going services and consultation are contemplated or required, contributions to the Company's capital versus loans made to the Company, and other intangible factors. Notwithstanding such disparity in the value of the consideration received for the various Units, the Members consent to the consideration received for each Unit issued by the Company as reflected herein and acknowledge and agree that such consideration is fair and adequate in all respects.

(b) Profits Interest Units. This Section 4.01(b) shall constitute a written compensation plan and agreement within the meaning of Rule 701 under the Securities Act of 1933, as amended (the "Securities Act"), and under Massachusetts law pursuant to which Profits Interests may be issued as determined by the Board of Managers, for zero consideration in order to align the interests of the holders of Profits Interest Units with the interests of the other Members and to provide an additional incentive for the holders of Profits Interest Units to build value for the Company and achieve the Company's business goals. The provisions of this Section 4.01(b) shall apply to any issuance of Profits Interest Units, as determined by the Board of Managers, in accordance with the terms of this Agreement. The Board of Managers, subject to approval from members holding two-thirds of the then outstanding Profits Interest Units, shall have the right to cause the Company to (i) issue Profits Interest Units from the Profits Interest Pool pursuant to profits interest grant agreements, the terms and conditions of which shall be determined by the Board of Managers, and (ii) to adopt any plan, guidelines, or documentation for the issuance of Profits Interest Units. Upon the Company's issuance of any additional Profits Interest Units to a person or entity who is not a Member, such person or entity shall execute and deliver a counterpart of this Agreement and shall become a Member hereunder, and Exhibit A hereto shall be amended to reflect such issuance and new Member.

(i) *Capital Account*. Each holder of a Profits Interest Unit will have an initial zero balance in such holder's Capital Account as of the date of grant (the "Grant Date") with respect to such interest in the Company. Because each holder of Profits Interest Units has a zero balance in such holder's Capital Account with respect to such Units as of the Grant Date, each holder of Profits Interest Units would not be entitled to a share of the proceeds with respect to such Units if the Company assets were sold at fair market value as of the Grant Date and the proceeds were distributed in a complete liquidation of the Company. The number of Profits Interest Units granted to a holder shall be set forth on Exhibit A, which may be amended by unanimous consent of the Board of Managers from time to time.

(ii) *Tax Liability*. With respect to each holder of Profits Interest Units, the Company will treat each such holder of Profits Interest Units as the owner of all of the Profits Interest Units granted to such holder from each applicable Grant Date for all federal income tax purposes and such holder will take into account its distributive share of the Company's items of

income, gain, loss, deduction, and credit allocable to such Units in computing such holder's federal income tax liability for the entire period during which the holder has Profits Interest Units.

(iii) *Reliance upon Tax Counsel.* Each holder of Profits Interest Units acknowledges that such holder has been advised by the Company to seek tax advice from its own independent tax counsel in connection with the federal, state and other tax consequences to such holder of Profits Interest Units arising from such holder's receipt and ownership of Profits Interest Units in the Company, and each such holder represents that it has either done so or waived such right.

(iv) *Safe Harbor.* At the request of the Board of Managers, each holder of Profits Interest Units shall execute a document, in such legally binding form as the Board of Managers may prescribe, stating that (a) the Company is authorized and directed to elect that the "safe harbor" provisions of the Revenue Procedure proposed in IRS Notice 2005-43 (or any successor Revenue Procedure or Notice) apply in determining the federal income taxation of any compensatory Profits Interest Units issued after the effective date (finalization) of such Revenue Procedure, so that such Profits Interest Units will be valued based on their liquidation value at the time they become vested or are deemed, by reason of an election under Section 83(b) of the Code, to become vested within the meaning of Section 83 of the Code, and (b) such holder of Profits Interest Units agrees to comply with all requirements of such "safe harbor" provisions with respect to all Profits Interest Units transferred in connection with the performance of services while the election remains effective.

**4.02 Additional Funding.** Subject to the limitations set forth in Section 7.04, before or after the expenditure or commitment of Company capital, the Board of Managers may obtain or provide additional financing for Company activities by any legal method which it believes to be appropriate under the circumstances, including but not limited to creating and/or issuing additional Units (pursuant to the terms set forth in Section 4.06) or borrowing funds for the Company or loaning funds to the Company.

**4.03 Capital Accounts.** An individual capital account shall be maintained for each Member.

(a) The Capital Account of each Member will be maintained in accordance with Section 1.704-1(b)(2)(iv) of the Treasury Regulations and the following provisions:

(i) to such Member's Capital Account there will be credited such Member's Capital Contributions, such Member's distributive share of Profits and items of income or gain specially allocated hereunder, and the amount of any Company liabilities that are assumed by such Member or that are secured by any Company assets distributed to such Member;

(ii) to such Member's Capital Account there will be debited the amount of cash and the Book Value of any other property of the Company distributed to such Member pursuant to any provision of this Agreement, such Member's distributive share of Losses and items of loss, expense and deduction specially allocated hereunder, and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by such Member to the Company; and

(iii) in determining the amount of any liability for purposes of this subsection (a), there will be taken into account Section 752(c) of the Code and any other applicable provisions of the Code and the Treasury Regulations.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Sections 1.704-1(b) and 1.704-2 of the Treasury Regulations and shall be interpreted and applied in a manner consistent therewith. In the event that the Board of Managers shall determine that it is prudent to modify the manner in which the Capital Accounts, or any additions or subtractions thereto, are computed in order to comply with such Treasury Regulations, the Board of Managers may make such modification. The Board of Managers shall also make (A) any adjustments that are necessary or appropriate, in connection with the forfeiture of Units or otherwise, to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes, in accordance with Section 1.704-1(b)(2)(iv)(q) of the Treasury Regulations, and (B) any appropriate modifications in the event that unanticipated events might otherwise cause this Agreement not to comply with Sections 1.704-1(b) and 1.704-2 of the Treasury Regulations.

(b) Except as otherwise provided in this Agreement, whenever it is necessary to determine the Capital Account of any Member, the Capital Account of the Member will be determined after giving effect to all transactions concluded during the then current taxable period and prior to the time as of which such determination is made, and to all allocations of Profits, Losses, and other items of income, gain, loss, and deduction and to all distributions theretofore made for such taxable period under ARTICLE 5.

**4.04 Revaluation of Capital Accounts.** If the Book Values of the Company's assets are adjusted pursuant to Section 1.07(b), then the Capital Accounts of the Members shall also be adjusted, consistent with applicable Treasury Regulations, to reflect the fair market value of the Company property on the date of adjustment.

**4.05 Return of Capital.** There is no guarantee of the distribution of any particular amount of cash to Members at any particular times. Each Member shall look solely to Company assets for the return of such Member's contributions to Company capital, and if Company assets are insufficient to return such contributions, such Member shall have no recourse against any other Member for that purpose. There is no right given the Members to receive upon liquidation of the Company any property other than cash in return for its contributions. The provisions of ARTICLE 9 shall govern the procedure and computation of amounts available for distribution upon dissolution of the Company. The Company does not in any way guarantee the return of the Members' capital contributions or the realization of a profit from their investment in the Company.

**4.06 Additional Units.** Subject to the limitations set forth in this Agreement (including but not limited to those set forth in Section 7.04), the Board of Managers by Super-Majority Vote may from time to time cause the Company to create new classes of Units and issue such Units or issue additional Units from existing classes of Units, including without limitation additional Profits Interest Units, to existing Members or new Members, increase the Profits Interest Pool, and make any reasonable or necessary conforming amendments to this Agreement to reflect the issuance of such additional Units. Any such issuance shall not be deemed a Transfer of Units hereunder.

**4.07 Liability of Members.** No Member shall be personally liable for any of the Losses of the Company beyond such Member's capital interest in the Company. Furthermore, except as otherwise agreed to by such Member in writing, no Member shall be required to contribute assets to the Company in an amount sufficient to eliminate any Adjusted Capital Account Deficit. Additionally, no Member will be obligated personally for any debt, obligation, or liability of the Company or any other Member, whether arising in contract, tort, or otherwise, solely by reason of being a Member.

## **ARTICLE 5. ALLOCATIONS, PROFITS AND LOSSES**

**5.01 Allocation of Profits and Losses.** After giving effect to the special allocations set forth in Section 5.02 and Section 5.03 hereof, Profits and Losses for each fiscal year shall be allocated as follows:

(a) Profits shall be allocated among the Members (i) first, to each Member in an amount up to, but not exceeding, the aggregate amount of Losses previously allocated to that Member as a result of the limitation applicable to other Members in Section 5.04 (such allocation to be made in proportion to the remaining specially allocated Losses not previously offset by an allocation under this clause (i)); and (ii) second, to the Members in proportion to the number of Units each Member holds over the total Units of the Company issued and outstanding.

(b) Subject to the limitation contained in Section 5.04, Losses shall be allocated among the Members in proportion to the number of Units each Member holds over the total Units issued and outstanding.

**5.02 Special Allocations.** The following special allocations shall be made in the following order:

(a) Minimum Gain Chargeback. If there is a net decrease in Company Minimum Gain during any Company fiscal year, then each Member shall be allocated items of Company income and gain for such fiscal year (and, if necessary, for subsequent years) in an amount equal to such Member's share of the net decrease in Company Minimum Gain, determined in accordance with Section 1.704-2(g)(2) of the Treasury Regulations. This Section 5.02(a) is intended to comply with the minimum gain chargeback requirement of Section 1.704-2(f) of the Treasury Regulations and shall be interpreted consistently therewith.

(b) Member Minimum Gain Chargeback. If there is a net decrease in Member Minimum Gain attributable to a Member Nonrecourse Debt during any Company fiscal year, each Member who has a share of the Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Treasury Regulations, shall be specially allocated items of Company income and gain for such fiscal year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with the provisions of Section 1.704-2(i)(3) of the Treasury Regulations. This Section 5.02(b) is intended to comply with the "partner nonrecourse debt minimum gain chargeback" requirement of Section 1.704-2(i)(4) of the Treasury Regulations and shall be interpreted consistently therewith.

(c) Qualified Income Offset. If any Member unexpectedly receives an adjustment, allocation, or distribution of the type contemplated by Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) of the Treasury Regulations, items of income and gain shall be allocated to all such Members (in proportion to the amounts of the deficits, if any, in their respective adjusted Capital Accounts) in an amount and manner sufficient to eliminate such deficits as quickly as possible. It is intended that this Section 5.02(c) qualify and be construed as a “qualified income offset” within the meaning of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations.

(d) Nonrecourse Deductions. Nonrecourse Deductions for any fiscal year (not including any Member Nonrecourse Deductions), within the meaning of Section 1.704-2(b)(1) of the Treasury Regulations, shall be allocated to the Members in proportion to the number of Units (including both vested and unvested Units) held by each of them. Any Member Nonrecourse Deductions for any fiscal year shall be allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Section 1.704-2(i) of the Treasury Regulations. Solely for purposes of determining a Member’s proportionate share of the “excess nonrecourse liabilities” of the Company within the meaning of Section 1.752-3(a)(3) of the Treasury Regulations, the Members’ interests in Company Profits shall be in proportion to the number of Units (including both vested and unvested Units) held by each of them.

(e) Section 754 Adjustments. To the extent that an adjustment to the adjusted tax basis of any Company asset pursuant to Section 743(b) of the Code or Section 734(b) of the Code is required, pursuant to Section 1.704-1(b)(2)(iv)(m)(2) of the Treasury Regulations or, in the case of a distribution to a Member in complete liquidation of such Member’s Units, Section 1.704-1(b)(2)(iv)(m)(4) of the Treasury Regulations, to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Members in accordance with their interests in the Company in the event that Section 1.704-1(b)(2)(iv)(m)(2) of the Treasury Regulations applies, or to the Members to which such distribution was made in the event that Section 1.704-1(b)(2)(iv)(m)(4) of the Treasury Regulations applies.

**5.03 Curative Allocations.** The allocations set forth in Sections 5.02(a)-(e) and Section 5.04 (the “Regulatory Allocations”) are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Members that, to the extent possible, the Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction. Therefore, the Board of Managers shall make such offsetting special allocations of Company income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member’s Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of this Agreement and all Company items were allocated pursuant to Section 5.01.

**5.04 Loss Limitation.** If the allocation of Losses to a Member as provided in Section 5.01 would create or increase a Member’s Adjusted Capital Account Deficit, there shall be allocated to that Member only that amount of Losses as would not create or increase such a deficit. The Losses that would, absent the application of the preceding sentence, otherwise be

allocated to such Member shall be allocated to the other Members in proportion to the number of Units (including both vested and unvested Units) held by each of them, subject to the limitations of this Section 5.04.

## **5.05 Other Allocation Rules.**

(a) For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses, and any such other items will be determined on a daily, monthly or other basis (but no less frequently than once annually), as determined by the Board of Managers using any permissible method under Section 706 of the Code and the Treasury Regulations thereunder; provided that Profits, Losses, and such other items will be allocated at such times as the Book Values of the Company are adjusted pursuant to Section 1.07(b).

(b) The Members are aware of the income tax consequences of the allocations made by this ARTICLE 5 and hereby agree to be bound by the provisions of this ARTICLE 5 in reporting their shares of Company income and loss for income tax purposes.

(c) Except as otherwise provided in this Agreement, all items of Company income, gain, loss, deduction, and credit and any other allocations not otherwise provided for will be allocated among the Members in the same manner as is applicable to Profits and Losses for the fiscal year in question.

## **5.06 Allocations for Tax Purposes.**

(a) **General Rule.** Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Members in the same manner as its correlative item of “book” income, gain, loss or deduction is allocated pursuant to Section 5.01.

(b) **Section 704(c) Allocations.** Notwithstanding any provision of this Agreement to the contrary, in accordance with Section 704(c) of the Code and Treasury Regulation Section 1.704-1(b)(1)(vi), income, gain, loss and deduction with respect to any property contributed to the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted tax basis of such property and its initial Book Value. Similar principles shall apply with respect to property held by the Company at the time other property, cash, or services are contributed to the Company, in order to properly account for unrealized gain or loss with respect to such property. The Board of Managers shall choose any reasonable method under Treasury Regulation Section 1.704-3 for making allocations pursuant to Section 704(c) of the Code.

(c) **Effect of 754 Election.** All items of income, gain, expense, loss and deduction recognized by the Company for federal income tax purposes and allocated to the Members in accordance with the provisions hereof will be determined without regard to any election under Section 754 of the Code which may be made by the Company, provided, however, that such allocations, once made, will be adjusted as necessary or appropriate to take into account those adjustments permitted or required by Sections 734 and 743 of the Code.



(d) **Allocation of Tax Credits.** Allocations of tax credits, tax credit recapture, and any items related thereto shall be allocated to the Members according to their interests in such items as determined by the Board of Managers taking into account the principles of Section 1.704-1(b)(4)(ii) of the Treasury Regulations.

(e) **Allocation of Recapture Items.** In the event that the Company has taxable income in any fiscal year that is characterized as ordinary income under the recapture provisions of the Code and Treasury Regulations thereunder, each Member's distributive share of taxable gain or loss from the sale of Company assets (to the extent possible) shall include a proportionate share of this recapture income equal to that Member's share of prior cumulative depreciation deductions with respect to the assets which gave rise to the recapture income.

(f) **Allocations Solely for Tax Purposes.** Allocations pursuant to this Section 5.06 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, distributions or other Company items pursuant to any provision of this Agreement.

**5.07 Accounting Method; Fiscal Year.** The Profits and Losses of the Company shall, unless otherwise required under the Code or a different method of accounting is determined to be more appropriate for the Company's business by the Board of Managers, be determined on a cash basis and shall include gains or losses from the sale of Company assets. The Company also shall, unless otherwise required under the Code or a different method of accounting is determined to be more appropriate for the Company's business by the Board of Managers, report for income tax purposes on a cash basis. The fiscal year of the Company, for both accounting and tax reporting purposes, shall be the calendar year.

**5.08 Tax Information.** On or before the 90<sup>th</sup> day following the end of each fiscal year of the Company's existence, the Company shall cause each Member to be furnished with a federal (and state, where applicable) income tax reporting Schedule K-1 or its equivalent and any other information required for federal and state income tax reporting purposes with respect to the Company.

## **ARTICLE 6. DISTRIBUTIONS**

**6.01 Distributions of Available Cash.** Available Cash shall be distributed in the following order:

(a) First, on or before the first day of (i) June of each year and (ii) December of each year, to the extent the Company holds funds legally available therefor, the Board of Managers shall cause the Company to distribute to each holder of Profits Interest Units in proportion to the holders' respective ownership of Profits Interest Units as of the date of distributions, an amount equal to at least 30% of the Company's net income (determined in accordance with the Code) that was allocated to such holder for the sixth months prior to such distribution, less any distributions (other than a distribution required under this Section 6.01(a)) that were made to such holder in the prior distribution. In the event that the Company has insufficient funds to make the distributions contemplated by this Section 6.01(a) in full, such distributions shall be made in proportion to the amounts that would be distributed pursuant to this section assuming the Company had sufficient

funds to make such distributions in full, and any such shortfall in such distributions shall be made as soon as Company funds are available to make such distributions.

(b) Second, any Available Cash not distributed pursuant to Section 6.01(a) may be distributed to the Members, when and as determined by the Board of Managers, in proportion to the Members' respective ownership of Units in the Company as of the date of the distribution.

**6.02 Distributions in Kind.** The Company, at the discretion of the Board of Managers, may make distributions in kind. If the Board of Managers determines to make distributions in kind, all Members must accept distributions in kind as tenants in common in proportion to their respective ownership of Units in the Company as of the date of the distribution.

**6.03 Withholdings.** The Company is authorized to withhold from payments or distributions to any Member, or with respect to any allocation made with respect to any Member, and to pay over to any federal, state, or local government any amounts required to be so withheld pursuant to the Code or any provision of any other federal, state or local law. All amounts withheld pursuant to this Section 6.03 with respect to any payment, distribution or allocation to a Member shall be treated as amounts paid or distributed to such Member for all purposes of this Agreement and the Act.

## **ARTICLE 7. MANAGEMENT OF COMPANY**

**7.01 Management by Board of Managers.** Management of the Company shall be vested in the Managers as the members of the Board of Managers. Unless and until modified by the Members as set forth herein, the number of Managers to serve on the Board of Managers shall be two, who shall initially be Tamika Samson and LNG Capital II LLC. Notwithstanding anything contained herein to the contrary, the use of the phrase "Board of Managers" or the term "Managers" in the plural form shall not create any obligation to have more than a single Manager at any time to manage the Company unless and until the Members act to increase the number of Managers to serve on the Board of Managers. The number of Managers to serve on the Board of Managers may be increased or decreased by a Super-Majority Vote of the Members. A Manager need not also be a Member. A Manager may be (i) appointed or (ii) removed for Cause, in each case, by the Super-Majority Vote of the Members. In the event that all Managers of the Company have been removed from office or have otherwise ceased to be a Manager as provided in this ARTICLE 7, the business of the Company shall be under the exclusive management of the Members, as provided in Section 7.08, until the Members appoint at least one successor Manager. For purposes of clarification, to the extent that any seat on the Board of Managers is vacant at any time, such vacant seat shall not be counted as part of the total number of Managers for purposes of determining whether a Majority Vote or Super-Majority Vote has been achieved or whether a Quorum exists at such time.

**7.02 Tenure of Managers.** Each Manager shall serve for an indefinite period, except that: (a) a Manager may resign at any time by giving written notice to the Members at least 30 days prior to the effective date of the resignation; (b) a Manager who is a natural person shall cease to be a Manager upon his or her death or at such time as he or she is adjudicated incompetent; (c) a Manager who is a legal entity other than a natural person shall cease to be a Manager upon its dissolution or upon a change in the controlling ownership of such Person; (d) a Manager shall

cease to be a Manager at such time as the Manager files, or fails to successfully contest, a petition seeking liquidation, reorganization, arrangement, readjustment, protection, relief, or composition in any state or federal bankruptcy, insolvency, reorganization, or receivership proceeding; (e) a Manager may be removed by the Members as provided in Section 7.01; and (f) if a court of competent jurisdiction removes a Manager for cause, such Manager shall cease to be a Manager upon the date of such order.

**7.03 Authority of Managers.** Except such powers as are by statute or by this Agreement expressly vested solely in the Members, and subject to the purpose of the Company as stated herein, the Board of Managers shall have full power, authority, and discretion to manage and direct the Company's business, affairs, and properties, and may exercise all the powers of the Company, whether derived from law, the Certificate, or this Agreement, and, subject to Section 7.04, shall have the right, power and authority to do on behalf of the Company all things which are necessary or desirable to carry out the business of the Company, and no Member (in its capacity as a Member) shall have any of such powers or authority. Without limiting the generality of the foregoing in any manner, the Members acknowledge and agree that the Board of Managers' powers include, without limitation, the right, power and authority to cause the Company: to sell, exchange, or grant an option for the sale or exchange of all or any portion of the property of the Company; to invest and reinvest any available funds; to incur all reasonable expenditures; to employ and dismiss from employment any and all employees, agents, independent contractors, attorneys, and accountants; to lease all or any portion of any property for any purpose and without limit as to the term thereof; to borrow money, and as security therefor, to mortgage or grant security interests in all or any part of any Company property, to prepay in whole or in part, refinance, modify, or extend any indebtedness; to do any and all of the foregoing at such price, rental or amount, for cash, securities, or other property and upon such terms as the Board of Managers deems proper; to place record title to any property in the name of the Company; to qualify the Company to do business in any state, territory, dependency, or country; to make all decisions and take all actions in connection with the management and voting of securities and other direct and indirect ownership interests in other Persons (including subsidiaries) held by the Company; except as otherwise set forth in ARTICLE 5, to make all elections available to the Company under any federal or state tax law or regulation, including without limitation any election permitted by Section 754 of the Code and the Treasury Regulations promulgated thereunder, without any required consent of the Members; to file with the Division, and any other governmental authority or office thereof, any statement of authority pursuant to the Act (or its successor statute) consistent with this Agreement, and to amend, restate, or cancel any such statement of authority from time to time as circumstances dictate; to adjust, compromise, settle, or refer to arbitration any claim against or in favor of the Company or any nominee, and to institute, prosecute, and defend any legal proceeding relating to the business or property of the Company; to delegate all or any portion of the powers granted hereunder to one or more agents and attorneys-in-fact; and to execute, acknowledge and deliver any and all instruments to effectuate any and all of the foregoing.

**7.04 Limitation on Management Powers.** Notwithstanding the foregoing or anything to the contrary herein, the following actions may not be taken by the Board of Managers or the Company without the Majority Vote of the Members, which must be in writing:

- (a) create or issue any new class or series of Units or any other equity, equity-related, or performance-based security in the Company (including any securities or agreements that confer any right to acquire any Units or other equity securities in the Company) (whether issued directly for cash or services rendered or in connection with the issuance of any indebtedness, purchase price, or other consideration or any other obligation);
- (b) redeem or repurchase any Unit except in accordance with the terms of any profits interest grant agreement issued by the Company;
- (c) liquidate, dissolve or wind up the Company (except in accordance with Section 9.01), or sell, lease, transfer, or otherwise dispose of all or substantially all of the assets of the Company;
- (d) effect a reclassification, reorganization, or recapitalization of the outstanding Units;
- (e) declare or pay a distribution except as contemplated under this Agreement;
- (f) issue, incur, or guarantee any indebtedness over \$500,000;
- (g) effect the acquisition of another business or material assets through an asset acquisition, exclusive license, stock purchase, merger or otherwise for an amount in excess of \$5,000,000, or disposition of or grant of an exclusive license or lease to use any material assets of the Company, with an aggregate fair market value in excess of \$5,000,000, as determined in good faith by, and in the reasonable discretion of, the Board of Managers;
- (h) effect any public offering of any of the Company's securities;
- (i) set the salaries or wages of any employee, officer or Manager of the Company that is reasonably expected to annually earn greater than \$500,000 in aggregate compensation;
- (j) release or waive any debt or claim greater than \$500,000 in the aggregate;
- (k) make capital expenditures greater than \$500,000;
- (l) change the domicile of the Company; or
- (m) enter into any agreement to do any of the foregoing.

**7.05 Manner of Acting.** Unless specifically provided otherwise in this Agreement, all powers conferred upon the Board of Managers may be exercised by a Majority Vote of the Board of Managers. All actions authorized by the exercise of the powers of the Board of Managers may be effectuated by the action of any Manager on behalf of the Company, unless such authority is delegated by the Board of Managers only to a specific Manager(s). At any time there is an even number of Managers comprising the Board of Managers, the Board of Managers may adopt any reasonable procedure for breaking deadlocks; however, if no such procedure is in place at the time a deadlock occurs within the Board of Managers, the decision resulting in such deadlock shall be submitted to the Members at a special meeting of Members for resolution by the Majority Vote of the Members.

**7.06 Board of Advisors.** The Board of Managers may designate one or more, but no more than ten, Members to a Board of Advisors with which the Board of Managers may consult on matters affecting the business and operations of the Company and which the Board of Managers in its sole discretion deems important enough to warrant consultation. All decisions by the Board of Advisors shall be by Majority Vote of a Quorum present and voting, and all conduct by the Board of Advisors shall be as nearly as possible in the same manner as is provided in this ARTICLE 7 for the Board of Managers. Decisions of the Board of Advisors shall be advisory only and shall not be binding upon the Board of Managers or any officer of the Company.

**7.07 Bank Accounts.** The Company shall maintain checking or other accounts in such bank or banks as the Board of Managers shall determine.

**7.08 Management by Members.** At all times when there is not at least one Person acting as a Manager, all business of the Company shall be under the exclusive management of the Members, and all actions which are to or may be taken by or on behalf of the Company, or regarding the management of the Company, by the Managers of the Company, as provided herein or under the Act, shall be taken by the Members. In such case, a Majority Vote of the Members shall be necessary for all decisions affecting the Company, unless a greater voting threshold is required by this Agreement or the Act.

**7.09 Indemnification.** The Company shall indemnify, defend and hold harmless any Person who was or is a party or threatened to be made a party to any threatened, pending or completed action or suit, whether by or in the right of the Company or otherwise, by reason of the fact that such Person is or was a Manager or Member, against costs and expenses, including reasonable attorneys' fees, actually and reasonably incurred by the Person in connection with the action or suit if the Person acted in good faith and in a manner the Person reasonably believed to be in or not opposed to the best interests of the Company. The indemnification and advancement of costs and expenses shall not be construed to be exclusive of any other rights to which a Person seeking indemnification or advancement of costs and expenses may be entitled, and shall continue as to a Person who has ceased to be a Manager or Member and shall inure to the benefit of heirs, administrators and executors of such a Person. However, such indemnification shall not result in any liability of the Manager or Member to any third party, nor shall the Members be required to contribute capital to the Company for any indemnification payments set forth in this Section 7.09 should the assets of the Company not be sufficient to discharge such liability.

**7.10 Fiduciary Responsibilities.** Each Manager shall exercise all powers and perform all duties in good faith and shall act in all matters consistent with the duty of loyalty and the duty of care described in the Act, subject to the limitations and clarifications applicable to such fiduciary duties set forth in this Agreement. Except for the duty of loyalty and the duty of care described in the Act, as modified by this Agreement, no Manager shall have any fiduciary duty to the Company or its Members. Subject to Section 7.11 and Section 7.12, each Manager shall account to the Company and to the Members for any benefit, and hold, as trustee for the Company and the Members, any profits derived by such Manager from any transaction connected with the formation, conduct or liquidation and winding up of the Company or from any use by a Manager of Company property, and such duty extends to the personal representatives of any deceased Manager involved in the liquidation and winding up of the Company. No Manager shall be liable for any loss or depreciation in the value of the Company or any of its assets or business occurring by reason of error of judgment in making any sale, any investment or reinvestment, or any management, investment or business decision whatsoever, provided such loss or depreciation in value has not occurred through the actual fraud, gross negligence, or willful misconduct of such Manager or the knowing violation of law. A Manager may rely on the Company's records maintained in good faith and on information, opinions, reports, or statements received from any Person pertaining to matters that the Manager reasonably believes to be within the Person's expertise or competence.

**7.11 Self-Dealing.** Unless entered into in bad faith, no contract or transaction between the Company and one or more of its Managers, Members, officers, or employees, or between the Company and any other entity or other organization in which one or more of its Managers, Members, officers, or employees have a financial interest or are owners, managers, partners, directors, officers, or employees, shall be voidable solely for this reason or solely because such Manager, Member, officer, or employee was present or participated in the authorization of such contract or transaction. No Manager, Member, officer, or employee interested in such contract or transaction, because of such interest, shall be considered to be in breach of this Agreement or liable to the Company or any other Person for any loss or expense incurred by reason of such contract or transaction or shall be accountable for any gain or profit realized from such contract or transaction. Approval or ratification by a majority of the members of the Board of Managers having no interest in the transaction (or, if there are no disinterested Managers, by Members holding an aggregate of a majority of the Units held by all disinterested Members) constitutes conclusive evidence that such transaction is permitted under this section, but shall not be required.

**7.12 Permitted Transactions.** Each Manager and its Affiliates and other related parties may not directly compete with the Company, including with its present or planned business(es), activities, services, or products, without prior consent of, and continual accounting to, the Board of Managers. Additionally, a Manager may not accept a business opportunity for the Manager's own account or benefit, direct or indirect, that the Manager believes or has reason to believe the Company would accept if brought to its attention. Each such business opportunity must be disclosed to the Company. If a majority of the members of the Board of Managers having no interest in the proposed opportunity (or, if there are no disinterested Managers, Members holding an aggregate of a majority of the Units held by all disinterested Members) consent to the Company declining such opportunity, the Manager may pursue it for the Manager's own account. If the Manager fails to disclose the opportunity, the Manager will account to the Company for any income the Manager derives from the opportunity and will indemnify the Company for any loss the Company incurs as a result of the failure to disclose.

**7.13 Compensation to Managers.** The Managers shall be entitled to such compensation as the Board of Managers by Majority Vote deems appropriate, and such compensation shall remain in effect until modified by the Majority Vote of the Members. Managers may serve the Company in other capacities beyond their direct role as Manager (e.g., as employees or consultants) and shall be entitled to such compensation as the Board of Managers by Majority Vote deems appropriate.

**7.14 Time and Attention Required of Managers.** The parties understand that the Managers may have other business activities that take a substantial portion of their time and attention. Accordingly, each Manager, unless otherwise provided by a separate agreement between such Manager and the Company, is required to devote to the business of the Company only the time and attention that such Manager shall deem necessary in such Manager's sole discretion.

**7.15 Reimbursement of Expenses.** The Company will reimburse a Member or Manager for reasonable out-of-pocket expenses properly incurred while acting within the scope of the Member or Manager's authority (collectively "Reimbursable Expenses"). Reimbursable Expenses include, without limitation, accounting, tax, legal, and bookkeeping expenses. Expenses out of the ordinary course of business may require prior approval of the Board of Managers. Once approved by the Board of Managers, Reimbursable Expenses shall have priority over all other distributions to Members. If Reimbursable Expenses are not reimbursed within 30 days after demand therefor, such amounts shall become debts of the Company bearing interest at the rate of 3.5% per annum.

**7.16 Tax Matters Partner.** The Board of Managers may, at any time, designate a Member as the Tax Matters Partner at any time, subject to applicable regulations.

**7.17 Company Books.** The Board of Managers shall maintain and preserve, during the term of the Company, and for five years after the filing date of the final tax return for the Company after its dissolution, all accounts, books, and other relevant Company documents. Upon reasonable request made not less than ten days prior to the inspection, each Member shall have the right, during ordinary business hours, to inspect and copy such Company documents at the requesting Member's expense; provided, however, that the Company shall be obligated to provide for inspection only those records that are relevant and material, as determined in good faith by the Board of Managers, to such Member's interest as a member of the Company. Any and all records (and all copies thereof on any media whatsoever) shall be kept strictly confidential by the Member. The breach or threatened breach of the Member's confidentiality obligation hereunder shall justify the Board of Managers in declining any record inspection request made by such Member.

#### **7.18 Officers.**

(a) The Board of Managers may from time to time appoint officers of the Company, including a Chairman of the Board, a Chief Executive Officer, a President, a Secretary, a Chief Financial Officer, a Chief Operating Officer, a Chief Technology Officer and such other officers and assistant officers, as the Board of Managers may determine. Unless the Board of Managers otherwise decides, if the title is one commonly used for officers of a business corporation, the assignment of such title shall constitute the delegation to such officer of the authority and duties that are normally associated with that office, subject to any specific restriction or delegation of authority and duties made to such officer by the Board of Managers pursuant to

this Section 7.18. Third parties may rely upon the authority of any officer to act without being required to inspect this Agreement or otherwise make inquiry with respect to the power of an officer to act. No officer need be a Member or a Manager. Each officer shall hold office until such officer's successor shall be duly designated and shall qualify or until such officer's death or until such officer shall resign or shall have been removed in the manner hereinafter provided. The salaries or other compensation, if any, of the officers and agents of the Company shall be fixed from time to time by the Board of Managers.

(b) The initial officers of the Company are:

Tamika Samson	Chief Executive Officer
Taylor Weaver	Chief Operations Officer

(c) Any officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Board of Managers or any Manager. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any officer may be removed as such, either with or without cause, by the Board of Managers whenever in its judgment the best interests of the Company shall be served thereby; provided, however, that such removal shall be without prejudice to the contract rights, if any, of the individual so removed. Designation of an officer shall not of itself create contract rights. Any vacancy occurring in any office of the Company may be filled by the Board of Managers.

**7.19 Quorum.** At all meetings of the Board of Managers, the presence of a Quorum will be necessary and sufficient to constitute a quorum for the transaction of business. If a Quorum will not be present at any meeting of the Board of Managers for which notice was properly given, the Managers present will adjourn the meeting and will notify those Managers not in attendance of the time of the reconvened meeting and of any facilities to be made available to allow the participation in such meeting by telephone conference of all Managers not able to attend physically. Any Manager that is an entity shall act with respect to Board of Manager business by and through its authorized representative.

**7.20 Actions by Written Consent.** Any action required or permitted to be taken at any meeting of the Board of Managers may be taken without a meeting, without prior notice, and without a vote, if a consent in writing, setting forth the action so taken, is signed by Managers having at least the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Managers were present and voting. A facsimile or similar electronic reproduction of a writing signed by a Manager will be regarded as signed by the Manager for purposes of this Section 7.20.

**7.21 Meetings of the Board of Managers.** Meetings of the Board of Managers will be held as determined by the Board of Managers. Meetings of the Board of Managers may be called by the Chairman of the Board (if any), by the Chief Executive Officer, or by the Majority Vote of the Managers. Notices of meetings will be given to the Managers not later than twenty-four (24) hours before the meeting is to be held, unless a Majority Vote of the Managers approves a shorter notice period. Managers may participate in and hold a meeting by means of conference telephone



or similar communication equipment by means of which all persons participating in the meeting can hear each other, and participation in such meeting will constitute attendance and presence in person at such meeting.

## **ARTICLE 8. TRANSFER OF UNITS**

**8.01 General Restrictions on Transfer.** No Member may Transfer any Units except as provided in this ARTICLE 8 and under the terms of any agreement pursuant to which the Member acquired its Units. The Company and its Managers and Members shall be entitled to treat the record owner of Units as the absolute owner thereof in all respects, and shall incur no liability for distributions of cash or other property made in good faith to such owner until, subject to compliance with this ARTICLE 8, such time as a written assignment of such Units has been received and accepted by the Board of Managers and recorded on the books of the Company. The Board of Managers may refuse to accept and record an assignment until the end of the quarterly accounting period of the Company during which such assignment is delivered to the Company. The transfer restrictions, rights of first refusal, and other provisions of this ARTICLE 8 may be waived, in whole or in part, only with the Super-Majority Vote of the Board of Managers; provided that the right of first refusal held by the Members may be waived in its entirety on behalf of all of the Members only by Members holding an aggregate of two-thirds of the Units that are not the subject of the proposed Transfer. **NO ATTEMPTED TRANSFER SHALL BE EFFECTIVE OR RECOGNIZED BY THE COMPANY OR THE MEMBERS UNTIL ALL REQUIREMENTS OF THIS AGREEMENT, INCLUDING THIS ARTICLE 8, HAVE BEEN SATISFIED.**

**8.02 Permitted Transfers.** The following Transfers shall be permitted without compliance with Section 8.04 hereof, but shall be subject to the requirements of Section 8.03 hereof:

(a) All but not less than all of a Member's Units may be Transferred from time to time in connection with a merger, consolidation, or sale of all or substantially all of the Company's assets.

(b) All or any portion of a Member's Units may be Transferred from time to time in a Permitted Transfer.

**8.03 Requirements for Transfer.** Every Transfer, including Permitted Transfers (except as stated otherwise below), shall be subject to the following requirements:

(a) The Member transferring its Units (the "Transferor") shall provide written notice of the proposed Transfer to the Company that includes, among other things, (i) the number and class of Units proposed to be Transferred, (ii) the name, address, tax information and similar information of the proposed transferee, and (iii) the terms applicable to such proposed Transfer, including but not limited to the purchase price and the nature and timing of its payment for the Units proposed to be Transferred hereby (the "Transfer Notice");

(b) The Transferor shall establish to the satisfaction of the Board of Managers that the proposed Transfer will not cause or result in a breach of any agreement binding upon the Company or any violation of law, including without limitation, federal or state securities laws, and that the proposed Transfer would not (i) cause the Company to be an investment company as

defined in the Investment Company Act of 1940, as amended, or (ii) require the registration of the Company's securities under federal securities laws; and the Company may require an opinion of counsel from counsel acceptable to the Company that the proposed Transfer would constitute a transaction that is exempt from the registration requirements of all applicable federal and state securities laws.

(c) The Transferor shall establish to the satisfaction of the Board of Managers that the proposed Transfer would not (i) adversely affect the classification of the Company as a partnership for federal or state tax purposes, (ii) have a substantial adverse effect with respect to federal income taxes payable by the Company or Members holding a majority of the Units, or (iii) if applicable, cause the Company to fail to qualify for any applicable regulatory safe harbor from treatment as a publicly traded partnership treated as a corporation under Section 7704 of the Code; and

(d) The transferee shall execute a counterpart of this Agreement and such other documents or instruments as may be required by the Board of Managers to reflect the provisions hereof, and the Transferred Units shall continue to be subject to all restrictions under this Agreement.

All costs of complying with the requirements of this Section 8.03, including but not limited to the costs of a review of the matter by counsel for the Company, shall be borne by the Transferor and/or transferee. Until the requirements set forth in this Section 8.03 are satisfied, the Company need not recognize the transferee for any purpose under this Agreement. Furthermore, notwithstanding compliance with the requirements of this ARTICLE 8, until the transferee is admitted as a Member of the Company pursuant to Section 8.07, the transferee shall be treated as and shall only have the rights of an assignee.

**8.04 Right of First Refusal on Transfers by Members.** Subject to Section 8.13 and the requirements of Section 8.03, a Member may Transfer all or part of such Member's Units if such Member (the "Offeree") receives a written offer (an "Offer") made in good faith by a third party (the "Offeror") to purchase such Units (the "Offered Units") for cash or cash equivalents, notes or other readily marketable funds or securities, and the Offeree gives first to the Company and second to each of the Members a right of first refusal to purchase all or part of the Offered Units on the same terms and conditions as are stated in the Offer, as provided herein (as applicable to the Company and the Members, the "Right of First Refusal"). The Offer shall be bona fide, shall be the result of arms-length negotiations between the Offeree and the Offeror and shall set forth the name of the Offeror, the Units to be Transferred, the price and other terms of the Offer and any other relevant material information available regarding the proposed Transfer.

(a) Procedure. The Offeree shall provide a written notice of the Offer (including a copy of the Offer) to the Company, and the Company shall deliver copies of the Offer to the Members that include a summary of the terms and conditions of the Offer (the "Offer Notice"). For 30 days following receipt of the Offer Notice, the Company shall have the right to purchase all or any part of the Offered Units on the same terms and conditions set forth in the Offer Notice. If the Company fails to exercise its Right of First Refusal, in whole or in part, then following the expiration of such 30-day period, each Member (other than the Offeree) shall have the right to purchase (on the terms and conditions set forth in the Offer Notice) a proportionate share of the

Offered Units that remain available. Each Member (other than the Offeree) may elect to exercise its Right of First Refusal by providing the Offeree and the Company a responding notice within 20 days of receipt of the Offer Notice that includes the classes and numbers of Units for which such Member desires to exercise its Right of First Refusal. A failure by a Member to respond within such 20-day period shall be deemed to be a waiver of such Member's Right of First Refusal, and right to participate in the sale of Units, relating to the Offer Notice in question. If any Member waives, in whole or in part, such Member's Right of First Refusal, such unexercised right, or portion thereof, to which such waiver applies shall inure proportionately to other Members, and such other Members shall have an additional ten days to purchase such portions of the Offered Units.

(b) Closing of an Exercise of a Right of First Refusal. If the Company and/or the Members collectively exercise the option to purchase all or any part of the Offered Units, the closing of such purchase shall take place at the offices of the Company at a time mutually agreed upon by the Offeree, the Company, and, if applicable, the Members exercising the Right of First Refusal, but, unless otherwise agreed upon, no later than the 30<sup>th</sup> business day after the expiration of the last election period referenced above.

(c) Transfer. If the Company and the Members do not collectively exercise their respective Rights of First Refusal for the purchase of all of the Offered Units, the Offeree may sell all or any portion of the Offered Units as are not sold pursuant to the Right of First Refusal to the Offeror upon the terms and conditions set forth in the Offer Notice (or other terms and conditions no more favorable to the Offeror); provided that (i) such sale is concluded within 90 days after the expiration of the Right of First Refusal relating thereto, and (ii) the Offeror complies with all of the provisions of Section 8.03. If such sale is not concluded during such 90-day period, the Offeree may not Transfer such Units unless such Offeree again complies with the provisions of this Section 8.04.

**8.05 Involuntary Transfer.** If any of the Units shall be levied upon, sequestered, administered by a receiver or a trustee in bankruptcy, sold or proposed to be sold in foreclosure or execution or under any power of sale contained in a note or loan agreement, or by operation of law (including without limitation a Transfer occurring upon death, unless such Transfer qualifies as a Permitted Transfer), the holder of such Units (the "Involuntarily Transferring Holder") shall give the Company prompt written notice of such occurrence.

(a) Purchase Rights. Upon any such involuntary Transfer of Units, and without relieving the Involuntarily Transferring Holder of any obligations or liability hereunder arising from such Transfer, the Company shall have the option to purchase any of such Units, which purchase right shall be exercisable during the period beginning upon the date of such involuntary Transfer and ending on (but including) the date that is 30 days after the Board of Managers receives notice in writing of such Transfer. Such option, if exercised by the Company, shall be exercised by delivering written notice of the Company's intention to purchase such Units to all Members and the Involuntarily Transferring Holder or its legal representative. If the Company does not exercise its option to purchase the Units or purchases less than all of the Units, the Members, or any one of them, shall have the option to purchase any remaining Units of the Involuntarily Transferring Holder for a period of 30 days following the earlier to occur of the termination or exercise of the Company's option to purchase the Units. Such option, if exercised by any Member,

shall be exercised by delivering written notice of the purchasing Member's intention to purchase such Units to all Members, the Involuntarily Transferring Holder or its legal representative, and the Managers. In exercising their right to purchase, the purchasing Members may divide the Units to be purchased in any manner to which they all agree. In the absence of unanimous agreement, the Units to be purchased shall be divided among the Members electing to purchase the available Units in proportion to their relative ownership interest in the Company (based on the respective Units of all electing Members) as of the date the notice described in Section 8.05 was given to the Company. If a party fails to give notice to the appropriate parties within the applicable period of such party's election to purchase the Units that such party is entitled to purchase pursuant to this Section 8.05, such party shall be deemed to have elected not to exercise such party's purchase option.

(b) Purchase Price. The purchase price for the Units of the Involuntarily Transferring Holder shall be the fair market value of the Units being transferred. The fair market value shall be the value mutually agreed upon by the Involuntarily Transferring Holder or its legal representative and the purchasing parties. In the event that such parties cannot agree on the fair market value of the interest in the Company, then the purchasing parties (as a group) and the Involuntarily Transferring Holder shall each appoint and bear the cost of their own appraiser. In the event the appraisers so appointed are unable to mutually agree upon the fair market value of the interest in the Company, then the appraisers shall appoint a third appraiser and the decision of the third appraiser so appointed shall be binding upon all interested parties. The purchasing parties, on the one hand, and the Involuntarily Transferring Holder, on the other hand, shall each bear one-half of the fees and other costs of the third appraiser.

(c) Closing. The closing of a purchase and sale under this Section 8.05 shall occur on or before the 90<sup>th</sup> day following the effective date of the notice by which a party elects to purchase such Units. The purchase price shall be paid to the Involuntarily Transferring Holder or its legal representative upon such terms and conditions as are mutually agreed to by the parties. In the event the parties are unable to agree upon mutually acceptable terms and conditions, then the purchase price shall be paid as follows: 30% of such price to be paid in cash upon the closing and the remaining portion of the purchase price to be paid in equal annual amounts over a period of five years, with the first payment due on the one-year anniversary of the closing. The unpaid portion of the purchase price shall be evidenced by and repaid pursuant to the terms and conditions of a promissory note. The unpaid principal balance of such note will bear interest at a rate of 10% per annum, may be prepaid without penalty by the note's maker, and will be secured by the pledge of the Units being purchased.

(d) Unpurchased Units. If the Company and the Members, as a group, do not purchase all of the Units subject to such involuntary Transfer, any remaining Units may be Transferred to a third party; provided, however, that any such Transfer shall only occur if such third party complies with the provisions of this Agreement. All such Units shall remain subject to the terms and conditions of this Agreement.

**8.06 Inactive Members.** Any holder of Units which (i) for a period of at least 365 consecutive days, is unable or unwilling to comply with such holder's responsibilities in relation to the Company, whether set forth in this Agreement or any other agreement, and (ii) fails to cure or dispute such non-compliance within 30 days of notice from the Company detailing with

specificity such non-compliance, shall be subject to the Company's purchase rights as set forth in Section 8.05(a)–8.05(c). In the event of a dispute of holder's duties, and subject to any additional agreements, the Company may negotiate a reduction in the holder's responsibilities in relation to the Company in exchange for the purchase of less than all of the holder's Units.

**8.07 Additional Members.** Transferees may be admitted to the Company as Members only with the unanimous consent of the Board of Managers, the granting or denial of which shall be within their sole and absolute discretion. The provisions of this section shall not apply to Persons that acquire Units directly from the Company.

**8.08 "Market Stand-Off" Agreement.** Each Member hereby agrees that such Member shall not sell, Transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any Units or any other securities of the Company held by such Member (other than those included in the registration) for a period specified by the representative of the underwriters of Units or other securities of the Company not to exceed 180 days following the effective date of a registration statement of the Company filed under the Securities Act; provided that (i) such agreement shall apply only to the Company's first underwritten offering of its securities to the general public pursuant to filing a registration statement; and (ii) all officers and Managers of the Company and holders of at least 1% of the Company's Units enter into similar agreements. Each Member agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Units or any other securities of the Company, each Member shall provide, within 30 days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 8.08 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration statement relating to any employee benefit plan or with respect to any corporate reorganization or other transaction under Rule 145 of the Securities Act. The Company may impose stop-transfer instructions with respect to the shares of Units or other securities of the Company subject to the foregoing restriction until the end of said 180-day period.

**8.09 Effect of Transfer.**

(a) If the transferee is admitted as a Member or is already a Member, the Member Transferring its Units shall be relieved of liability with respect to the Transferred Units arising or accruing under this Agreement on or after the effective date of the Transfer, unless the Transferor affirmatively assumes such liability; provided, however, that the Transferor shall not be relieved of any liability for prior distributions and unpaid Capital Contributions, if any, unless the transferee affirmatively assumes such liabilities.

(b) If a Transferee is not admitted as a Member, such Transferee shall be entitled to receive the allocations and distributions attributable to the Transferred Units, but such Transferee shall not be entitled to inspect the Company's books and records, receive an accounting of the Company's financial affairs, or otherwise take part in the Company's business or exercise

the rights (including without limitation voting rights) of a Member under this Agreement or the Act. For purposes of any vote requiring the approval or disapproval of Members holding a particular percentage of the Units, any Unit held by a Transferee shall be deemed not to be outstanding.

(c) Any Person who acquires in any manner any Units, whether or not such Person has accepted and assumed in writing the terms and provisions of this Agreement or been admitted as a Member, shall be deemed by the acquisition of such Units to have agreed to be subject to and bound by all of the provisions of this Agreement with respect to such Units, including without limitation the provisions of ARTICLE 8 with respect to any subsequent Transfer of such Units.

(d) If a Member Transfers less than all of such Member's Units, the Member's rights with respect to the transferred Units, including but not limited to the right to vote or otherwise participate in the Company's governance and the right to receive distributions, will terminate as of the effective date of the Transfer. If the Member Transfers all of such Member's Units, all of such Member's rights as a Member under this Agreement shall terminate upon such Transfer. Notwithstanding the foregoing, the Member will remain liable for any obligation with respect to the Transferred Units that existed prior to the effective date of the Transfer, including but not limited to any costs or damages resulting from the Member's breach of this Agreement.

**8.10 Prohibited Transfers.** Any Transfer in violation of any provisions of this Agreement shall be null and void and ineffective to Transfer any Units and shall not be binding upon or be recognized by the Company, and any such transferee shall not be treated as or deemed to be a Member for any purpose. In the event that any Member shall at any time attempt to Transfer Units in violation of any of the provisions of this Agreement, the Company and the other Members, in addition to all rights and remedies at law and equity, shall have and be entitled to an order restraining or enjoining such transaction, it being expressly acknowledged and agreed that damages at law would be an inadequate remedy for a Transfer in violation of this Agreement.

**8.11 Change of Control in Entity Members.** Unless first approved in writing by the Board of Managers, a change in 50% or more of the equity ownership (or any other change in the controlling interest) of a Member that is a corporation, limited liability company, general partnership, limited partnership, or other entity, occurring by way of a single transaction or a series of related transactions, shall be considered a Transfer for purposes of ARTICLE 8, shall trigger the rights of first refusal set forth therein (with a purchase price equal to the Capital Account balance of such Member as of the date of such change in equity ownership), and shall result in such Member automatically becoming a Transferee upon such change in equity ownership or control. Furthermore, each Member that is an entity agrees not to cause or allow any direct or indirect change in the ownership of the equity interests of such Member without the prior written consent of the Board of Managers, which consent may be granted or withheld by the Board of Managers in its sole discretion, and any such direct or indirect change in the ownership of the equity interests of such Member shall be considered a Transfer for purposes of ARTICLE 8, shall trigger the rights of first refusal set forth therein (with a purchase price equal to the Capital Account balance of such Member as of the date of such direct or indirect change in the ownership of such Member's equity interests), and shall result in such Member automatically becoming a Transferee upon such direct or indirect change in the ownership of such Member's equity interests.

**8.12 Redeeming Units.** Without limiting the Company's rights related to the redemption of Units as set forth in any separate agreement between the Company and a Member, outstanding Units may be redeemed by the Company from time to time on such terms and subject to such conditions as the Board of Managers and the Member holding the applicable Units deem appropriate under the circumstances at such time. Each Member specifically acknowledges and agrees that no redemption by the Company of any Unit shall in any way create any right of redemption with respect to (a) any other Unit held by the redeeming Member or Transferee or (b) any Unit held by any other Member or Transferee.

**8.13 Encumbrances.** Notwithstanding the foregoing provisions of this ARTICLE 8 or anything else to the contrary in this Agreement, no Member may pledge, hypothecate, grant a security interest in, grant a lien on, or otherwise encumber any Units unless approved by the Super-Majority Vote of the Board of Managers. Any purported attempt to create any security interest, lien, or other encumbrance upon any Unit, voluntarily or involuntarily, without first complying with the provisions of this Section 8.13 shall be void and of no effect.

## **ARTICLE 9. DISSOLUTION, WINDING UP AND CANCELLATION**

**9.01 Events Causing Dissolution.** The Company shall be dissolved and its affairs shall be wound up when any one or more of the following occurs:

- (a) approval by the unanimous vote of the Board of Directors;
- (b) an event of dissolution under Section 701(3) of the Act; or
- (c) the entry of a decree of judicial dissolution under the Act.

### **9.02 Method of Winding Up and Cancellation.**

(a) Upon the occurrence of any event causing dissolution as provided in Section 9.01, the Company shall immediately commence to liquidate and wind up its affairs in accordance with the Act. The Members shall continue to share Profits and Losses during the period of liquidation and winding up in the same proportions as before commencement of winding up and dissolution.

(b) The proceeds from the liquidation and winding up shall be applied in the following order:

(i) To creditors of the Company, including Members who are creditors, to the extent permitted by law, in the order of priority as provided by law, in satisfaction of liabilities of the Company other than those liabilities to Members on account of their contributions or on account of a Member's withdrawal from the Company or pursuant to a withdrawal of capital.

(ii) To all Members in proportion to their relative positive Capital Account balances; provided, however, that distributions made pursuant to this Section 9.02(b)(ii) shall in all cases take into account any adjustments to the Capital Accounts of the Members required under any other provision of this Agreement, the Code, or any guidance issued by the IRS, as determined by the Board of Managers in its reasonable discretion, to ensure that any

Member holding Profits Interest Units (A) receives in respect of such Profits Interest Units amounts economically earned by the Company after receipt of such Profits Interest Units by such Member, and (B) does not with respect to such Profits Interest Units share in any amount that would have been distributed by the Company if, immediately after the receipt of such Profits Interest Units by such Member, the Company's assets were sold for their fair market values (the aggregate fair market value of the Company's assets at the time of the grant of each Profits Interest Unit is hereinafter referred to as the "Threshold Value") and the proceeds (net of any liabilities of the Company) were then distributed in a complete liquidation of the Company. The Members and Board of Managers hereby acknowledge that the Threshold Value applicable to all Profits Interest Units shall be as set forth in the applicable profits interest unit grant agreement between the Company and each grantee of Profits Interest Units.

For purposes of determining the amount of such distributions, all readily marketable Company assets shall be sold for cash and the remainder of the assets shall be valued by the liquidator at their then fair market value.

**9.03 Other Distributions.** When all debts, liabilities, and obligations of the Company have been paid or discharged, or adequate provision has been made to do so, and all of the remaining property and assets of the Company have been distributed to the Members, a Statement of Dissolution may be executed and filed with the Division as permitted by the Act.

## **ARTICLE 10. CONFIDENTIALITY**

**10.01 Confidentiality.** Each party to this Agreement recognizes and acknowledges that it may receive certain confidential and proprietary information of the Company and its Affiliates, including without limitation (i) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, software, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques; (ii) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers and potential suppliers and customers; (iii) information regarding the skills and compensation or employment terms of employees of the Company; and (iv) all information disclosed by or on behalf of the Company pursuant to Section 7.17 of this Agreement or the Act (collectively the "Confidential Information"). Each party to this Agreement (on behalf of itself and, to the extent that such party would be responsible for the acts of the following Persons under principles of agency law, its Affiliates and the directors, officers, shareholders, partners, employees, agents, managers, and members of such Person and of its Affiliates) agrees that it will not, during or after the term of this Agreement, whether through an Affiliate or otherwise, disclose any Confidential Information to any Person for any reason or purpose whatsoever, except (i) to an Affiliate, provided that such Affiliate agrees to be bound by confidentiality requirements substantially similar to the provisions of this ARTICLE 10, (ii) to authorized representatives and employees of the Company and as otherwise may be proper in the course of performing such party's obligations, or enforcing such party's rights, under this Agreement; (iii) as part of such party's normal reporting or review procedure, or in connection with such party's or its Affiliates' normal marketing, informational or reporting activities, or to such party's (or any of its Affiliates') auditors, attorneys or other agents; (iv) to any bona fide prospective purchaser of the equity or assets of such party or its Affiliates or the Units held by such party, or prospective merger partner of such party or its Affiliates, provided



that such purchaser or merger partner agrees to be bound by confidentiality requirements substantially similar to the provisions of this ARTICLE 10; (v) as is required to be disclosed by order of a court of competent jurisdiction, administrative body or governmental body, or by subpoena, summons or legal process, or by law, rule or regulation, provided that the party required to make such disclosure shall, to the extent permitted by law, provide to the Board of Managers prompt notice of any such disclosure; or (vi) in connection with (and then only to the extent required for) the preservation, exercise or enforcement of such party's rights. For purposes of this ARTICLE 10, Confidential Information shall not include any information: (x) of which such Person (or its Affiliates) became aware prior to its affiliation with the Company, (y) of which such Person (or its Affiliates) learns from sources other than the Company, which sources do not have a duty or obligation of confidentiality with respect to such information, or (z) which is disclosed in a prospectus or other documents available for dissemination to the public.

**10.02 Remedies.** If any party to this Agreement breaches, or threatens to commit a breach of, any of this ARTICLE 10, the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity:

(a) the right and remedy to have the terms of this ARTICLE 10 specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of this ARTICLE 10 would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company; and

(b) the right and remedy to require such breaching party to account for and pay over to the Company any profits, monies, accruals, increments or other benefits derived or received by such party as the result of any transactions constituting a breach of this ARTICLE 10.

Nothing in this ARTICLE 10 shall in any way limit or otherwise modify any confidentiality covenants entered into by any Member in any other agreement entered into with the Company.

## **ARTICLE 11. MISCELLANEOUS**

**11.01 Merger; Interest Exchange; Conversion; Change of Jurisdiction.** Provided that the Members by Super-Majority Vote and the Board of Managers have consented to such transaction, the Company may enter into an agreement and perform the actions required to complete (a) a merger or interest exchange with a corporation or other entity, (b) convert to a corporation or other type of entity, or (c) change the governing law applicable to the Company to a jurisdiction other than the Commonwealth of Massachusetts. If the Company merges with a corporation or other entity, Units of the Company are exchanged for stock in a corporation or interests in another entity, or any other substantially similar transaction occurs whereby Members of the Company receive stock in a corporation or an interest in another entity in exchange for their Units, the rights of the Members in the new entity shall be as agreed by a Super-Majority Vote of the Members.

**11.02 Investment Representations.** In acquiring any Units in the Company, each Member represents and warrants to the Company and the other Members that such Member is

acquiring such Units for such Member's own account for investment and not with a view to their sale or distribution. All of the Members recognize that the investments contemplated by the Company may be speculative and may involve substantial risk. Each Member further represents and warrants that the Company has not made any guaranty or representation upon which the Member has relied concerning the possibility or probability of profit or loss as a result of such Member's acquisition of Units. Furthermore, the Members recognize that: (a) the Units have not been registered under the Securities Act of 1933 or qualified under state securities laws in reliance upon an exemption from such registration and qualification requirements, (b) a Member may not be able to sell, offer for sale, transfer, pledge or hypothecate such Member's Units in the absence of an effective registration statement covering such interest under applicable federal and state securities laws unless such sale, offer of sale, transfer, pledge or hypothecation is exempt from registration thereunder (in addition to the other restrictions hereunder), (c) the Company has no obligation to register any Units for sale, or to assist in establishing an exemption from registration for any proposed sale, and (d) the restrictions on transfer may severely affect the liquidity of a Member's investment.

**11.03 Notices.** Except as expressly set forth to the contrary in this Agreement, all notices, requests, or consents required or permitted to be given under this Agreement must be in writing and shall be deemed to have been received (i) three days after the date mailed by registered or certified mail, addressed to the recipient, with return receipt requested, (ii) upon delivery to the recipient in person or by courier, or (iii) upon receipt of an email transmission from the recipient confirming the receipt of any notice sent to the recipient by email. Such notices, requests and consents shall be given (a) to Members at their mailing addresses or email addresses on Exhibit A, or such other mailing or email address as a Member may specify by notice to the Company, or (b) to the Company or the Managers at the address of the Company's principal place of business. Whenever any notice is required to be given by law, the Certificate, or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

**11.04 Entire Agreement, Amendments.** This Agreement embodies the entire understanding among the parties hereto concerning the Company and their relationship as Members and Managers and supersedes all prior negotiations, understandings, or agreements. This Agreement and the Certificate each may be amended or modified from time to time only by a written instrument adopted, executed, and agreed to by the Super-Majority Vote of the Members; provided, however, that (a) without limiting the requirement for such Member approval, an amendment or modification (i) reducing disproportionately a Member's Units or other interest in Profits or Losses or in distributions, (ii) eliminating the limited liability of a Member, or (iii) increasing a Member's obligation to contribute to the capital of the Company shall be effective only with that Member's consent, and (b) an amendment or modification reducing the required voting threshold for any consent or vote in this Agreement shall be effective only with the consent or vote of Members having the Units theretofore required. Notwithstanding the foregoing or anything to the contrary herein, provided such new Members have become party to this Agreement through the execution of either a counterpart signature page hereto or a joinder agreement in a form acceptable to the Board of Managers, the Board of Managers may amend Exhibit A hereto to reflect the admission of new Members and/or the change of notice information set forth thereon without the consent of the Members. Any amendment effected pursuant to this Section 11.04 shall

be binding upon all Members, Transferees, and their respective successors regardless of whether such Member, Transferee, or successor entered into or approved such amendment.

**11.05 Third Party Beneficiaries.** The provisions of this Agreement are not intended to be for the benefit of any creditor or other Person to whom any debts or obligations are owed by, or who may have any claim against, the Company or any of its Members or Managers, except for the Members or Managers in their capacities as such. Notwithstanding any contrary provision of this Agreement, no such creditor or Person shall obtain any rights under this Agreement or shall, by reason of this Agreement, be permitted to make any claim against the Company or any Member or Manager.

**11.06 Interpretation.** The feminine includes the masculine and the neuter, the singular includes the plural, and vice versa, as the context may require. The headings in this Agreement are included solely for convenience of reference and shall not be construed as limiting or in any other way modifying the text of the Agreement.

**11.07 Execution of Further Instruments.** The Members shall cooperate with each other in good faith to accomplish the objectives and purposes hereof and to that end, from time to time, they shall make, execute and deliver such other and further instruments as may be necessary or convenient in the fulfillment of this Agreement.

**11.08 Agreement to be Binding.** This Agreement shall be governed by the laws of the State of Massachusetts without regard for any applicable provision or principle regarding conflict of laws, and shall inure to the benefit of and shall be binding upon the Company and each of the Members and their respective personal representatives, executors, heirs, successors and assigns and upon each Manager acting in such capacity hereunder.

**11.09 Tax Consequences.** Each Member has reviewed with his or her own tax advisors the U.S. federal, state, local, and foreign tax consequences of this Agreement. With respect to such matters, such Member relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Each Member understands that such Member (and not the Company) shall be responsible for such Member's own tax liability that may arise as a result of this Agreement.

**11.10 Representations and Warranties.** Each Member hereby represents and warrants to the other parties hereto that (a) such Member has full right and authority to enter into, execute, and deliver this Agreement without the consent of any third party or other consent or approval, (b) this Agreement will not violate, breach, or conflict with any other agreement such Member may have with any third party, and (c) this Member constitutes the legal, valid, and binding obligation of such Member, enforceable in accordance with its terms.

**11.11 Dispute Resolution.** Any dispute arising out of or related to this Agreement, or the breach thereof, which cannot be settled through negotiation within fifteen (15) days of the date of delivery of a notice of dispute by one party, shall be resolved by mediation administered by the American Arbitration Association ("AAA") governed by its Commercial Mediation Rules then in effect. If no resolution is reached after two (2) full days of mediation, then the dispute shall be settled by arbitration administered by the AAA governed by its Commercial Arbitration Rules then

in effect. The venue for mediation and arbitration shall be in the Boston, MA (or successor) office of the AAA. The arbitration shall be conducted by one neutral arbitrator (admitted to practice law in Massachusetts and experienced in intellectual property litigation) mutually agreed upon by the parties in writing, or in the event of no such agreement, one neutral arbitrator selected by the AAA. The decision by the arbitrator (and/or award) shall be final and binding on the parties and judgment on the decision (and/or award) may be entered by any court having jurisdiction thereof; provided, however, that such decision shall not be binding unless rendered pursuant to a written reasoned opinion containing findings of fact and conclusions of law. All reasonable fees and expenses of the mediators and arbitrators, all reasonable fees and expenses of the lawyers, and any of the arbitration fees and/or court costs resulting from the arbitration and any related court proceedings will be allocated in proportion to each party's relative success.

**11.12 Legal Representation.** Each of the parties hereto acknowledges and agrees that it had the right and opportunity to seek independent legal counsel of its own choosing in connection with the execution of this Agreement, and each of the parties represents that it has either done so or that it has voluntarily declined to do so, free coercion, duress or fraud.


**11.13 Severability.** If any provision of this Agreement or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

**11.14 Waiver of Rights.** Except as specifically provided otherwise in this Agreement, no right under this Agreement may be waived except by an instrument in writing signed by the Person sought to be charged with the waiver.

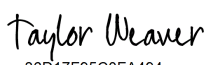
**11.15 Counterpart Signatures.** This Agreement may be executed by original, facsimile, or electronic signature, each of which will be considered an original. This Agreement may be executed in separate counterparts, each of which will be an original and all of which taken together shall constitute one and the same agreement, and any party hereto may execute this Agreement by signing any such counterpart. Delivery of a copy of this Agreement bearing an original signature by facsimile transmission or by electronic mail in "portable document format" form shall have the same effect as physical delivery of the paper document bearing the original signature.

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

**MEMBERS:**

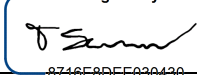
DocuSigned by:  
  
8716E8DEE030430...  
\_\_\_\_\_  
Tamika Samson

LNG Capital II LLC

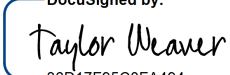
DocuSigned by:  
  
By: \_\_\_\_\_  
30D17F95C0FA494...  
Name: Taylor Weaver  
Title: Managing Member

## CONSENT AND AGREEMENT OF MANAGERS

The undersigned, being the Managers named in the foregoing Operating Agreement as the sole members of the Board of Managers, hereby consent to the terms of the foregoing Operating Agreement and agree to be bound by its terms as Managers thereunder.

DocuSigned by:  
  
8716E8DEE030430...  
\_\_\_\_\_  
Tamika Samson

LNG Capital II LLC

DocuSigned by:  
  
By: \_\_\_\_\_  
30B17F95C0FA494...  
Name: Taylor Weaver  
Title: Managing Member

**EXHIBIT A****Ownership as of August 5, 2021**

<b>Holder</b>	<b>Common</b>	<b>PIU</b>
<b>Tamika Samson</b>	51,000	51,000
<b>LNG Capital II LLC</b>	25,000	25,000
<b>Option Plan</b>	--	10,000
<b>Unallocated</b>	24,000	14,000
<b>Total</b>	100,000	100,000



**The Commonwealth of Massachusetts**  
**William Francis Galvin**

Minimum Fee: \$500.00

Secretary of the Commonwealth, Corporations Division  
 One Ashburton Place, 17th floor  
 Boston, MA 02108-1512  
 Telephone: (617) 727-9640

**Annual Report**

(General Laws, Chapter )

Identification Number: 001443857

Annual Report Filing Year: 2021

1.a. Exact name of the limited liability company: KUSH KART LLC

1.b. The exact name of the limited liability company *as amended*, is: KUSH KART LLC

**2a. Location of its principal office:**

No. and Street: 11 HADWEN RD  
 City or Town: WORCESTER State: MA Zip: 01602 Country: USA

**2b. Street address of the office in the Commonwealth at which the records will be maintained:**

No. and Street: 11 HADWEN RD  
 City or Town: WORCESTER State: MA Zip: 01602 Country: USA

**3. The general character of business, and if the limited liability company is organized to render professional service, the service to be rendered:**

DELIVERY SERVICES AND ANY OTHER LAWFUL ACTIVITY UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.

**4. The latest date of dissolution, if specified:**

**5. Name and address of the Resident Agent:**

Name: LEGALINC CORPORATE SERVICES INC.  
 No. and Street: 1900 WEST PARK DRIVE  
SUITE 280B  
 City or Town: WESTBOROUGH State: MA Zip: 01581 Country: USA

**6. The name and business address of each manager, if any:**

Title	Individual Name First, Middle, Last, Suffix	Address (no PO Box) Address, City or Town, State, Zip Code

**7. The name and business address of the person(s) in addition to the manager(s), authorized to execute documents to be filed with the Corporations Division, and at least one person shall be named if there are no managers.**

Title	Individual Name	Address (no PO Box)
-------	-----------------	---------------------



	First, Middle, Last, Suffix	Address, City or Town, State, Zip Code
SOC SIGNATORY	TAYLOR C WEAVER	1760 REVERE BEACH PARKWAY, APT 408 EVERETT, MA 02149 USA
SOC SIGNATORY	TAMIKA SAMSON	11 HADWEN RD, WORCESTER, MA 01602 USA

**8. The name and business address of the person(s) authorized to execute, acknowledge, deliver and record any recordable instrument purporting to affect an interest in real property:**

Title	Individual Name First, Middle, Last, Suffix	Address (no PO Box) Address, City or Town, State, Zip Code
REAL PROPERTY	TAMIKA SAMSON	11 HADWEN RD, WORCESTER, MA 01602 USA
REAL PROPERTY	TAYLOR C WEAVER	1760 REVERE BEACH PARKWAY, APT 408 EVERETT, MA 02149 USA

**9. Additional matters:**

**SIGNED UNDER THE PENALTIES OF PERJURY, this 7 Day of June, 2021,  
TAYLOR C WEAVER , Signature of Authorized Signatory.**

THE COMMONWEALTH OF MASSACHUSETTS

I hereby certify that, upon examination of this document, duly submitted to me, it appears that the provisions of the General Laws relative to corporations have been complied with, and I hereby approve said articles; and the filing fee having been paid, said articles are deemed to have been filed with me on:

June 07, 2021 03:57 PM

A handwritten signature in black ink, reading "William Francis Galvin". The signature is written in a cursive style with a large, prominent "G" at the end.

WILLIAM FRANCIS GALVIN

*Secretary of the Commonwealth*



## The Commonwealth of Massachusetts William Francis Galvin

Minimum Fee: \$500.00

Secretary of the Commonwealth, Corporations Division  
One Ashburton Place, 17th floor  
Boston, MA 02108-1512  
Telephone: (617) 727-9640

### Certificate of Organization

(General Laws, Chapter )

Identification Number: 0014438571. The exact name of the limited liability company is: SAMSON GREEN LOGISTICS LLC

## 2a. Location of its principal office:

No. and Street: 11 HADWEN RD  
City or Town: WORCESTER State: MA Zip: 01602 Country: USA

## 2b. Street address of the office in the Commonwealth at which the records will be maintained:

No. and Street: 11 HADWEN RD  
City or Town: WORCESTER State: MA Zip: 01602 Country: USA

## 3. The general character of business, and if the limited liability company is organized to render professional service, the service to be rendered:

APPLYING FOR A LICENSE WITH CCC.

## 4. The latest date of dissolution, if specified:

## 5. Name and address of the Resident Agent:

Name: LEGALINC CORPORATE SERVICES INC.  
No. and Street: 1900 WEST PARK DRIVE  
SUITE 280B  
City or Town: WESTBOROUGH State: MA Zip: 01581 Country: USA

I, PATTY SCLIMENTI ON BEHALF OF LEGILINC CORPORATE SERVICE resident agent of the above limited liability company, consent to my appointment as the resident agent of the above limited liability company pursuant to G. L. Chapter 156C Section 12.

## 6. The name and business address of each manager, if any:

Title	Individual Name First, Middle, Last, Suffix	Address (no PO Box) Address, City or Town, State, Zip Code

## 7. The name and business address of the person(s) in addition to the manager(s), authorized to execute documents to be filed with the Corporations Division, and at least one person shall be named if there are no managers.

Title	Individual Name First, Middle, Last, Suffix	Address (no PO Box) Address, City or Town, State, Zip Code
SOC SIGNATORY	TAMIKA SAMSON	11 HADWEN RD,

		WORCESTER, MA 01602 USA
SOC SIGNATORY	SAJIRAH COLLAZO	11 HADWEN RD, WORCESTER, MA 01602 USA

**8. The name and business address of the person(s) authorized to execute, acknowledge, deliver and record any recordable instrument purporting to affect an interest in real property:**

<b>Title</b>	<b>Individual Name</b> First, Middle, Last, Suffix	<b>Address</b> (no PO Box) Address, City or Town, State, Zip Code
REAL PROPERTY	TAMIKA SAMSON	11 HADWEN RD, WORCESTER, MA 01602 USA
REAL PROPERTY	SAJIRAH COLLAZO	11 HADWEN RD, WORCESTER, MA 01602 USA

**9. Additional matters:**

**I HAVE BEEN ACCEPTED INTO THE CCC SOCIAL EQUITY PROGRAM.**

**SIGNED UNDER THE PENALTIES OF PERJURY, this 26 Day of June, 2020,  
LOVETTE DOBSON**

*(The certificate must be signed by the person forming the LLC.)*

THE COMMONWEALTH OF MASSACHUSETTS

I hereby certify that, upon examination of this document, duly submitted to me, it appears that the provisions of the General Laws relative to corporations have been complied with, and I hereby approve said articles; and the filing fee having been paid, said articles are deemed to have been filed with me on:

June 26, 2020 01:34 PM

A handwritten signature in black ink, reading "William Francis Galvin". The signature is written in a cursive, flowing style with a large initial 'W' and 'G'.

WILLIAM FRANCIS GALVIN

*Secretary of the Commonwealth*

# KushKart

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## Investor Business Plan

### **Contact Information**

Ms. Tamika Samson  
845-741-5582  
Worcester, Massachusetts

## CONFIDENTIALITY STATEMENT

This document (the “Business Plan”) contains confidential information proprietary to Kush Kart LLC (hereinafter referred to as the “Company”). This information and related conversations are submitted solely for the purpose of introducing selected parties to the Company’s Business Plan. The Company’s disclosure of information contained herein and in related conversations does not constitute authorization for the recipient of the Business Plan to use the information, ideas, or concepts contained herein for any purpose other than the evaluation of the Company, or to disclose any information to any other parties. The Company retains ownership of this Business Plan, including any and all concepts and ideas described herein.

Each recipient of this document agrees to treat the information in a strictly confidential manner. The recipient may not disclose, directly or indirectly, or permit any agent or affiliate to disclose any information contained herein, or reproduce this document in whole or part without the prior written consent of the Company, unless otherwise required by applicable law.

Any party who accepts delivery of this Business Plan, or any other document(s) or verbal communication(s) of confidential information from the Company, agrees to be bound by the terms of this Confidentiality Statement and further agrees to promptly return any such documents and materials to the Company upon request.

## SECURITIES STATEMENT

This Business Plan does not constitute an offer to sell or the solicitation of an offer to buy any securities or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Business Plan nor any sale of the Company’s securities shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof, or that information contained herein is correct as of any time subsequent to its date.

## DISCLAIMER STATEMENT

The market analysis and financial projections presented herein represent the Company’s best judgment and reasonable assumptions of future events and circumstances; all other information contained herein has been obtained from sources deemed reliable. However, no warranty or representation, expressed or implied, is made as to the accuracy or completeness of any information contained herein, and same is submitted subject to errors and omissions, and no representations or warranties of future company performance or market trends are intended, and such are expressly disclaimed.

## MISSION STATEMENT

KushKart's mission is to serve cannabis users in Massachusetts with an efficient, compliant cannabis delivery system that provides the utmost convenience at a reasonable price.



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## EXECUTIVE SUMMARY

**Overview:** Kush Kart LLC (also referred to as “KushKart” and “the Company”) is a start-up company in Worcester, MA, that will offer on-demand, logistics-based cannabis delivery services. During the 2016 election, Massachusetts voters were given the opportunity to vote on whether or not to legalize the adult use (ages 21 and over) of recreational cannabis. They voted in favor of legalization, and after much effort by the state’s Cannabis Control Commission (CCC) to determine how best to regulate recreational use, legalization went into effect on November 20, 2018.

In the fall of 2019, the CCC announced that it was working on a protocol for regulating the delivery of recreational cannabis (delivery was already allowed for registered medical cannabis patients; medical cannabis was passed by Massachusetts voters in 2012). The CCC is now accepting applications for prospective recreational cannabis delivery companies; KushKart is applying for a Delivery Only license, which the CCC will convert to a Limited Delivery License. This license will authorize KushKart to deliver cannabis to consumers throughout the state of Massachusetts; the Company will have the opportunity to obtain the license at a reduced cost due to the founders being eligible for the state’s Social Equity Program (SEP). Plans also call for offering higher-end paraphernalia (including crystal and stone paraphernalia), pipes, and other smoking accessories to cannabis users throughout the United States, which would be distributed through mail delivery.

KushKart will seek to establish a relationship with a cultivator to purchase inventory, ideally entering an exclusive contract in which neither the Company nor the cultivator engages in cannabis transactions with outside businesses. Having an exclusive contract would ensure product consistency for KushKart so that its repeat customers will know what to expect when they place an order. The Company will also have the option to white-label, placing its own labels with logos on all packages prior to delivering them.

Customers will be required to verify their age to ensure they are legally allowed to smoke marijuana, and they can only have deliveries made to their residence (i.e., not their place of work nor a friend’s or relative’s residence). Deliveries will be made by drivers who are W-2 employees of the Company (the Company will refer to the drivers as “Kushers”) and will drive Company vehicles to complete deliveries. For their safety, no cash transactions will be allowed, meaning drivers will not be required to carry cash on deliveries. All payments will be made via the Company’s mobile application (“app”) and website. KushKart’s inventory will be stored in separate vehicles with security cameras installed, as well as locks on the inside and outside.

**Market Size:** The Company is entering the market at a time when the industry in which it operates is experiencing explosive growth. According to market research firm IBISWorld, the Medical and Recreational Marijuana Stores industry flourished over the five years to 2019, bolstered by increasing consumer acceptance of alternative treatment via marijuana products, in addition to sweeping legislative victories across the United States legalizing marijuana in some form. The industry includes stores that retail medical marijuana (by prescription only) and recreational marijuana, although the legal sale of recreational marijuana is currently limited to 11 states. In states that have legalized recreational marijuana, medical marijuana sales have fallen year over year as adult-use recreational purchases outpace medical sales, suggesting that the recreational market is disruptive once legalized.

A growing body of research suggests the expansive medical applications of marijuana. Since 1996, proponents of cannabis have pushed individual states to recognize marijuana as a legitimate treatment or pain reliever for a range of illnesses, including the plant’s non-psychoactive component, CBD, which has proved to be effective



Kush Kart LLC is registered in the state of Massachusetts and headquartered in Worcester. Ownership is held by Ms. Tamika Samson (80%) and Ms. Sajirah Collazo (20%).

in preventing grand mal seizures. New medical research and changing public opinion have advanced these efforts and have contributed to the prolific growth of medical applications of industry products over the past five years. More recently, the legalization of recreational marijuana spurred the industry's astronomical growth. Watershed legalization victories over recent years, most notably during the 2016 election cycle, expanded the retail sale of recreational products to 11 US states. Consequently, industry revenue grew at an estimated annualized rate of 28.6% to \$13.6 billion over the five years to 2019.

The outlook for the Medical and Recreational Marijuana Stores industry is largely positive, with the industry expected to achieve new highs over the five years to 2024. Although the industry will continue to benefit from increasingly favorable attitudes toward medical marijuana treatments, the industry will be steered by the growth of legal recreational marijuana sales. Sales are expected to continue to explode in the states that legalized recreational marijuana. As a result, IBISWorld forecasts that revenue will increase at an annualized rate of 13.8% to \$25.9 billion over the five years to 2024.<sup>1</sup> These trends bode extremely well for organizations like KushKart, as they show the long-term potential that the market and industry in general hold.

**Marketing:** Marketing for KushKart will be implemented through a variety of mediums. The Company is developing a user-friendly mobile application and website that outlines all of the products that are being offered. The mobile app will be the primary platform for ordering cannabis, while the website will be the primary platform for ordering smoking accessories. The Company will also have a social media presence via Facebook and Twitter; having these social media partners will give the Company the opportunity to drive a strong word of mouth, authentic marketing message while driving both market share and profits. Print advertising will round out the marketing model with print advertisements being placed in publications that are typically read by members of the targeted audience.

**Target Market:** KushKart's primary customer base will be recreational cannabis users of legal age throughout the state of Massachusetts. The Company's mobile app will require customers to provide valid identification to prove they are 21 or older. KushKart's target also includes medical cannabis patients in Massachusetts who have an active medical registration card issued by the CCC, **as well as cannabis users outside of Massachusetts who are looking for high-quality accessories, pipes, and other paraphernalia.**

**Competition and Competitive Advantages:** At the time this document was prepared (September 2020), delivery licenses had not yet been issued in Massachusetts, although the state had begun to accept applications from prospective delivery companies. The CCC's website shows the number of applications accepted and under consideration, **although it does not specify how many of these applications are for cannabis delivery versus other types of establishments (e.g., retailer, cultivator, etc.).** Licensed cannabis delivery companies throughout the state will be the Company's competition, with the most direct competitors initially being delivery companies operating in and around **Worcester**. Despite what will be a competitive field, KushKart will have a significant advantage over other cannabis delivery companies. These competitive advantages include:

- Knowledge and understanding of the market by the founders
- Well laid out protocol to ensure security and compliance that can be adjusted to changing regulations
- Qualification for the state's **SEP program**

**Management:** Tamika Samson and Sajirah Collazo are the founders of KushKart. Tamika has a Master's degree in Education from Cambridge College with a major in Psychological Studies. She also has a Bachelor's degree in Sociology and an Associate's degree in Accounting and Finance. Sajirah is a Military Veteran who spent four years learning Farsi as a Cryptologic Linguist before switching to Meteorology and becoming a Weather Analyst. She currently lives in Worcester and is studying Biology at Worcester State University. Tamika and Sajirah are seasoned professionals who are well connected and attuned to the needs of their targeted market. Their work ethic and business acumen will be the key drivers that propel this venture towards a position of lasting success.

<sup>1</sup> "Medical & Recreational Marijuana Stores in the US." IBISWorld. 2020. Obtained at [www.ibisworld.com](http://www.ibisworld.com).

**Financial Overview:** The Company expects steady growth over the first five years of operation and projects the following revenue to be generated. The financial projections are explained throughout this document.

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$750,000	\$1,250,000	\$1,750,000	\$2,250,000	\$2,750,000

## OBJECTIVE

The purpose of this plan is to provide investors with the information necessary to evaluate the scope and future growth of KushKart in the marketplace. In addition to serving as a roadmap for management, the plan will show that 1) a significant market opportunity exists when analyzing the current market demands and competitive landscape; 2) the management team set in place is qualified to execute on a well-thought-out operational, marketing, and sales strategy; and 3) the correct capital structure will allow for a long-lasting, profitable business.

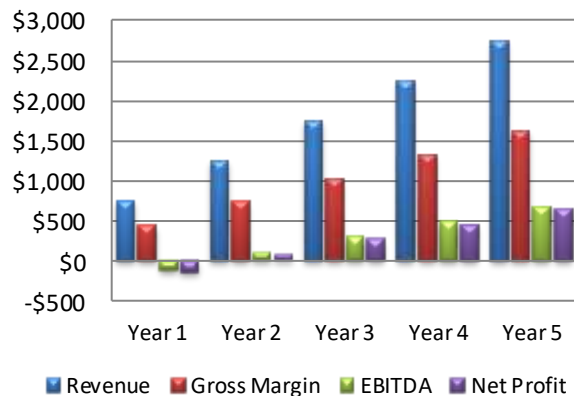
To achieve the Company's objectives, KushKart is seeking **\$600,000** in total funding. The funding will be allocated in a variety of ways, including delivery vehicles, storage vehicles, and other necessary equipment. KushKart's financial model shows consistent growth for the brand over the next five years. By year five, plans call for the Company to achieve **\$2.75MM** in annual gross revenue with a net profit of approximately **\$645K or 23%**.

## FINANCIAL OBJECTIVES

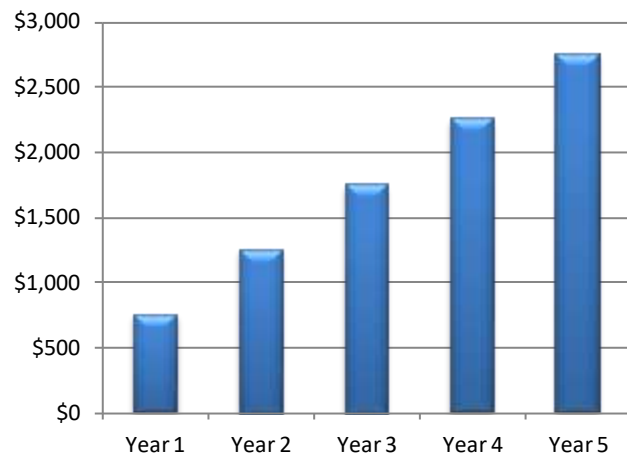
The following table and graphs illustrate the financial goals of KushKart over the next five years. The financials are explained in detail throughout this document.

Financial Highlights (\$1,000's)																	
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Y1	Y2	Y3	Y4	Y5
Revenue	45	45	53	53	60	60	68	68	75	75	75	75	750	1,250	1,750	2,250	2,750
Gross Margin	27	27	31	31	35	35	40	40	44	44	44	44	443	738	1,033	1,328	1,623
Operating Expenses	53	48	48	48	48	48	48	48	48	48	48	48	581	673	770	871	978
EBITDA	(24)	(19)	(15)	(15)	(10)	(10)	(6)	(6)	(2)	(2)	(2)	(2)	(113)	93	294	490	682
Net Profit	(26)	(21)	(17)	(17)	(13)	(13)	(8)	(8)	(4)	(4)	(4)	(4)	(138)	65	263	456	645
Gross Margin/Revenue	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%
EBITDA/Revenue	-54%	-43%	-28%	-28%	-17%	-17%	-9%	-9%	-2%	-2%	-2%	-2%	-15%	7%	17%	22%	25%
Net Profit/Revenue	-59%	-47%	-32%	-32%	-21%	-21%	-12%	-12%	-5%	-5%	-5%	-5%	-18%	5%	15%	20%	23%
Net Cash Flow	319	(24)	(12)	(15)	(7)	(10)	(3)	(6)	1	(2)	(2)	(2)	237	80	280	479	670
Cash Balance - Ending	319	294	283	268	261	250	247	241	242	241	239	237	237	317	597	1,076	1,746

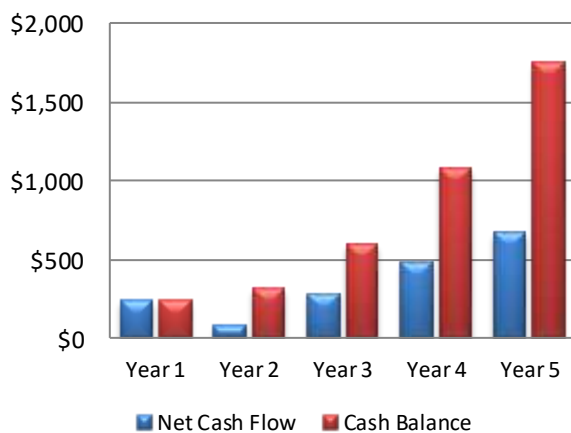
**Projected Operating Highlights By Year (\$1,000's)**



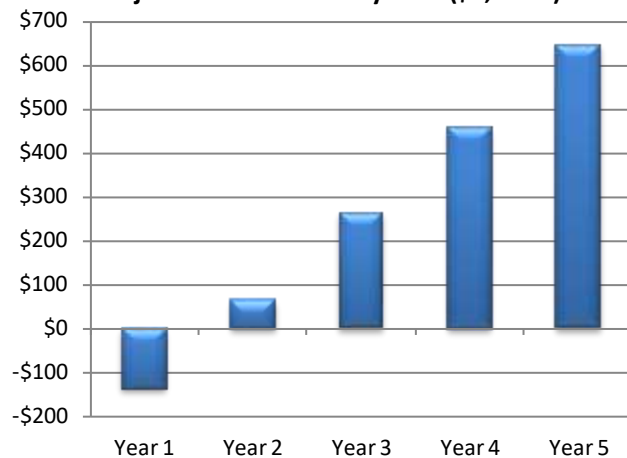
**Projected Revenue By Year (\$1,000's)**



**Projected Cash Flow By Year (\$1,000's)**



**Projected Net Income By Year (\$1,000's)**



## START-UP SUMMARY

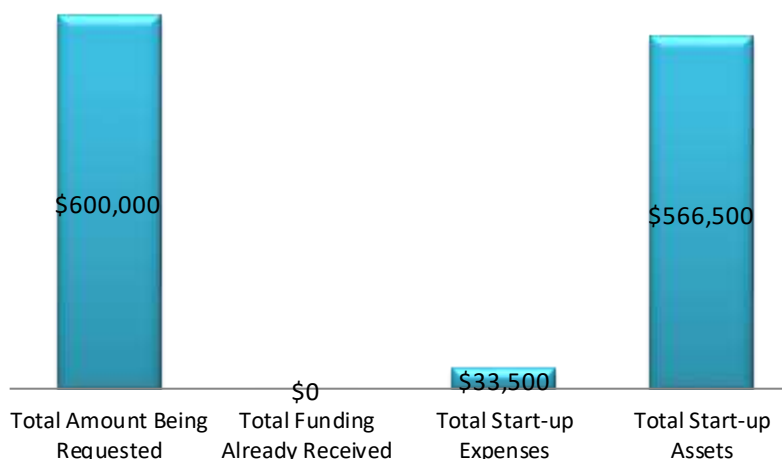
The following tables and graphs detail the funding the business will need to bring the vision to reality. Start-up funding includes all the expenditures, both start-up assets and start-up expenses, incurred before the Company starts earning revenue. The working capital element of the asset table represents the balance of cash at the beginning of Month 1 of the financial projections.

Use of Start-up Funding		Total Start-up Funding	
<b>Expenses</b>		Total Amount Being Requested	\$600,000
Application Fee	\$1,500	Total Funds Already Received	\$0
Certification Fees	\$10,000	<b>Total Funding</b>	<b>\$600,000</b>
Website Development	\$2,000	<b>New Start-up Funding Being Requested</b>	
Mobile App Development	\$20,000	Bank Amount Being Requested	\$0
<b>Total Start-up Expenses</b>	<b>\$33,500</b>	Line-of-Credit (LOC) Requested	\$0
<b>Long-term Assets</b>		Investor Amount Being Requested	\$600,000
Storage Vans (2)	\$60,000	<b>Total Amount Being Requested</b>	<b>\$600,000</b>
Delivery Vehicles (6)	\$150,000	<b>Start-up Funding Already Received</b>	
Equipment	\$40,000	Owner Contribution	\$0
<b>Total Long-Term Assets</b>	<b>\$250,000</b>	Investor Contribution	\$0
<b>Short-Term Assets</b>		<b>Total Funding Already Received</b>	<b>\$0</b>
Working Capital	\$311,500	<b>Start-up Capital and Liabilities</b>	
Inventory	\$5,000	Loss at Start-up (Start-up Expenses)	(\$33,500)
<b>Total Short-Term Assets</b>	<b>\$316,500</b>	Total Funds Received & Requested	\$600,000
<b>Total Expenses &amp; Assets</b>		Cash Balance on Starting Date	\$316,500
Total Start-up Expenses	\$33,500		
Total Start-up Assets	\$566,500		
<b>Total Funding Requirements</b>	<b>\$600,000</b>		

As shown in the charts above and the graph below, the total start-up funding needed to successfully implement this venture is **\$600K**. As depicted above, **\$33.5K** will be used for start-up expenses, **\$250K** will be used to purchase long-term assets, and **\$5K** will be used for purchasing inventory. The remaining balance of **\$311.5K** will be used for working capital.

## TOTAL FUNDS ALLOCATED

### Total Source & Use of Funds





## PRODUCTS AND SERVICES

KushKart will offer an on-demand recreational cannabis delivery service in Massachusetts, providing customers with a straightforward, reliable method to order delivery and enjoy a superior experience with better pricing and increased efficiency. The mobile app will be primarily be used for ordering cannabis for delivery throughout Massachusetts, while the website will be primarily used for ordering smoking accessories, pipes, and higher-end paraphernalia, which can be shipped via mail delivery throughout the nation. KushKart will add a delivery charge to the total of each cannabis order.



With the implementation of a cashless system to protect the safety of KushKart's drivers, users will make all required payments for delivery via the app for cannabis delivery and via the website for smoking accessories and products. The Company will track the orders for delivery placed by utilizing the built-in software used by drivers in their phones from the respective cannabis shop. The built-in software used by the Company's drivers via their phones will allow them to accept orders whenever they have downtime. KushKart's platform will provide each customer with an estimated time of delivery, and the drivers will expedite the delivery time as much as safely possible. The customers, although not required, will likely tip the drivers frequently; the drivers will get to keep 100% of their tips.



## SECURITY

KushKart will implement adequate security measures to ensure that each vehicle used for the transportation of its products is not readily accessible to unauthorized individuals and to prevent and detect diversion, theft, or loss of products. At a minimum, security measures for each operational delivery vehicle will include:

- A vehicle security system that includes an exterior alarm
- For the purpose of transporting products, a secure, locked storage compartment that is not easily removable
- For the purpose of transporting and securing cash used as payment for deliveries of products, a secure, locked storage compartment that is not easily removable
- A secure means of communication between each vehicle and KushKart's dispatching location. The secure means of communication will be capable of being monitored at all times that a vehicle is performing a delivery route. Means of communication will include:
  - A two-way digital or analog radio (UHF or VHF)
  - A cellular phone and/or satellite phone
- A global positioning system (GPS) monitoring device that is:
  - Not a mobile device
  - Attached to the vehicle at all times that the vehicle contains products
  - Monitored by KushKart at a fixed location during the transportation of products for the purpose of home delivery, with location checks occurring at least every 30 minutes. KushKart may delegate the monitoring of the GPS to a third-party technology platform provider with whom KushKart has a contract, provided that KushKart will be responsible for ensuring that monitoring occurs as required under 935 CMR 500.000
- A video system that includes one or more video cameras in the storage area of the vehicle and one or more video cameras in the driver area of the vehicle. The video system will remain operational at all times during the entire transportation process and will include:
  - The ability to produce a clear color still photo, whether live or recorded
  - A date and time stamp embedded in all recordings that will be synchronized and set correctly at all times and will not significantly obscure the picture
- All security equipment in each vehicle will be in good working order and will be inspected and tested at regular intervals, not to exceed 30 calendar days from the previous inspection and test

KushKart agents engaged in the delivery of products to a customer will have an operational body camera on their person during all times that they are outside of the delivery vehicle for the purpose of transacting a delivery in accordance with Commission regulations and requirements. Additionally, agents transporting products for home delivery will ensure that all vehicles used for deliveries are staffed with a minimum of two agents. At least one agent will remain with the vehicle at all times that the vehicle contains products. All KushKart agents acting as delivery employees of the Company will have attended and successfully completed Responsible Vendor Training in accordance with 935 CMR 500.105(2)(b) prior to making a delivery, which will include, but may not be limited to, training on:

- Safely conducting deliveries
- Safe cash handling practices
- Strategies for de-escalating potentially dangerous situations
- Collecting and communicating information to assist in investigations
- Procedures for checking identification
- Indications of impairment
- Notification to Customers of use of mandatory recording devices
- Such other areas of training determined by the Commission to be included in a Responsible Vendor Training Program



A KushKart agent will document and report any unusual discrepancy in inventory to the Commission and the Local Law Enforcement Authorities in which KushKart is licensed within 24 hours of the discovery of such a discrepancy. KushKart will report to the Commission and local law enforcement any vehicle accidents, diversions, losses, or other reportable incidents that occur during transport immediately and, under no circumstances, more than 24 hours of becoming aware of any accidents, diversions, losses, or other reportable incidents.

The following individuals will have access to KushKart operations and vehicles, including video recordings:

- Representatives of the Commission in the course of responsibilities authorized by M.G.L. c. 94G or 935 CMR 500.000
- Representatives of other state agencies acting within their jurisdiction
- Law enforcement, police and fire departments, and emergency medical services in the course of responding to an emergency

935 CMR 500.000 will not be construed to prohibit access to authorized state or local Law Enforcement Authorities or public health, inspectional services, or other permit-granting agents acting within their lawful jurisdiction. All vehicles KushKart uses for home delivery will be subject to inspection and approval by the Commission prior to being put into use. KushKart understands it is responsible for making the Commission aware of its intent to introduce a new vehicle into operation and ensure inspection of the vehicle prior to commencing operation.

Firearms will be strictly prohibited from KushKart vehicles and from marijuana establishment agents performing home deliveries.

## STATE AND LOCAL COMPLIANCE

KushKart is a Massachusetts domestic for-profit Limited Liability Company. The Company will remain in good standing with the Massachusetts Secretary of the Commonwealth, the Department of Revenue, and the Department of Unemployment Assistance. KushKart will apply for all state and local permits and approvals required to operate its **Delivery-Only License**. The Company will also work cooperatively with various municipal departments to ensure that its proposed operations comply with all state and local codes, rules, and regulations.

KushKart will remain current on the municipalities in which it is permitted to deliver, which will include the following:

- The municipality in which KushKart is located
- Any municipality in Massachusetts that allows for retail operations, whether or not a Marijuana Retailer is operational
- Any municipality in Massachusetts that has notified the Commission that delivery may operate within its borders

In determining what municipalities KushKart can deliver to, KushKart will rely in part on the Commission's Municipal Zoning Tracker (<https://mass-cannabis-control.com/municipaltracker>). Additionally, KushKart will conduct its own research and communicate directly with municipalities to further confirm the ability to make deliveries within their jurisdictions.

KushKart will maintain records, which will be available for inspection by the Commission upon request. The records will be maintained in accordance with generally accepted accounting principles (GAAP) and maintained for at least 12 months or as specified and required by 935 CMR 500.000.

KushKart will obtain and maintain general liability insurance coverage for no less than \$1,000,000 per occurrence and \$2,000,000 in aggregate, annually, and product liability insurance coverage for no less than \$1,000,000 per

occurrence and \$2,000,000 in aggregate, annually, except as provided in 935 CMR 500.105(10)(b) or otherwise approved by the Commission. The deductible for each policy will be no higher than \$5,000 per occurrence. If adequate coverage is unavailable at a reasonable rate, KushKart will place in escrow at least \$250,000 to be expended for liabilities coverage (or such other amount approved by the Commission). Any withdrawal from such escrow will be replenished within ten business days of any expenditure. KushKart will keep reports documenting compliance with 935 CMR 500.105(10) in a manner and form determined by the Commission pursuant to 935 CMR 500.000.

Prior to commencing operations, KushKart will provide proof of having obtained a surety bond in an amount equal to its licensure fee payable to the Marijuana Regulation Fund. The bond will ensure payment of the cost incurred for winding down business operations. If KushKart is unable to secure a surety bond, it will place in escrow a sum of no less than \$5,000 or such other amount approved by the Commission, to be expended for coverage of liabilities. The escrow account will be replenished within ten business days of any expenditure required under 935 CMR 500.105: *General Operational Requirements for Marijuana Establishments* unless KushKart has ceased operations. Documentation of the replenishment will be promptly sent to the Commission.

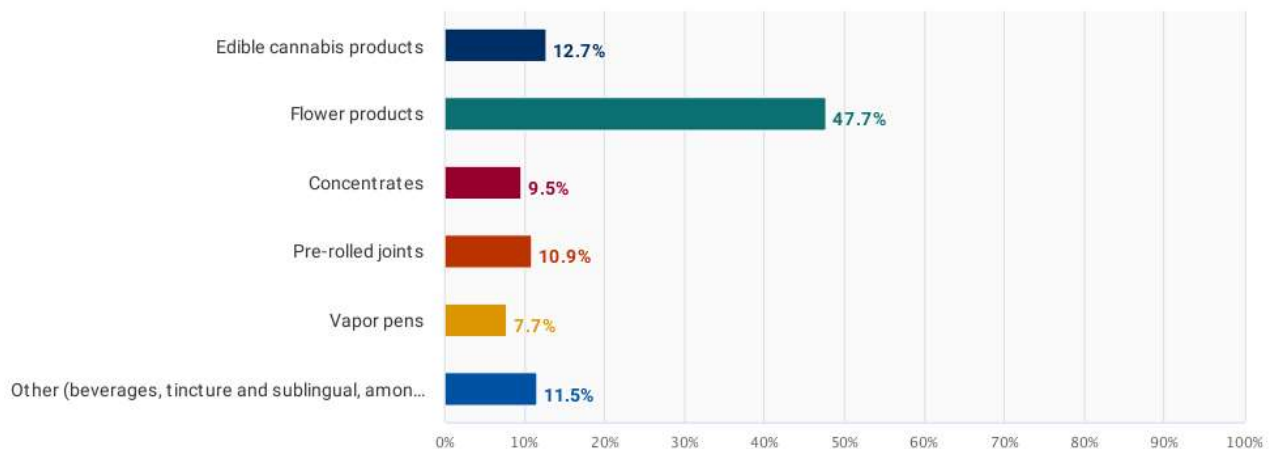


## MARKET ANALYSIS SUMMARY: MEDICAL AND RECREATIONAL MARIJUANA STORES<sup>2</sup>

### Key Statistics



### Products and Services Segmentation



According to IBISWorld, the Medical and Recreational Marijuana Stores industry, which includes stores that retail medical marijuana (by prescription only) and recreational marijuana, expanded dramatically over the five years to 2019. The 2016 election cycle, in particular, provided landslide victories for both medical and recreational cannabis retailers. Consequently, the legalization of marijuana for medical and/or recreational purposes and the growing acceptance of medical marijuana provided operators and investors with unprecedented opportunities. There has been no shortage of demand over recent years, and the cannabis industry has become one of the fastest-growing in the United States.

More recently, the legalization of recreational marijuana sales in several states fueled revenue growth. The licensing of commercial recreational marijuana retailers contributed to industry revenue growth during the period as new entrants flooded the recently legalized market. Meanwhile, medical marijuana dispensaries continued to benefit from the steadily aging population and growing acceptance of the medical applications of

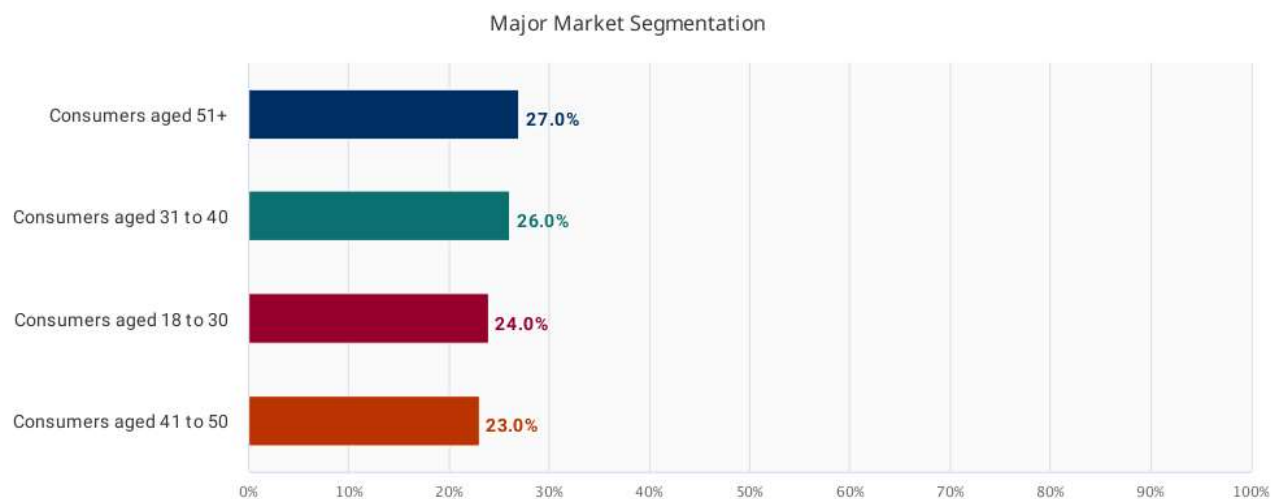
<sup>2</sup> "Medical & Recreational Marijuana Stores in the US," IBISWorld.

marijuana. Chronic illnesses have become more prevalent as the US population continues to age, driving demand for medical marijuana products. Additionally, the development of edible cannabis products helped attract consumers that were unfamiliar with marijuana products or averse to smoking. Edible products and vaporizer pens are projected to be a growth segment for the industry in the coming years, as they are convenient alternatives to traditional cannabis consumption, pushing profit upward. Overall, the industry experienced an estimated annualized growth rate of 28.6% to reach \$13.6 billion over the five years to 2019.

Over the five years to 2024, industry revenue is projected to increase at an annualized rate of 13.8% to \$25.9 billion. The industry will remain at risk; however, until the federal government definitively changes its position on the legality of marijuana. Until then, an uptick in the number of medical marijuana patients and a growing recreational cannabis legalization movement will likely reap long-term benefits for the industry. Rising demand is also forecast to widen profit margins, as is the success of for-profit recreational marijuana businesses in states with large consumer markets, such as California, Colorado, and Washington.

### MARKET SEGMENTATION<sup>3</sup>

The following information from IBISWorld describes each of the industry's major market segments.



Medical marijuana is used to treat many ailments, but it is most commonly used to relieve pain. By contrast, the sale of recreational cannabis is currently limited to the states that have passed legalization laws for adult full use. Although the sale of recreational marijuana only began truly ramping up in 2014, it grew to command nearly half of the customer market for legal marijuana by 2019.

The industry's customer markets can be segmented across a variety of factors, including sex, age, and ailments for which medical marijuana is prescribed. The median age of a medical marijuana customer is 41.5 years of age. 24.0% of customers are between the ages of 18-30; 26.0% of customers are between the ages of 31-40; 23.0% of customers are between the ages of 41-50; and 27.0% of customers are more than 50 years old. The customer market is heavily skewed toward males, which accounts for 66.0% of all medical marijuana sales, while females account for the remaining 44.0% of industry revenue.

### Medical Marijuana Customers

Medical marijuana is expected to account for 51.4% of total industry revenue. Severe pain is the most commonly cited reason for medical marijuana use. Severe pain can result from a variety of chronic diseases and injuries. Medical marijuana can help alleviate severe pain and help patients relax and rest. On average, more than half of medical marijuana users used medical marijuana because of severe pain. Over the past five years, this market has remained relatively stable, as many health problems can cause severe pain.

<sup>3</sup> Ibid.



Muscle spasms can be caused by multiple sclerosis, Lou Gehrig's disease, cerebral palsy, quadriplegia, cranial and spinal nerve injuries, and Tourette's syndrome, among others. Since medical marijuana is purported to help patients relax and sleep better, it is estimated that 7.0% of industry customers used medical marijuana because of muscle spasms. The wide variety of diseases that cause muscle spasms has kept demand stable from this market over the past five years.

A variety of diseases can cause nausea and migraines, including digestive disorders. Medical marijuana can provide relief and muscle relaxation, which helps alleviate nausea. IBISWorld estimates that 5.6% of industry customers used medical marijuana because of severe nausea. This market has not significantly changed over the past five years.

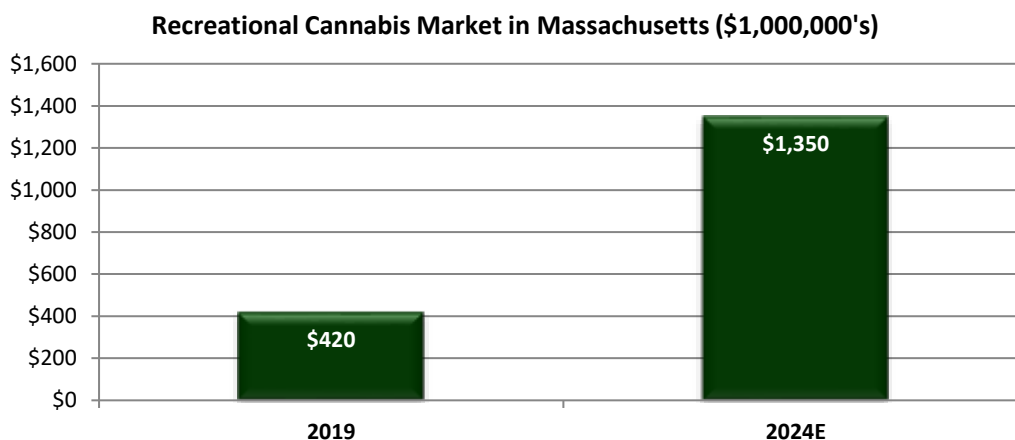
Medical marijuana is used to help provide pain relief in a variety of more specific diseases and conditions, such as patients suffering from cancer and seizures. Cancer treatment can be painful, and medical marijuana can help patients relax and rest to accelerate the recovery process. Over the past five years, demand from other patients has remained stable, as the incidence of these diseases has not significantly changed.

### Recreational Marijuana Customers

Recreational marijuana accounts for 48.6% of total industry revenue in terms of marijuana sales. Recreational marijuana users typically smoke in hand-rolled joints or in pipes or water pipes ("bongs"). They also smoke marijuana in "blunts," which are cigars that have been emptied of tobacco and refilled with a mixture of marijuana and tobacco. Recreational marijuana users typically smoke to obtain a high, which affects the part of the brain that influences pleasure, memory, thinking, concentration, sensory and time perception, and coordinated movement. Currently, legal recreational marijuana use is limited to the states of Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Oregon, Nevada, Vermont, and Washington. However, recreational users' share of the market is set to expand rapidly over the next five years as additional states permit the purchase of cannabis for recreational use and pass legislation authorizing its sale. Moreover, the expansion of recreational marijuana to the industry's largest market, California, will likely increase this segment of revenue.

### A CLOSER LOOK: CANNABIS MARKET IN MASSACHUSETTS

According to an article in MassLive Media, recreational cannabis generated \$420 million in annual revenue in Massachusetts in 2019.<sup>4</sup> Research company BDS Analytics estimates that recreational cannabis in Massachusetts will generate \$1.35 billion in revenue in 2024.<sup>5</sup>

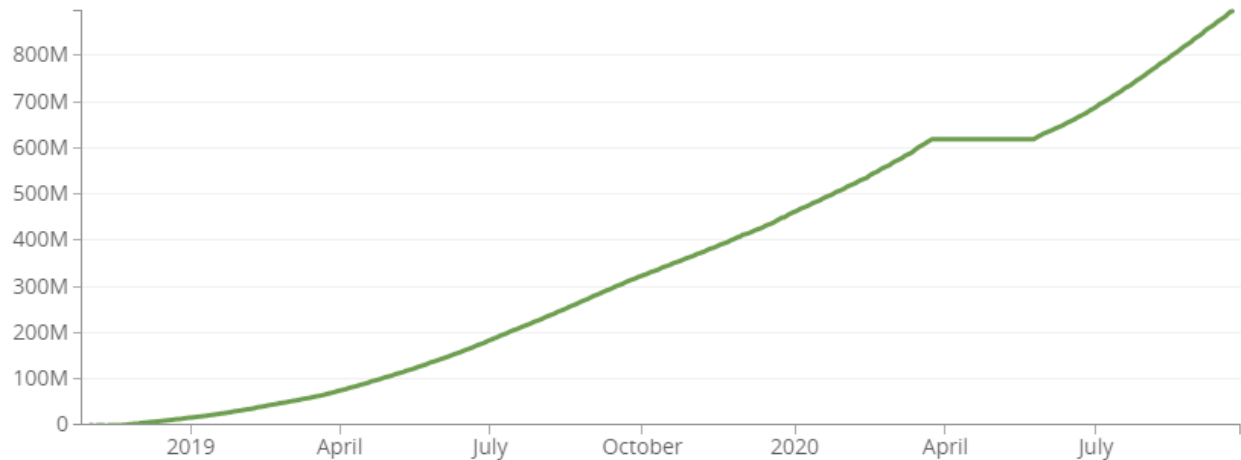


<sup>4</sup> "Recreational marijuana sales in Massachusetts hit \$420 million in 2019." Advance Local Media LLC. 2019. Obtained at [www.masslive.com/marijuana/2019/12/recreational-marijuana-sales-in-massachusetts-hit-420-million-in-2019.html](http://www.masslive.com/marijuana/2019/12/recreational-marijuana-sales-in-massachusetts-hit-420-million-in-2019.html).

<sup>5</sup> "Cannabis Analytics Company Predicts Massachusetts Marijuana Market will reach \$1.35 Billion in 2024, but Impact of Retail Shutdown during COVID-19 Remains Unknown." Advance Local Media LLC. 2020. Obtained at [www.masslive.com/marijuana/2020/04/cannabis-analytics-company-predicts-massachusetts-marijuana-market-will-reach-135-billion-in-2024-but-impact-of-retail-shutdown-during-covid-19-remains-unknown.html](http://www.masslive.com/marijuana/2020/04/cannabis-analytics-company-predicts-massachusetts-marijuana-market-will-reach-135-billion-in-2024-but-impact-of-retail-shutdown-during-covid-19-remains-unknown.html).

According to the CCC's website, total recreational cannabis sales since legalization went into effect on November 20, 2018, are approximately \$896 million.<sup>6</sup>

**Gross Sales Totals (November 20, 2018 – September 21, 2020)**



## TARGET MARKET

The primary target market for the products that are being offered by KushKart will be recreational cannabis users throughout Massachusetts. KushKart will only deliver recreational marijuana and marijuana products to customers ages 21 years and older that provide valid identification. While recreational users will be the primary target, the Company will also pursue the medical market in Massachusetts by serving registered patients that possess an active medical registration card issued by the CCC. **KushKart will also target cannabis users outside of Massachusetts since its accessories and paraphernalia can be sold out of state.** By prioritizing its marketing efforts, KushKart will be able to effectively establish its brand in the marketplace.

## MARKET NEEDS

The market is in need of the services that are being offered by KushKart. Regulated use of cannabis is becoming more prevalent throughout Massachusetts, especially since recreational use became legalized. As the CCC begins regulating the delivery of recreational cannabis, the need for quality, reliable delivery services that provide quick turnarounds to consumers while protecting the safety of the drivers will rise exponentially. This is precisely the area that KushKart will address, enabling it to remain relevant well into the future.

<sup>6</sup> "Adult-Use Sales and Product Distribution." Cannabis Control Commission. 2020. Obtained at <https://opendata.mass-cannabis-control.com/stories/s/Sales-and-Product-Distribution/xwwk-y3zr>.

## BRANDING AND MARKETING

KushKart recognizes that maintaining a sterling, well-regarded brand is essential for propagating a strong standing in the Medical and Recreational Marijuana Stores industry. By upholding a positive corporate image in addition to providing its top-quality cannabis delivery services, KushKart will increase its market share, stand out among its competitors, and become a dominant player in the market. The Company will also fervently track any direct or indirect competition in the marketplace to ensure it stays on top of cutting-edge industry trends and opportunities. Moving forward, KushKart will strive to meet the following objectives as it accomplishes specific keys to success:

### OBJECTIVES

- Become a recognized market leader in Massachusetts for quality, reliable recreational cannabis delivery services
- Develop a strong customer service model
- Remain flexible in product offerings
- Remain attuned to the marketplace and integrate services into the business mix that meet the needs of the targeted audience

### KEYS TO SUCCESS<sup>7</sup>

IBISWorld identifies 250 Key Success Factors for a business. The most important for the Medical and Recreational Marijuana Stores industry are:

- **Ability to attract community support:** Medical and recreational marijuana stores that lack community support may attract federal raids due to complaints from neighbors.
- **Understanding government policies and their implications:** Marijuana legislation is complicated at all levels of the government. Successful operators must be able to navigate the regulatory landscape at both the state and federal level.
- **Fast adjustments to changing regulations:** Regulations are constantly changing. Growers must comply with the latest legislation or endure fines and arrests, and they must be able to adjust to changing regulations quickly and smoothly.
- **Marketing of differentiated products:** Dispensaries must properly promote their products, given the differentiated nature of edible cannabis products. Promotional efforts are essential to attracting new customers.

<sup>7</sup> "Medical & Recreational Marijuana Stores in the US," IBISWorld.

## COMPETITIVE ANALYSIS<sup>8</sup>

KushKart is not aware of any specific competitors at this time due to the state of Massachusetts not yet issuing delivery licenses at the time of this writing. However, the following information from IBISWorld explains the basis of competition for the Medical and Recreational Marijuana Stores industry in general.

### Basis of Competition

Operators in the industry experience competition with other industry players (internal competition) and operators from other industries (external competition). The level of competition in the industry is currently high and increasing. The legalization of recreational cannabis in 11 states, coupled with the high potential for differentiation in the edible cannabis products segment, creates opportunities for larger industry operators to come into existence. In the absence of legislation at the federal level governing the sale of medical and recreational marijuana, the nature of competition is heavily dependent on the nature of state law. As a result, operators experience substantially different conditions from state to state.

### Internal Competition

Industry competition is largely waged on products' price and quality. Cannabis can have diverse properties and qualities, and only dispensaries that can consistently provide high-quality marijuana will attract demand from consumers. Additionally, dispensaries must be able to provide competitive prices. Customers can purchase marijuana from a wide range of dispensaries, making it easy to only acquire products from the lowest-priced dispensaries. As a result, it is important that dispensaries use promotional efforts to attract new customers.

Although smokable indica cannabis products and smokable sativa or hybrid cannabis products lack significant differentiation, there is a great degree of differentiation in the edible cannabis products segment. Edibles can take the form of food, extracts, and oils and range from marijuana-infused mints, candies, baked goods, and beverages, among many other products. In fact, a whole field of cannabis-infused culinary cooking has emerged over recent years with the legalization of medical marijuana. It is important that industry operators have access to the newest products and are able to source popular items at competitive prices.

### External Competition

External competition mainly pertains to medical cannabis. When applicable, industry operators experience competition from pharmaceutical companies that manufacture drugs to treat chronic pain, cancer, HIV, and other illnesses that medical cannabis helps relieve. Medical cannabis users typically only turn to cannabis after other treatment has failed, though, resulting in limited external competition from drug manufacturers.

## COMPETITIVE ADVANTAGES

The following is a listing of the primary competitive advantages of the Company upon entering the market.

- Knowledge and understanding of the market by the founders
- Well laid out protocol to ensure security and compliance that can be adjusted to changing regulations
- Qualification for the state's SEP program

<sup>8</sup> Ibid.



## BARRIERS TO ENTRY<sup>9</sup>

According to IBISWorld, barriers to entry in this industry are high but are decreasing.

### Federal regulation

Prospective medical and recreational marijuana stores must navigate a variety of legal issues before beginning operation. Both the classification of marijuana as a Schedule I controlled substance and the possibility of federal prosecution poses significant barriers to entry, as the Drug Enforcement Administration has the requisite power to close dispensaries and seize their cannabis products. Recent favorable policy stances from the federal government on this matter caused a large number of operators to enter the industry during the current period. The omnibus spending bill signed by President Obama in December 2014 included historic provisions for medical marijuana. The bill included a rider to defund Department of Justice operations against medical marijuana, prohibiting federal agencies from using the funding to "prevent [medical marijuana states] from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana."

### State regulation

State regulations have mixed effects. In general, the passage of new legislation has largely benefited industry operators by legalizing medical marijuana. During the current five-year period, barriers to entry have decreased as 33 states have passed legislation legalizing some level of medical marijuana sales, with 11 states have legalized recreational cannabis. While states provide a legal avenue for operators to open dispensaries, regulations are extensive and costly for prospective operators. Although regulation varies by state, operators must obtain the required licenses and permits.

#### Barriers to Entry Checklist

Competition	High 
Concentration	Low 
Life Cycle Stage	Growth 
Technology Change	Medium 
Regulation & Policy	Heavy 
Industry Assistance	High 

### Capital requirements

Although marijuana stores incur limited capital costs because of the low-tech nature of the industry, operators are impeded by their relative inability to obtain financing from traditional sources. To open a dispensary, operators must acquire a location, hire employees, purchase inventory, and buy advertising, among other things. However, since the cultivation, distribution, and use of cannabis remain illegal at the federal level, traditional financial institutions have been hesitant to provide financing to new entrants. As a result, new operators have been forced to rely on personal savings and loans from family members and friends to enter the industry, limiting entry. However, in 2014, the Obama administration effectively gave the green light to financial institutions to provide access to capital for industry operators in states where medical and recreational cannabis are legal. Consequently, obtaining access to capital is anticipated to become somewhat easier for potential operators over the next five years.

<sup>9</sup> Ibid.

## SWOT ANALYSIS

The following is a listing of the key strengths and weaknesses of KushKart, as well as the opportunities and threats that exist in the marketplace.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Knowledge of the state's cannabis market by the founders</li> <li>• Focus on high-quality products and product consistency</li> <li>• Focus on the utmost safety for drivers while remaining in compliance with all state and local laws</li> </ul>	<ul style="list-style-type: none"> <li>• Company needs funding and working capital for a successful launch</li> <li>• As a new business, the Company must build its credibility</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Projected increase in per capita disposable income among consumers once COVID-19 is abated</li> <li>• Projected industry growth, especially due to the recreational market</li> <li>• Establishing an exclusive contract with a cultivator to ensure product consistency</li> </ul>	<ul style="list-style-type: none"> <li>• Instability of the US economy leads to unpredictable market activity</li> <li>• Potential for intervention by the federal government, which still considers cannabis illegal</li> </ul>

## RISK ANALYSIS

KushKart's overall risk will be medium. The Company will leverage the explosive growth of the recreational cannabis market by providing delivery services throughout Massachusetts, a factor that bodes well for long-term sustainability and the creation of a durable business model. However, the federal government still considers cannabis to be illegal, and industry operators must comply with the rapidly changing regulations at their state levels in order to minimize the risk of federal intervention. In order to face the risks as a new business in the marketplace, the Company must implement a highly effective marketing campaign, build industry connections, and communicate its value to potential customers while focusing on how it uniquely fills a market need. With that being said, KushKart as a viable business opportunity that has the potential to deliver significant returns to any investor.

## MARKETING CAMPAIGN

Marketing for KushKart will be done through a variety of channels, including the Internet, print, social media, and word of mouth. Internet efforts will be driven through a user-friendly website, which will feature SEO (Search Engine Optimization) that allows it to rank higher in popular search engines like Google and Yahoo. In addition to the website, plans also call for developing an extremely strong social media presence through Facebook and Twitter, the world's premier social media platforms with over 1.5 billion persons in their combined user community. Print marketing will consist of print advertisements being placed in publications that are typically read by members of the targeted audience. Word of mouth will round out the marketing model and has the potential of providing the most marketing push as it will allow the organization to deliver an authentic, trusted marketing message.

### NETWORKING:

Networking will be a low-cost means for KushKart to generate partnerships and growth while bolstering personal commitments to the Company. Opportunities will be created by establishing networks of compatible companies and business people.

### SOCIAL MEDIA:

The Company will manage its brand on social media sites, such as Facebook and Twitter. Social media has the potential to reach millions of potential customers.

### MOBILE APPS:

KushKart will develop mobile apps for iOS and Android smartphones that are easy to use and that outline all of the Company's services. Customers will have the ability to download the app for free and use it to directly place a cannabis order for delivery.

### WEBSITE:

A well-optimized website with proper site structure, page layout, and clear and easy navigation, along with targeted keywords embedded throughout the site, is being constructed and will ensure proper search engine placement and saturation. Along with SEO, the website will be easily navigable, highly informative, and will serve as a platform to generate new business.

### SEARCH ENGINE OPTIMIZATION (SEO):

SEO is considered by most online marketers to be the cornerstone of any successful search engine marketing campaign. SEO is a long-term strategy that has the potential to be the most lucrative marketing channel for most businesses since websites that appear on the first page of Google are considered trusted authoritative sites.

### GOOGLE ADS:

Google Ads offers PPC advertising, cost-per-thousand (CPM) advertising, and site-targeted advertising for text, banner, and rich-media ads. Google Ads is the most popular as well as the most expensive form of PPC advertising and is extremely competitive, although it can be very effective if executed well.

### FACEBOOK ADS:

Facebook has its own cost-effective PPC network that can be targeted to KushKart's target market. Businesses in many different industries have experienced substantial success in generating a large online audience with Facebook Ads.

## EXIT STRATEGY

After careful consideration, the Company has developed the following scenarios for the investors and management to recover their investments.

### SCENARIO ONE: REPAYMENT

KushKart chooses to remain a privately owned enterprise. The Company repays its investors in full, consolidating ownership in the Founder.

### SCENARIO TWO: BUYOUT

KushKart, as a successful income-generating operation, experiences growth and sees the opportunity to expand its brand into additional markets. This opens the door for additional product offerings and revenue streams. Due to its substantial market growth and industry recognition, major competing brands begin to take notice of the Company. These businesses approach KushKart with attractive buyout offers, and the Company negotiates and sells to the best deal.

### SCENARIO THREE: MERGER

KushKart merges with another company to expand its market reach and development capabilities. Potential merger partners include companies that can offer a more diversified market reach or provide expanded resources for future growth. KushKart's management would maintain the majority control of the Company and combine its operational and sales efforts with its merger partner.

### SCENARIO FOUR: BUSINESS CEASES

KushKart liquidates all assets, pays its debts, repays investors, and ceases business activities.

### SCENARIO FIVE: IPO

The Company sells its equity through the sale of stocks on the open market. Going public is an arduous and challenging journey for a Company but, if achieved, is highly rewarding. As a public company or IPO, KushKart will enjoy increased exposure and prestige, helping it to attract and retain the most talented executives and employees. KushKart's ownership and management may also liquidate its equity through the sale of its ownership shares. If the owners sell, the new stockholders will own the brand and will be responsible for its operation and future activities.

## CONCLUSION

KushKart may entertain merger or acquisition scenarios by a major company upon the realization of anticipated operating results and favorable market conditions. Aside from merger or acquisition, the Company may instead strive to sell its equity through the sale of stocks on the open market, likely reaping an outstanding reward for investors if IPO-status is achieved and potentially handing control of the brand over to the new majority stockholders. The Company may also choose to liquidate its assets, repay its investors and debtors, and close the business. A final option would be repaying investors and remaining a privately owned enterprise. The Company will entertain all scenarios that could be lucrative for the Company and investors. The final decision will depend on market forces and the wishes of the Company's owners and investors.

## RETURN ON INVESTMENT (ROI)

For purposes of analyzing the deployment of capital to enhance the valuation of KushKart, the Company: (i) is assuming a valuation of **\$600K**, and (ii) is assuming the infusion of **\$600K**. If one of the principals elects to make the entire **\$3MM** capital contribution, then that principal will have his or her corresponding percentage interest adjusted upward to reflect the change in his or her ratable share of equity in the Company following his or her contribution, and the non-contributing principal will have his or her corresponding percentage interest adjusted downward to reflect the change in his or her ratable share of equity in the Company following the contributing principal's contribution. The goal of this document, including the discussion of the ROI in this section, is to provide the principals and the Management Team with a general overview of how an infusion by one or both of the principals may potentially lead to increasing the value of the Company. The Company believes that it can achieve an excellent valuation in the next five years. Based on reasonable financial ratios and the business plan projections, KushKart is estimated to be valued at approximately **\$60MM** by year 5.

Return on Investment Projection			
	Company Valuation*	Outstanding Shares	Per Share Valuation
Issued & Committed After Investment Group	\$3,000,000	8,000	\$375.00
	\$3,000,000	10,000	\$300.00
	Proposed Shares	Per Share	Dollar Investment
Investment Group (IG)	2,000	\$300.00	\$600,000
10,000 Total Shares - ROI for the IG is as follows:			
	Company Valuation	Per Share Price	ROI for IG
Year 1	-	-	-
Year 2	-	-	-
Year 3	\$3,232,666	\$323.27	8%
Year 4	\$5,393,176	\$539.32	80%
Year 5	\$7,498,903	\$749.89	150%
	Number of Shares (for IG)	Per Share Price	Proceeds from Sale (for IG)
Year 1	2,000	-	-
Year 2	2,000	-	-
Year 3	2,000	\$323.27	\$646,533
Year 4	2,000	\$539.32	\$1,078,635
Year 5	2,000	\$749.89	\$1,499,781

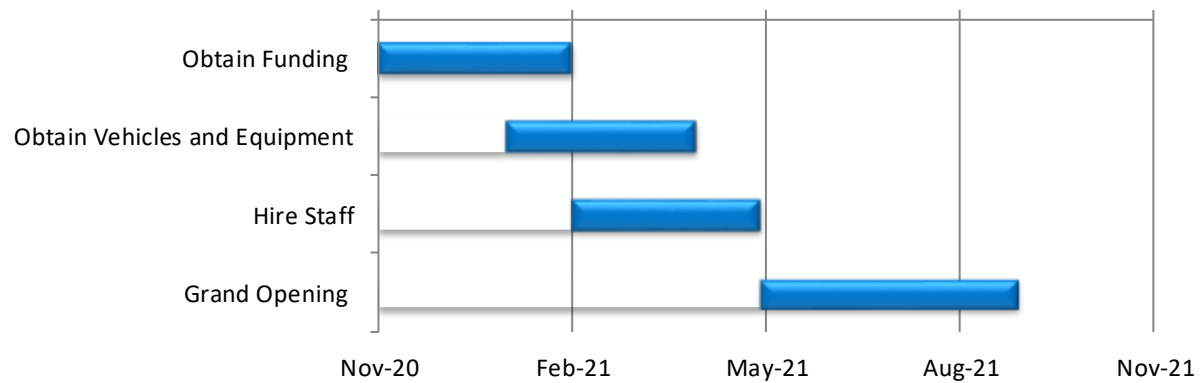
ROI Notes: (1) The company valuation has been estimated by management; (2) Future company valuation is based off of EBITDA times a multiplier of 11.

Management expects that investors will be able to cash out on their investment in the Company when it buys back their shares at their future values. Investors are projected to receive a **150%** return on investment.

## MILESTONES

The tentative milestones are shown below. Management reserves the right to make changes to this schedule as needed.

Milestones			
	Start Date	Duration (days)	Manager
Obtain Funding	11/1/2020	92.00	Tamika & Sajirah
Obtain Vehicles and Equipment	1/1/2021	90.00	Tamika & Sajirah
Hire Staff	2/1/2021	89.00	Tamika & Sajirah
Grand Opening	5/1/2021	123.00	Tamika & Sajirah



## ORGANIZATIONAL CHART



## PERSONNEL FORECAST

The personnel forecast below shows the staffing needs for the next five years.

Personnel Forecast					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Personnel Count</b>					
CEO	1	1	1	1	1
Operations Manager	1	1	1	1	1
Marketing Director	1	1	1	1	1
Dispatcher	1	1	1	1	1
Office Manager	1	1	1	1	1
Driving Supervisor	1	1	1	1	1
Drivers	6	8	10	12	14
<b>Total Personnel</b>	<b>12</b>	<b>14</b>	<b>16</b>	<b>18</b>	<b>20</b>
<b>Personnel Wage</b>					
CEO	\$75,000	\$77,250	\$79,568	\$81,955	\$84,413
Operations Manager	\$50,000	\$51,500	\$53,045	\$54,636	\$56,275
Marketing Director	\$50,000	\$51,500	\$53,045	\$54,636	\$56,275
Dispatcher	\$35,000	\$36,050	\$37,132	\$38,245	\$39,393
Office Manager	\$28,000	\$28,840	\$29,705	\$30,596	\$31,514
Driving Supervisor	\$38,000	\$39,140	\$40,314	\$41,524	\$42,769
Drivers	\$30,000	\$30,900	\$31,827	\$32,782	\$33,765
<b>Personnel Costs</b>					
CEO	\$75,000	\$77,250	\$79,568	\$81,955	\$84,413
Operations Manager	\$50,000	\$51,500	\$53,045	\$54,636	\$56,275
Marketing Director	\$50,000	\$51,500	\$53,045	\$54,636	\$56,275
Dispatcher	\$35,000	\$36,050	\$37,132	\$38,245	\$39,393
Office Manager	\$28,000	\$28,840	\$29,705	\$30,596	\$31,514
Driving Supervisor	\$38,000	\$39,140	\$40,314	\$41,524	\$42,769
Drivers	\$180,000	\$247,200	\$318,270	\$393,382	\$472,714
<b>Total Payroll</b>	<b>\$456,000</b>	<b>\$531,480</b>	<b>\$611,078</b>	<b>\$694,974</b>	<b>\$783,354</b>

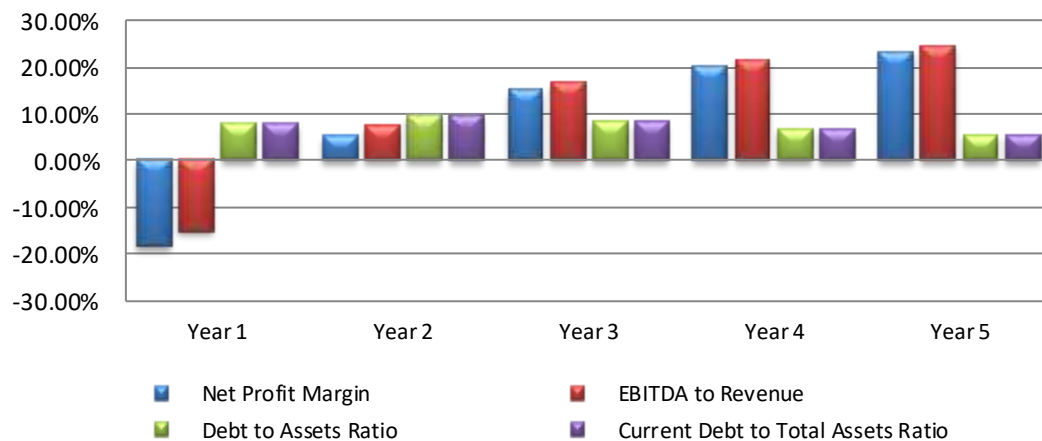
**Personnel Assumptions:** (1) Costs are based on average wages; (2) Totals may have slight variances due to rounding.

## FINANCIAL INDICATORS

The following table summarizes KushKart's projected financial performance with standardized measurement indicators used to evaluate profitability, leverage, asset turnover, and liquidity. As with any long-range projection, accuracy is based on reasonable estimates of return on investment and past performance. The Company believes the following numbers are attainable and reasonable. However, actual results will vary.

Financial Indicators					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Profitability %'s:</b>					
Gross Margin	59.00%	59.00%	59.00%	59.00%	59.00%
Net Profit Margin	-18.41%	5.18%	15.02%	20.28%	23.44%
EBITDA to Revenue	-15.08%	7.42%	16.79%	21.79%	24.79%
Return on Assets	-27.58%	11.11%	30.52%	34.15%	32.24%
Return on Equity	-29.89%	12.28%	33.30%	36.63%	34.10%
<b>Activity Ratios:</b>					
Accounts Payable Turnover	7.94	9.22	10.00	10.20	10.33
Asset Turnover	1.50	2.15	2.03	1.68	1.38
<b>Leverage Ratios:</b>					
Debt to Equity	0.08	0.11	0.09	0.07	0.06
Debt to Assets Ratio	7.74%	9.54%	8.33%	6.77%	5.46%
Interest Coverage Ratio	N/A	N/A	N/A	N/A	N/A
<b>Liquidity Ratios:</b>					
Current Ratio	6.25	5.79	8.38	11.95	16.05
Current Debt to Total Assets Ratio	7.74%	9.54%	8.33%	6.77%	5.46%
<b>Additional Indicators:</b>					
Internal Rate of Return	25.00%	119.79%	152.95%	165.16%	169.92%
Revenue to Equity Ratio	1.62	2.37	2.22	1.81	1.45

Financial Indicators





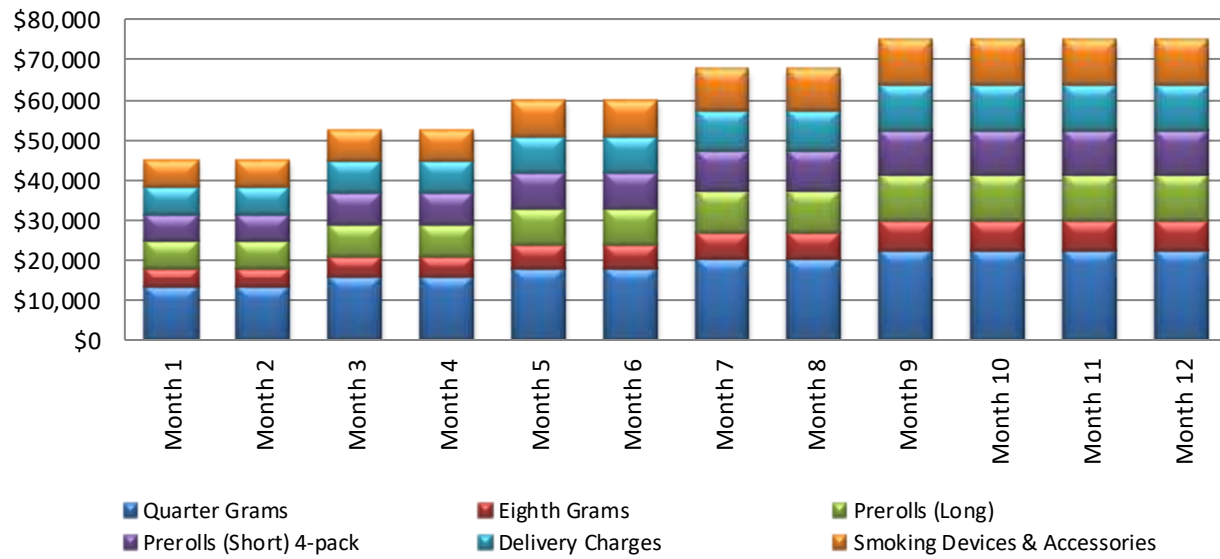
## REVENUE FORECAST

The following is a five-year revenue forecast. Direct costs include all costs which can be directly tied to revenue and include the “cost of goods.”

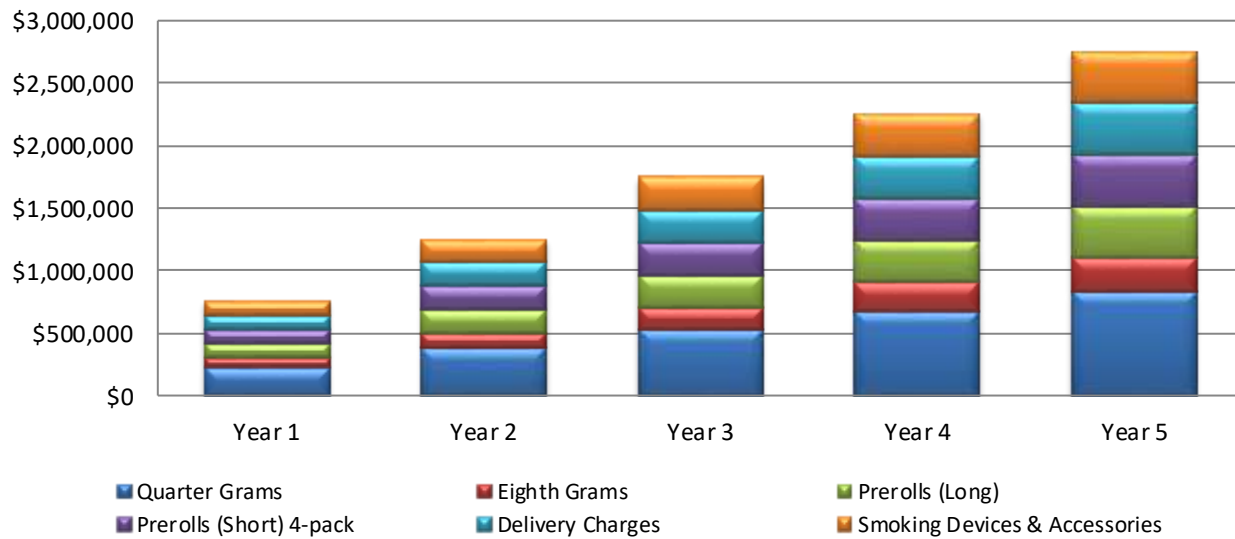
Revenue Forecast					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Units Sold</b>					
Quarter Grams	5,000	8,333	11,667	15,000	18,333
Eighth Grams	5,000	8,333	11,667	15,000	18,333
Prerolls (Long)	7,500	12,500	17,500	22,500	27,500
Prerolls (Short) 4-pack	5,625	9,375	13,125	16,875	20,625
Delivery Charges	28,125	46,875	65,625	84,375	103,125
Smoking Devices & Accessories	2,250	3,750	5,250	6,750	8,250
<b>Price</b>					
Quarter Grams	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00
Eighth Grams	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Prerolls (Long)	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Prerolls (Short) 4-pack	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Delivery Charges	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
Smoking Devices & Accessories	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
<b>Revenue</b>					
Quarter Grams	\$225,000	\$375,000	\$525,000	\$675,000	\$825,000
Eighth Grams	\$75,000	\$125,000	\$175,000	\$225,000	\$275,000
Prerolls (Long)	\$112,500	\$187,500	\$262,500	\$337,500	\$412,500
Prerolls (Short) 4-pack	\$112,500	\$187,500	\$262,500	\$337,500	\$412,500
Delivery Charges	\$112,500	\$187,500	\$262,500	\$337,500	\$412,500
Smoking Devices & Accessories	\$112,500	\$187,500	\$262,500	\$337,500	\$412,500
<b>Total Revenue</b>	<b>\$750,000</b>	<b>\$1,250,000</b>	<b>\$1,750,000</b>	<b>\$2,250,000</b>	<b>\$2,750,000</b>
<b>Direct Cost</b>					
Quarter Grams	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50
Eighth Grams	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
Prerolls (Long)	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
Prerolls (Short) 4-pack	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Delivery Charges	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Smoking Devices & Accessories	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
<b>Direct Cost of Revenue</b>					
Quarter Grams	\$112,500	\$187,500	\$262,500	\$337,500	\$412,500
Eighth Grams	\$37,500	\$62,500	\$87,500	\$112,500	\$137,500
Prerolls (Long)	\$56,250	\$93,750	\$131,250	\$168,750	\$206,250
Prerolls (Short) 4-pack	\$56,250	\$93,750	\$131,250	\$168,750	\$206,250
Delivery Charges	\$0	\$0	\$0	\$0	\$0
Smoking Devices & Accessories	\$22,500	\$37,500	\$52,500	\$67,500	\$82,500
<b>Subtotal Cost of Revenue</b>	<b>\$285,000</b>	<b>\$475,000</b>	<b>\$665,000</b>	<b>\$855,000</b>	<b>\$1,045,000</b>

**Revenue Forecast Assumptions:** (1) Revenue and costs are based on averages; (2) Totals may have slight variances due to rounding.

Year 1 Revenue Monthly



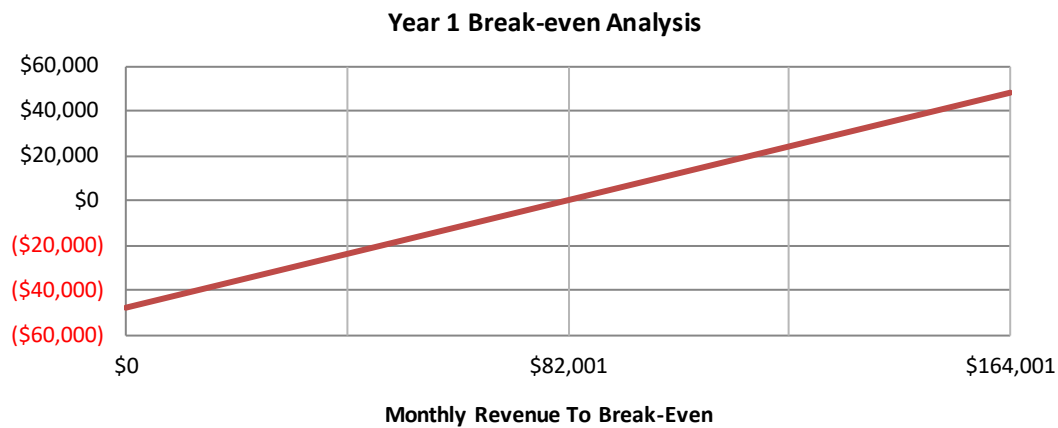
Revenue By Year



## BREAK-EVEN ANALYSIS

The following break-even analysis shows the revenue necessary to break-even in the first year of operation. This is where revenue equals expenses. As shown below, the Company is expected to incur average monthly fixed costs of **\$48,380** in Year 1. To cover fixed costs and variable costs, which rise and fall with revenue, the Company must, on average, achieve revenue of **\$82,001** per month to break-even.

Year 1 Break-even Analysis	
Monthly Revenue Break-even	\$82,001
Assumptions:	
Average Monthly Revenue	\$62,500
Average Monthly Variable Cost	\$25,625
Estimated Monthly Fixed Cost	\$48,380



## PROJECTED INCOME STATEMENT

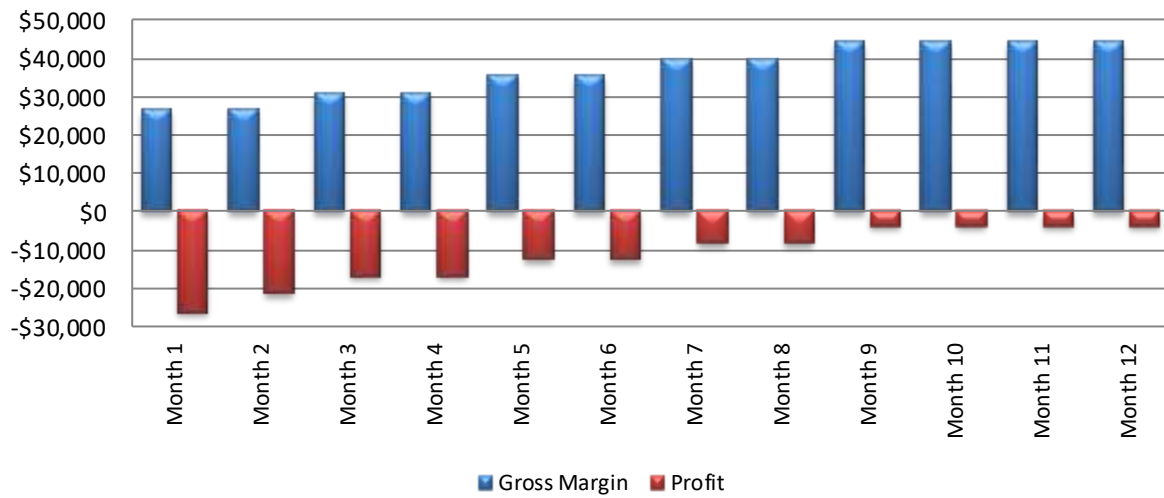
KushKart intends to deploy its funding to maximize growth and profitability. In the Income Statement table below, gross margin equals sales minus direct costs. The “bottom line” or profit (as measured before and after interest, taxes, depreciation, and amortization) equals gross margin minus operating expenses.

Pro Forma Income Statement					
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$750,000	\$1,250,000	\$1,750,000	\$2,250,000	\$2,750,000
Subtotal Cost of Revenue	\$285,000	\$475,000	\$665,000	\$855,000	\$1,045,000
Merchant Credit Card Fees	\$22,500	\$37,500	\$52,500	\$67,500	\$82,500
Total Cost of Revenue	\$307,500	\$512,500	\$717,500	\$922,500	\$1,127,500
Gross Margin	\$442,500	\$737,500	\$1,032,500	\$1,327,500	\$1,622,500
Gross Margin/Revenue	59.00%	59.00%	59.00%	59.00%	59.00%
Expenses					
General Insurance Liability	\$9,600	\$9,600	\$9,600	\$9,600	\$9,600
Software Subscription	\$100	\$103	\$105	\$108	\$110
Business License/Permits	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Telephone/Internet	\$4,800	\$4,920	\$5,043	\$5,169	\$5,298
Website Hosting/Updates	\$1,200	\$1,230	\$1,261	\$1,292	\$1,325
Marketing & Advertising	\$7,500	\$12,500	\$17,500	\$22,500	\$27,500
Supplies	\$6,000	\$6,150	\$6,304	\$6,461	\$6,623
Professional Services	\$4,800	\$4,920	\$5,043	\$5,169	\$5,298
Repairs & Maintenance	\$12,000	\$12,300	\$12,608	\$12,923	\$13,246
Worker's Compensation	\$13,680	\$15,944	\$18,332	\$20,849	\$23,501
Depreciation	\$25,000	\$28,000	\$31,000	\$34,000	\$37,000
Payroll Taxes	\$34,884	\$40,658	\$46,747	\$53,166	\$59,927
Total Personnel	\$456,000	\$531,480	\$611,078	\$694,974	\$783,354
Total Operating Expenses	\$580,564	\$672,805	\$769,621	\$871,211	\$977,782
Profit Before Interest and Taxes	(\$138,064)	\$64,695	\$262,879	\$456,289	\$644,718
EBITDA	(\$113,064)	\$92,695	\$293,879	\$490,289	\$681,718
Interest Expense	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$0	\$0	\$0	\$0	\$0
Net Profit	(\$138,064)	\$64,695	\$262,879	\$456,289	\$644,718
Net Profit/Revenue	-18.41%	5.18%	15.02%	20.28%	23.44%

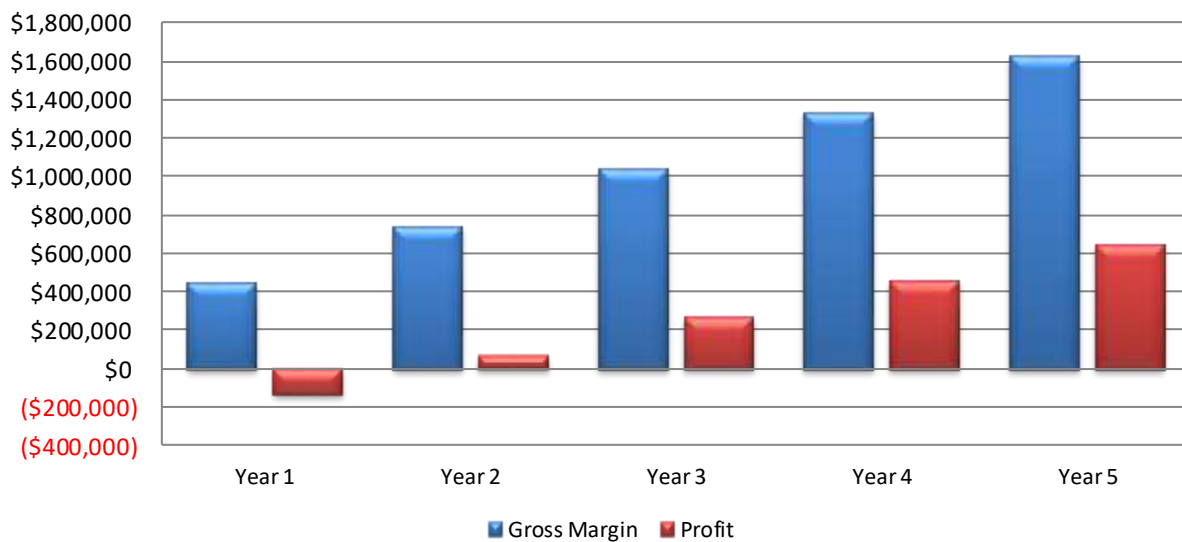
Income Statement Assumptions: (1) Depreciation is based on 10 years; (2) Payroll Taxes are based on 7.65% of Personnel Costs; (3) Company taxes are based on 0% due to the LLC being a pass-through entity; (4) Totals may have slight variances due to rounding.

The charts below represent the total revenue monthly and for the next five years. The charts illustrate the percentage of revenue allocated to cost of goods (COG), operating expenses and taxes, and interest. The net income piece represents revenue less the expenditures above.

**Gross Margin & Profit Monthly**



**Gross Margin & Profit Yearly**



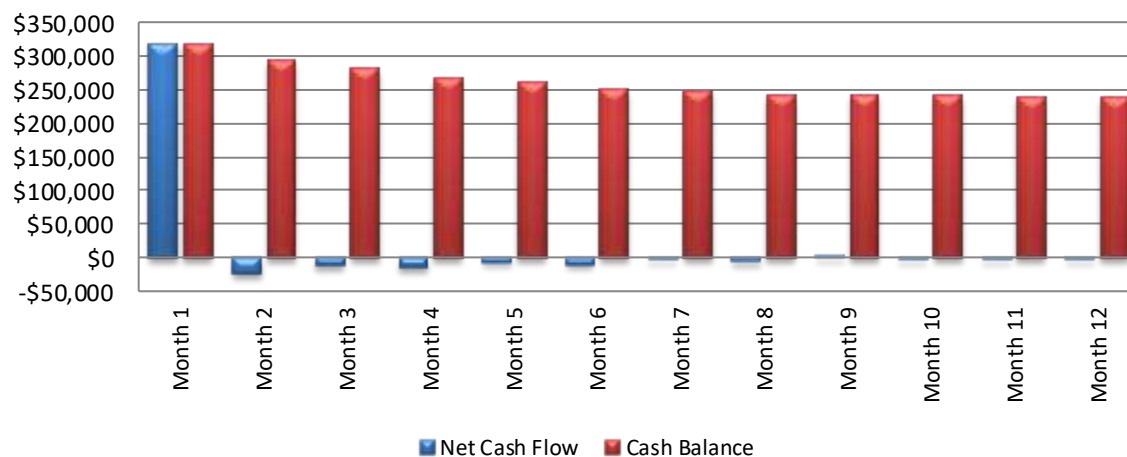
## PROJECTED CASH FLOW

The following depictions of KushKart's projected cash flow show that the Company expects to maintain sufficient cash balances over the five years of this plan. The "pro forma cash flow" table differs from the "pro forma income statement" table. Pro forma cash flow is intended to represent the actual flow of cash in and out of KushKart. In comparison, the revenue and expense projections on the income statement include "non-cash" items and exclude funding and investment illustrations.

Pro Forma Cash Flow					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Cash Received</b>					
Revenue	\$750,000	\$1,250,000	\$1,750,000	\$2,250,000	\$2,750,000
Proceeds from Investor	\$600,000	\$0	\$0	\$0	\$0
<b>Subtotal Cash Received</b>	<b>\$1,350,000</b>	<b>\$1,250,000</b>	<b>\$1,750,000</b>	<b>\$2,250,000</b>	<b>\$2,750,000</b>
<b>Expenditures</b>					
<b>Expenditures from Operations</b>					
Total Personnel	\$456,000	\$531,480	\$611,078	\$694,974	\$783,354
Bill Payments	\$368,317	\$609,003	\$828,841	\$1,046,078	\$1,266,226
<b>Subtotal Spent on Operations</b>	<b>\$824,317</b>	<b>\$1,140,483</b>	<b>\$1,439,919</b>	<b>\$1,741,052</b>	<b>\$2,049,580</b>
<b>Additional Cash Spent</b>					
Start-up Costs	\$33,500	\$0	\$0	\$0	\$0
Purchase Inventory	\$5,000	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$250,000	\$30,000	\$30,000	\$30,000	\$30,000
<b>Subtotal Cash Spent</b>	<b>\$1,112,817</b>	<b>\$1,170,483</b>	<b>\$1,469,919</b>	<b>\$1,771,052</b>	<b>\$2,079,580</b>
<b>Net Cash Flow</b>	<b>\$237,183</b>	<b>\$79,517</b>	<b>\$280,081</b>	<b>\$478,948</b>	<b>\$670,420</b>
<b>Cash Balance</b>	<b>\$237,183</b>	<b>\$316,700</b>	<b>\$596,780</b>	<b>\$1,075,728</b>	<b>\$1,746,148</b>

**Cash Flow Assumptions:** (1) Proceeds from Investor assume funds were received in the amount of \$600K; (2) Totals may have slight variances due to rounding.

Year 1 Cash



## PROJECTED BALANCE SHEET

The balance sheet is a snapshot of KushKart's financial condition. The balance sheet has three parts: assets, liabilities, and ownership equity.

Pro Forma Balance Sheet					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$237,183	\$316,700	\$596,780	\$1,075,728	\$1,746,148
Inventory	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Other Current Assets	\$0	\$0	\$0	\$0	\$0
<b>Total Current Assets</b>	<b>\$242,183</b>	<b>\$321,700</b>	<b>\$601,780</b>	<b>\$1,080,728</b>	<b>\$1,751,148</b>
<b>Long-term Assets</b>					
Long-term Assets	\$250,000	\$280,000	\$310,000	\$340,000	\$370,000
Accumulated Depreciation	\$25,000	\$53,000	\$84,000	\$118,000	\$155,000
<b>Total Long-term Assets</b>	<b>\$225,000</b>	<b>\$227,000</b>	<b>\$226,000</b>	<b>\$222,000</b>	<b>\$215,000</b>
<b>Other Assets</b>					
Other Assets	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500
<b>Total Assets</b>	<b>\$500,683</b>	<b>\$582,200</b>	<b>\$861,280</b>	<b>\$1,336,228</b>	<b>\$1,999,648</b>
<b>Liabilities and Capital</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$38,747	\$55,569	\$71,771	\$90,430	\$109,131
Current Borrowing	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Current Liabilities</b>	<b>\$38,747</b>	<b>\$55,569</b>	<b>\$71,771</b>	<b>\$90,430</b>	<b>\$109,131</b>
<b>Long-term Liabilities</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Liabilities</b>	<b>\$38,747</b>	<b>\$55,569</b>	<b>\$71,771</b>	<b>\$90,430</b>	<b>\$109,131</b>
<b>Paid-in Capital</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>
<b>Retained Earnings</b>	<b>\$0</b>	<b>(\$138,064)</b>	<b>(\$73,369)</b>	<b>\$189,510</b>	<b>\$645,798</b>
<b>Earnings</b>	<b>(\$138,064)</b>	<b>\$64,695</b>	<b>\$262,879</b>	<b>\$456,289</b>	<b>\$644,718</b>
<b>Total Capital</b>	<b>\$461,936</b>	<b>\$526,631</b>	<b>\$789,510</b>	<b>\$1,245,798</b>	<b>\$1,890,517</b>
<b>Total Liabilities and Capital</b>	<b>\$500,683</b>	<b>\$582,200</b>	<b>\$861,280</b>	<b>\$1,336,228</b>	<b>\$1,999,648</b>
<b>Net Worth</b>	<b>\$461,936</b>	<b>\$526,631</b>	<b>\$789,510</b>	<b>\$1,245,798</b>	<b>\$1,890,517</b>
Balance Sheet Assumptions: (1) Totals may have slight variances due to rounding.					

## SENSITIVITY ANALYSIS

### VOLATILITY

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than  $\pm 20\%$ ; high volatility is  $\pm 10\%$  to  $\pm 20\%$ ; moderate volatility is  $\pm 3\%$  to  $\pm 10\%$ ; and low volatility is less than  $\pm 3\%$ .

The sensitivity analysis below assumes that revenues are 10% higher or 10% lower than the figures projected earlier in this business plan.

Best Case Scenario (Revenue Increases by 10%)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$825,000	\$1,375,000	\$1,925,000	\$2,475,000	\$3,025,000
Cost of Goods	\$338,250	\$563,750	\$789,250	\$1,014,750	\$1,240,250
Gross Margin	\$486,750	\$811,250	\$1,135,750	\$1,460,250	\$1,784,750
Gross Margin/Revenue	59.00%	59.00%	59.00%	59.00%	59.00%
Operating Expenses	\$580,564	\$672,805	\$769,621	\$871,211	\$977,782
Net Profit	(\$93,814)	\$138,445	\$366,129	\$589,039	\$806,968
Cash Flow	\$281,433	\$153,267	\$383,331	\$611,698	\$832,670
Cash Balance	\$281,433	\$434,700	\$818,030	\$1,429,728	\$2,262,398
Net Profit/Revenue	-11.37%	10.07%	19.02%	23.80%	26.68%

Worst Case Scenario (Revenue Decreases by 10%)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$675,000	\$1,125,000	\$1,575,000	\$2,025,000	\$2,475,000
Cost of Goods	\$276,750	\$461,250	\$645,750	\$830,250	\$1,014,750
Gross Margin	\$398,250	\$663,750	\$929,250	\$1,194,750	\$1,460,250
Gross Margin/Revenue	59.00%	59.00%	59.00%	59.00%	59.00%
Operating Expenses	\$580,564	\$672,805	\$769,621	\$871,211	\$977,782
Net Profit	(\$182,314)	(\$9,055)	\$159,629	\$323,539	\$482,468
Cash Flow	\$192,933	\$5,767	\$176,831	\$346,198	\$508,170
Cash Balance	\$192,933	\$198,700	\$375,530	\$721,728	\$1,229,898
Net Profit/Revenue	-27.01%	-0.80%	10.14%	15.98%	19.49%



## FINANCIAL ASSUMPTIONS

The assumptions below provide growth rates, cash on hand, and the terms of funding based on an initial investment amount of \$600,000.

Financial Assumptions					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Growth Assumptions</b>					
Total Revenue Growth		67%	40%	29%	22%
Total Expense Growth		16%	14%	13%	12%
<b>Personnel Assumptions</b>					
Average Salary Growth		3%	3%	3%	3%
Payroll Growth		17%	15%	14%	13%
<b>Cash Assumptions</b>					
Months of Cash on Hand	5	6	9	15	21
Bill Payment Term (Days)	32	32	32	32	32
<b>Loan Assumptions</b>					
<b>LOC Loan (Interest Only)</b>					
Line-of-Credit Monthly Payment	\$0	\$0	\$0	\$0	\$0
<b>Fixed Rate Loan</b>					
Loan Term	N/A				
Loan Rate	N/A				
Monthly Loan Payment	\$0	\$0	\$0	\$0	\$0
Average Monthly Interest	\$0	\$0	\$0	\$0	\$0
Average Monthly Principle	\$0	\$0	\$0	\$0	\$0

## APPENDIX I: YEAR ONE FINANCIALS

Year 1 Revenue Forecast												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
<b>Units Sold</b>												
Quarter Grams	300	300	350	350	400	400	450	450	500	500	500	500
Eighth Grams	300	300	350	350	400	400	450	450	500	500	500	500
Prerolls (Long)	450	450	525	525	600	600	675	675	750	750	750	750
Prerolls (Short) 4-pack	338	338	394	394	450	450	506	506	563	563	563	563
Delivery Charges	1,688	1,688	1,969	1,969	2,250	2,250	2,531	2,531	2,813	2,813	2,813	2,813
Smoking Devices & Accessories	135	135	158	158	180	180	203	203	225	225	225	225
<b>Price</b>												
Quarter Grams	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00
Eighth Grams	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Prerolls (Long)	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Prerolls (Short) 4-pack	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Delivery Charges	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
Smoking Devices & Accessories	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
<b>Revenue</b>												
Quarter Grams	\$13,500	\$13,500	\$15,750	\$15,750	\$18,000	\$18,000	\$20,250	\$20,250	\$22,500	\$22,500	\$22,500	\$22,500
Eighth Grams	\$4,500	\$4,500	\$5,250	\$5,250	\$6,000	\$6,000	\$6,750	\$6,750	\$7,500	\$7,500	\$7,500	\$7,500
Prerolls (Long)	\$6,750	\$6,750	\$7,875	\$7,875	\$9,000	\$9,000	\$10,125	\$10,125	\$11,250	\$11,250	\$11,250	\$11,250
Prerolls (Short) 4-pack	\$6,750	\$6,750	\$7,875	\$7,875	\$9,000	\$9,000	\$10,125	\$10,125	\$11,250	\$11,250	\$11,250	\$11,250
Delivery Charges	\$6,750	\$6,750	\$7,875	\$7,875	\$9,000	\$9,000	\$10,125	\$10,125	\$11,250	\$11,250	\$11,250	\$11,250
Smoking Devices & Accessories	\$6,750	\$6,750	\$7,875	\$7,875	\$9,000	\$9,000	\$10,125	\$10,125	\$11,250	\$11,250	\$11,250	\$11,250
<b>Total Revenue</b>	<b>\$45,000</b>	<b>\$45,000</b>	<b>\$52,500</b>	<b>\$52,500</b>	<b>\$60,000</b>	<b>\$60,000</b>	<b>\$67,500</b>	<b>\$67,500</b>	<b>\$75,000</b>	<b>\$75,000</b>	<b>\$75,000</b>	<b>\$75,000</b>
<b>Direct Cost</b>												
Quarter Grams	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50
Eighth Grams	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
Prerolls (Long)	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
Prerolls (Short) 4-pack	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Delivery Charges	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Smoking Devices & Accessories	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
<b>Direct Cost of Revenue</b>												
Quarter Grams	\$6,750	\$6,750	\$7,875	\$7,875	\$9,000	\$9,000	\$10,125	\$10,125	\$11,250	\$11,250	\$11,250	\$11,250
Eighth Grams	\$2,250	\$2,250	\$2,625	\$2,625	\$3,000	\$3,000	\$3,375	\$3,375	\$3,750	\$3,750	\$3,750	\$3,750
Prerolls (Long)	\$3,375	\$3,375	\$3,938	\$3,938	\$4,500	\$4,500	\$5,063	\$5,063	\$5,625	\$5,625	\$5,625	\$5,625
Prerolls (Short) 4-pack	\$3,375	\$3,375	\$3,938	\$3,938	\$4,500	\$4,500	\$5,063	\$5,063	\$5,625	\$5,625	\$5,625	\$5,625
Delivery Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Smoking Devices & Accessories	\$1,350	\$1,350	\$1,575	\$1,575	\$1,800	\$1,800	\$2,025	\$2,025	\$2,250	\$2,250	\$2,250	\$2,250
<b>Subtotal Cost of Revenue</b>	<b>\$17,100</b>	<b>\$17,100</b>	<b>\$19,950</b>	<b>\$19,950</b>	<b>\$22,800</b>	<b>\$22,800</b>	<b>\$25,650</b>	<b>\$25,650</b>	<b>\$28,500</b>	<b>\$28,500</b>	<b>\$28,500</b>	<b>\$28,500</b>

Year 1 Personnel Forecast												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Personnel Count												
CEO	1	1	1	1	1	1	1	1	1	1	1	1
Operations Manager	1	1	1	1	1	1	1	1	1	1	1	1
Marketing Director	1	1	1	1	1	1	1	1	1	1	1	1
Dispatcher	1	1	1	1	1	1	1	1	1	1	1	1
Office Manager	1	1	1	1	1	1	1	1	1	1	1	1
Driving Supervisor	1	1	1	1	1	1	1	1	1	1	1	1
Drivers	6	6	6	6	6	6	6	6	6	6	6	6
<b>Total Personnel</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
Personnel Wage												
CEO	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250
Operations Manager	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167
Marketing Director	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167
Dispatcher	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917
Office Manager	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333
Driving Supervisor	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167
Drivers	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Personnel Costs												
CEO	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250
Operations Manager	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167
Marketing Director	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167
Dispatcher	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917
Office Manager	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333	\$2,333
Driving Supervisor	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167	\$3,167
Drivers	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
<b>Total Payroll</b>	<b>\$38,000</b>	<b>\$38,000</b>	<b>\$38,000</b>	<b>\$38,000</b>	<b>\$38,000</b>	<b>\$38,000</b>	<b>\$38,000</b>	<b>\$38,000</b>	<b>\$38,000</b>	<b>\$38,000</b>	<b>\$38,000</b>	<b>\$38,000</b>

Year 1 Income Statement												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Revenue	\$45,000	\$45,000	\$52,500	\$52,500	\$60,000	\$60,000	\$67,500	\$67,500	\$75,000	\$75,000	\$75,000	\$75,000
Subtotal Cost of Revenue	\$17,100	\$17,100	\$19,950	\$19,950	\$22,800	\$22,800	\$25,650	\$25,650	\$28,500	\$28,500	\$28,500	\$28,500
Merchant Credit Card Fees	\$1,350	\$1,350	\$1,575	\$1,575	\$1,800	\$1,800	\$2,025	\$2,025	\$2,250	\$2,250	\$2,250	\$2,250
Total Cost of Revenue	\$18,450	\$18,450	\$21,525	\$21,525	\$24,600	\$24,600	\$27,675	\$27,675	\$30,750	\$30,750	\$30,750	\$30,750
Gross Margin	\$26,550	\$26,550	\$30,975	\$30,975	\$35,400	\$35,400	\$39,825	\$39,825	\$44,250	\$44,250	\$44,250	\$44,250
Gross Margin/Revenue	59.00%	59.00%	59.00%	59.00%	59.00%	59.00%	59.00%	59.00%	59.00%	59.00%	59.00%	59.00%
Expenses												
General Insurance Liability	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800
Software Subscription	\$100	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Business License/Permits	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Telephone/Internet	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Website Hosting/Updates	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Marketing & Advertising	\$450	\$450	\$525	\$525	\$600	\$600	\$675	\$675	\$750	\$750	\$750	\$750
Supplies	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Professional Services	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Repairs & Maintenance	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Worker's Compensation	\$1,140	\$1,140	\$1,140	\$1,140	\$1,140	\$1,140	\$1,140	\$1,140	\$1,140	\$1,140	\$1,140	\$1,140
Depreciation	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083
Payroll Taxes	\$2,907	\$2,907	\$2,907	\$2,907	\$2,907	\$2,907	\$2,907	\$2,907	\$2,907	\$2,907	\$2,907	\$2,907
Total Personnel	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000
<b>Total Operating Expenses</b>	<b>\$52,880</b>	<b>\$47,780</b>	<b>\$47,855</b>	<b>\$47,855</b>	<b>\$47,930</b>	<b>\$47,930</b>	<b>\$48,005</b>	<b>\$48,005</b>	<b>\$48,080</b>	<b>\$48,080</b>	<b>\$48,080</b>	<b>\$48,080</b>
Profit Before Interest and Taxes	(\$26,330)	(\$21,230)	(\$16,880)	(\$16,880)	(\$12,530)	(\$12,530)	(\$8,180)	(\$8,180)	(\$3,830)	(\$3,830)	(\$3,830)	(\$3,830)
Interest on Loan Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>(\$26,330)</b>	<b>(\$21,230)</b>	<b>(\$16,880)</b>	<b>(\$16,880)</b>	<b>(\$12,530)</b>	<b>(\$12,530)</b>	<b>(\$8,180)</b>	<b>(\$8,180)</b>	<b>(\$3,830)</b>	<b>(\$3,830)</b>	<b>(\$3,830)</b>	<b>(\$3,830)</b>
Net Profit/Revenue	-58.51%	-47.18%	-32.15%	-32.15%	-20.88%	-20.88%	-12.12%	-12.12%	-5.11%	-5.11%	-5.11%	-5.11%

Year 1 Cash Flow												
Additional Cash Received	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Revenue	\$45,000	\$45,000	\$52,500	\$52,500	\$60,000	\$60,000	\$67,500	\$67,500	\$75,000	\$75,000	\$75,000	\$75,000
Proceeds from Investor	\$600,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$645,000	\$45,000	\$52,500	\$52,500	\$60,000	\$60,000	\$67,500	\$67,500	\$75,000	\$75,000	\$75,000	\$75,000
Total Personnel	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000
Bill Payments	\$0	\$31,247	\$26,147	\$29,297	\$29,297	\$32,447	\$32,447	\$35,597	\$35,597	\$38,747	\$38,747	\$38,747
Additional Cash Spent												
Start-up Costs	\$33,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Inventory	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Spent	\$326,500	\$69,247	\$64,147	\$67,297	\$67,297	\$70,447	\$70,447	\$73,597	\$73,597	\$76,747	\$76,747	\$76,747
Net Cash Flow	\$318,500	(\$24,247)	(\$11,647)	(\$14,797)	(\$7,297)	(\$10,447)	(\$2,947)	(\$6,097)	\$1,403	(\$1,747)	(\$1,747)	(\$1,747)
Cash Balance	\$318,500	\$294,253	\$282,606	\$267,809	\$260,512	\$250,065	\$247,118	\$241,021	\$242,424	\$240,677	\$238,930	\$237,183

Year 1 Balance Sheet												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
<b>Current Assets</b>												
Cash	\$318,500	\$294,253	\$282,606	\$267,809	\$260,512	\$250,065	\$247,118	\$241,021	\$242,424	\$240,677	\$238,930	\$237,183
Inventory	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Current Assets</b>	<b>\$323,500</b>	<b>\$299,253</b>	<b>\$287,606</b>	<b>\$272,809</b>	<b>\$265,512</b>	<b>\$255,065</b>	<b>\$252,118</b>	<b>\$246,021</b>	<b>\$247,424</b>	<b>\$245,677</b>	<b>\$243,930</b>	<b>\$242,183</b>
<b>Long-term Assets</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>
Accumulated Depreciation	\$2,083	\$4,167	\$6,250	\$8,333	\$10,417	\$12,500	\$14,583	\$16,667	\$18,750	\$20,833	\$22,917	\$25,000
<b>Total Long-term Assets</b>	<b>\$247,917</b>	<b>\$245,833</b>	<b>\$243,750</b>	<b>\$241,667</b>	<b>\$239,583</b>	<b>\$237,500</b>	<b>\$235,417</b>	<b>\$233,333</b>	<b>\$231,250</b>	<b>\$229,167</b>	<b>\$227,083</b>	<b>\$225,000</b>
<b>Other Assets</b>												
Other Assets	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500
<b>Total Assets</b>	<b>\$604,917</b>	<b>\$578,586</b>	<b>\$564,856</b>	<b>\$547,976</b>	<b>\$538,595</b>	<b>\$526,065</b>	<b>\$521,035</b>	<b>\$512,854</b>	<b>\$512,174</b>	<b>\$508,344</b>	<b>\$504,513</b>	<b>\$500,683</b>
<b>Current Liabilities</b>												
Accounts Payable	\$31,247	\$26,147	\$29,297	\$29,297	\$32,447	\$32,447	\$35,597	\$35,597	\$38,747	\$38,747	\$38,747	\$38,747
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Current Liabilities</b>	<b>\$31,247</b>	<b>\$26,147</b>	<b>\$29,297</b>	<b>\$29,297</b>	<b>\$32,447</b>	<b>\$32,447</b>	<b>\$35,597</b>	<b>\$35,597</b>	<b>\$38,747</b>	<b>\$38,747</b>	<b>\$38,747</b>	<b>\$38,747</b>
<b>Long-term Liabilities</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Liabilities</b>	<b>\$31,247</b>	<b>\$26,147</b>	<b>\$29,297</b>	<b>\$29,297</b>	<b>\$32,447</b>	<b>\$32,447</b>	<b>\$35,597</b>	<b>\$35,597</b>	<b>\$38,747</b>	<b>\$38,747</b>	<b>\$38,747</b>	<b>\$38,747</b>
<b>Paid-in Capital</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>
<b>Retained Earnings</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Earnings</b>	<b>(\$26,330)</b>	<b>(\$47,561)</b>	<b>(\$64,441)</b>	<b>(\$81,321)</b>	<b>(\$93,852)</b>	<b>(\$106,382)</b>	<b>(\$114,562)</b>	<b>(\$122,743)</b>	<b>(\$126,573)</b>	<b>(\$130,403)</b>	<b>(\$134,234)</b>	<b>(\$138,064)</b>
<b>Total Capital</b>	<b>\$573,670</b>	<b>\$552,439</b>	<b>\$535,559</b>	<b>\$518,679</b>	<b>\$506,148</b>	<b>\$493,618</b>	<b>\$485,438</b>	<b>\$477,257</b>	<b>\$473,427</b>	<b>\$469,597</b>	<b>\$465,766</b>	<b>\$461,936</b>
<b>Total Liabilities and Capital</b>	<b>\$604,917</b>	<b>\$578,586</b>	<b>\$564,856</b>	<b>\$547,976</b>	<b>\$538,595</b>	<b>\$526,065</b>	<b>\$521,035</b>	<b>\$512,854</b>	<b>\$512,174</b>	<b>\$508,344</b>	<b>\$504,513</b>	<b>\$500,683</b>
<b>Net Worth</b>	<b>\$573,670</b>	<b>\$552,439</b>	<b>\$535,559</b>	<b>\$518,679</b>	<b>\$506,148</b>	<b>\$493,618</b>	<b>\$485,438</b>	<b>\$477,257</b>	<b>\$473,427</b>	<b>\$469,597</b>	<b>\$465,766</b>	<b>\$461,936</b>

## PLAN FOR OBTAINING LIABILITY INSURANCE

KushKart LLC (“KushKart”) will contract with an insurance provider to maintain general liability insurance coverage for no less than \$1,000,000 per occurrence and \$2,000,000 in aggregate annually and product liability coverage for no less than \$1,000,000 per occurrence & \$2,000,000 in aggregate annually. The policy deductible will be no higher than \$5,000 per occurrence. KushKart will consider additional coverage based on availability and cost-benefit analysis.

Vehicles used for delivery by KushKart will carry liability insurance in an amount not less than \$1,000,000 combined single limit.

If adequate coverage is unavailable at a reasonable rate, KushKart will place in escrow at least \$250,000 to be expended for liabilities coverage (or such other amount approved by the Commission). Any withdrawal from such escrow will be replenished within 10 business days of any expenditure. KushKart will keep reports documenting compliance with 935 CMR 500.105(10) in a manner and form determined by the Commission pursuant to 935 CMR 500.000.

## MAINTAINING OF FINANCIAL RECORDS

KushKart LLC (“KushKart”) operating policies and procedures ensure financial records are accurate and maintained in compliance with the Commission’s Adult Use of Marijuana regulations (935 CMR 500). KushKart will deliver marijuana and marijuana products directly to consumers from a Marijuana Establishment with whom KushKart has a Wholesale Agreement. All agreements between KushKart and a marijuana establishment will be disclosed under the requirements of licensure in 935 CMR 500.101 and subject to limitations on control over Licenses under 935 CMR 500.050(1)(a). KushKart will notify the Commission of any substantial modifications to the delivery agreement. Financial records maintenance measures include policies and procedures requiring that:

- Confidential information will be maintained in a secure location, kept separate from all other records, and will not be disclosed without the written consent of the individual to whom the information applies, or as required under law or pursuant to an order from a court of competent jurisdiction; provided however, the Commission may access this information to carry out its official duties.
- All recordkeeping requirements under 935 CMR 500.105(9) are followed, including:
  - Keeping written business records, available for inspection, and in accordance with generally accepted accounting principles, which will include manual or computerized records of:
    - Assets and liabilities;
    - Monetary transactions;
    - Books of accounts, which will include journals, ledgers, and supporting documents, agreements, checks, invoices, and vouchers;
    - Salary and wages paid to each employee, or stipend, executive compensation, bonus, benefit, or item of value paid to any persons having direct or indirect control over nature.
- All applicable sales recording requirements under 935 CMR 500.140(5) are followed, including:
  - Utilizing a sales recording module approved by DOR;
  - Prohibiting the use of software or other methods to manipulate or alter sales data;
  - Conducting a monthly analysis of its equipment and sales data, and maintaining records, available to the Commission upon request, that the monthly analysis has been performed;
    - If KushKart determines that software has been installed for the purpose of manipulation or alteration of sales data or other methods have been utilized to manipulate or alter sales data: 1. it shall immediately disclose the information to the Commission; 2. it shall cooperate with the Commission in any investigation regarding manipulation or alteration of sales data; and 3. take such other action directed by the Commission to comply with 935 CMR 500.105.
  - Complying with 830 CMR 62C.25.1: *Record Retention* and DOR Directive 16-1 regarding recordkeeping requirements;
  - Maintaining such records that would allow for the Commission and the DOR to audit and examine the financial recording system used in order to ensure compliance with Massachusetts tax laws and 935 CMR 500; and



- Additional written business records will be kept, including, but not limited to, records of:
  - Compliance with liability insurance coverage or maintenance of escrow requirements under 935 CMR 500.105(10) and all bond or escrow requirements under 935 CMR 500.105(16);
  - Fees paid under 935 CMR 500.005 or any other section of the Commission's regulations; and
  - Fines or penalties, if any, paid under 935 CMR 500.360 or any other section of the Commission's regulations.
- License Renewal Records
  - KushKart will keep and submit as a component of the renewal application documentation that the establishment requested from its Host Community the records of any cost to a city or town reasonably related to the operation of the establishment, which would include the city's or town's anticipated and actual expenses resulting from the operation of the establishment in its community. The applicant will provide a copy of the electronic or written request, which should include the date of the request, and either the substantive response(s) received or an attestation that no response was received from the city or town. The request should state that, in accordance with M.G.L. c. 94G, § 3(d), any cost to a city or town imposed by the operation of a Marijuana Establishment or MTC will be documented and considered a public record as defined by M.G.L. c. 4, § 7, cl.

## **PERSONNEL POLICIES INCLUDING BACKGROUND CHECKS**

KushKart LLC (“KushKart”) will securely maintain personnel records, including registration status and background check records. KushKart will keep, at a minimum, the following personnel records:

- Job descriptions for each employee and volunteer position, as well as organizational charts consistent with the job descriptions;
- A personnel record for each marijuana establishment agent;
- A staffing plan that will demonstrate business hours and safe work conditions;
- Personnel policies and procedures; and
- All background check reports obtained in accordance with 935 CMR 500.030.

### **AGENT PERSONNEL RECORDS**

In compliance with 935 CMR 500.105(9), personnel records for each agent will be maintained for at least twelve (12) months after termination of the agent’s affiliation with KushKart and will include, at a minimum, the following:

- All materials submitted to the Commission pursuant to 935 CMR 500.030(2);
- Documentation of verification of references;
- The job description or employment contract that includes duties, authority, responsibilities, qualifications, and supervision;
- Documentation of all required training, including training regarding privacy and confidentiality requirements, and the signed statement of the individual indicating the date, time, and place he or she received said training and the topics discussed, including the name and title of presenters;
- Documentation of periodic performance evaluations;
- A record of any disciplinary action taken;
- Notice of completed responsible vendor and eight-hour related duty training; and
- Results of initial background investigation, including CORI reports.

Personnel records will be kept in a secure location to maintain confidentiality and be only accessible to the agent’s manager or members of the executive management team.

### **AGENT BACKGROUND CHECKS**

- In addition to completing the Commission’s agent registration process, all agents hired to work for KushKart will undergo a detailed background investigation prior to being granted access to a KushKart facility or vehicle or beginning work duties.
- Background checks will be conducted on all agents in their capacity as employees or volunteers for KushKart pursuant to 935 CMR 500.030 and will be used by the Chief Executive Officer, who will be registered with the Department of Criminal Justice Information Systems pursuant to 803 CMR 2.04: iCORI Registration and the

Commission for purposes of determining the suitability of individuals for registration as a marijuana establishment agent with KushKart.

- For purposes of determining suitability based on background checks performed in accordance with 935 CMR 500.030, KushKart will consider:
  - a. All conditions, offenses, and violations are construed to include Massachusetts law or like or similar law(s) of another state, the United States or foreign jurisdiction, a military, territorial or Native American tribal authority, or any other jurisdiction.
  - b. All criminal disqualifying conditions, offenses, and violations include the crimes of attempt, accessory, conspiracy, and solicitation. Juvenile dispositions will not be considered as a factor for determining suitability.
  - c. Where applicable, all look-back periods for criminal conditions, offenses, and violations included in 935 CMR 500.802 commence upon the date of disposition; provided, however, that if disposition results in incarceration in any institution, the look-back period will commence upon release from incarceration.
- Suitability determinations will be made in accordance with the procedures set forth in 935 CMR 500.800. In addition to the requirements established in 935 CMR 500.800, KushKart will:
  - a. Comply with all guidance provided by the Commission and 935 CMR 500.802: Table B to determine if the results of the background are grounds for Mandatory Disqualification or Presumptive Negative Suitability Determination.
  - b. Consider whether offense(s) or information that would result in a Presumptive Negative Suitability Determination under 935 CMR 500.802. In the event a Presumptive Negative Suitability Determination is made, KushKart will consider the following factors:
    - i. Time since the offense or incident;
    - ii. Age of the subject at the time of the offense or incident;
    - iii. Nature and specific circumstances of the offense or incident;
    - iv. Sentence imposed and length, if any, of incarceration, if criminal;
    - v. Penalty or discipline imposed, including damages awarded, if civil or administrative;
    - vi. Relationship of offense or incident to nature of work to be performed;
    - vii. Number of offenses or incidents;
    - viii. Whether offenses or incidents were committed in association with dependence on drugs or alcohol from which the subject has since recovered;
    - ix. If criminal, any relevant evidence of rehabilitation or lack thereof, such as information about compliance with conditions of parole or probation, including orders of no contact with victims and witnesses, and the subject's conduct and experience since the time of the offense including, but not limited to, professional or educational certifications obtained; and
    - x. Any other relevant information, including information submitted by the subject.

- c. Consider appeals of determinations of unsuitability based on claims of erroneous information received as part of the background check during the application process in accordance with 803 CMR 2.17: Requirement to Maintain a Secondary Dissemination Log and 2.18: Adverse Employment Decision Based on CORI or Other Types of Criminal History Information Received from a Source Other than the DCJIS.
- All suitability determinations will be documented in compliance with all requirements set forth in 935 CMR 500 et seq. and guidance provided by the Commission.
- Background screening will be conducted by an investigative firm holding the National Association of Professional Background Screeners (NAPBS®) Background Screening Credentialing Council (BSCC) accreditation and capable of performing the searches required by the regulations and guidance provided by the Commission.
- References provided by the agent will be verified at the time of hire.
- As a condition of their continued employment, agents, volunteers, contractors, and subcontractors are required to renew their Program ID cards annually and submit to other background screening as may be required by KushKart or the Commission.

## PERSONNEL POLICIES AND TRAINING

As outlined in KushKart's Record Keeping Procedures, a staffing plan and staffing records will be maintained in compliance with 935 CMR 500.105(9) and will be made available to the Commission, upon request. All KushKart agents are required to complete training as detailed in KushKart's Qualifications and Training plan which includes but is not limited to KushKart's strict alcohol, smoke and drug-free workplace policy, job specific training, Responsible Vendor Training Program, confidentiality training including how confidential information is maintained by KushKart and a comprehensive discussion regarding KushKart's policy for immediate dismissal. All training will be documented in accordance with 935 CMR 105(9)(d)(2)(d).

KushKart will have a policy for the immediate dismissal of any dispensary agent who has:

- Diverted marijuana, which will be reported the Police Department and to the Commission;
- Engaged in unsafe practices with regard to KushKart's operations, which will be reported to the Commission; or
- Been convicted or entered a guilty plea, plea of *nolo contendere*, or admission to sufficient facts of a felony drug offense involving distribution to a minor in the Commonwealth, or a like violation of the laws of another state, the United States or a foreign jurisdiction, or a military, territorial, or Native American tribal authority.

All individuals delivering Marijuana and Marijuana Products for KushKart directly to Consumers will be employees of KushKart and will hold a valid KushKart agent registration.

## RECORDKEEPING

KushKart LLC (“KushKart”) has established policies regarding recordkeeping and record-retention in order to ensure the maintenance, safe keeping, and accessibility of critical documents. Electronic and wet signatures are accepted forms of execution of KushKart documents. Records will be stored at KushKart in a locked room designated for record retention.

To ensure that KushKart is keeping and retaining all records as noted in this policy, reviewing Corporate Records, Business Records, and Personnel Records to ensure completeness, accuracy, and timeliness of such documents will occur as part of KushKart’s quarter-end closing procedures. In addition, KushKart’s operating procedures will be updated on an ongoing basis as needed and undergo a review by the executive management team on an annual basis. KushKart will maintain its records in accordance with generally accepted accounting principles.

- Corporate Records

Corporate Records are defined as those records that require, at a minimum, annual reviews, updates, and renewals, including:

- Insurance Coverage:
  - Directors & Officers Policy
  - Product Liability Policy
  - General Liability Policy
  - Umbrella Policy
  - Workers Compensation Policy
  - Employer Professional Liability Policy
- Third-Party Contracts
- Delivery Agreements
- Commission Requirements:
  - Annual Agent Registration
  - Annual Marijuana Establishment Registration
- Local Compliance:
  - Certificate of Occupancy
  - Special Permits
  - Variances
  - Site Plan Approvals
  - As-Built Drawings
- Corporate Governance:
  - Annual Report
  - Secretary of Commonwealth Filings

- Business Records

Business Records require ongoing maintenance and updates. These records can be electronic or hard copy (preferably electronic) and at minimum include:

- Assets and liabilities;
- Monetary transactions;
- Books of accounts, which will include journals, ledgers, and supporting documents, agreements, checks, invoices, and vouchers;
- Sales records including the quantity, form, and cost of marijuana products;

- Salary and wages paid to each employee, or stipend, executive compensation, bonus, benefit, or item of value paid to any persons having direct or indirect control over KushKart.
- Personnel Records
  - At a minimum, Personnel Records will include:
    - Job descriptions for each agent and volunteer position, as well as organizational charts consistent with the job descriptions;
    - A personnel record for each marijuana establishment agent. Such records will be maintained for at least twelve (12) months after termination of the agent's affiliation with KushKart and will include, at a minimum, the following:
      - All materials submitted to the Commission pursuant to 935 CMR 500.030(2);
      - Documentation of verification of references;
      - The job description or employment contract that includes duties, authority, responsibilities, qualifications, and supervision;
      - Documentation of all required training, including training regarding privacy and confidentiality requirements, and the signed statement of the individual indicating the date, time, and place he or she received said training and the topics discussed, including the name and title of presenters;
      - Documentation of periodic performance evaluations; and
      - A record of any disciplinary action taken.
      - Notice of completed responsible vendor and eight-hour related duty training.
    - A staffing plan that will demonstrate accessible business hours and safe cultivation conditions;
    - Personnel policies and procedures; and
    - All background check reports obtained in accordance with 935 CMR 500.030: Registration of Marijuana Establishment Agents 803 CMR 2.00: Criminal Offender Record Information (CORI).
- Handling and Testing of Marijuana Records
  - KushKart will maintain the results of all testing for a minimum of one (1) year.
- Inventory Records
  - The record of each inventory will include, at a minimum, the date of the inventory, a summary of the inventory findings, and the names, signatures, and titles of the agents who conducted the inventory. Inventory records will be maintained as required by 935 CMR 500.105(8).
- Seed-to-Sale Tracking Records
  - KushKart will use Metrc as the seed-to-sale tracking software to maintain real-time inventory.
- Incident Reporting Records
  - Within ten (10) calendar days, KushKart will provide notice to the Commission of any incident described in 935 CMR 500.110(9)(a), by submitting an incident report in the form and manner determined by the Commission which details the circumstances of the event, any corrective action taken, and confirmation that the

appropriate law enforcement authorities were notified within twenty-four (24) hours of discovering the breach or incident .

- All documentation related to an incident that is reportable pursuant to 935 CMR 500.110(9)(a) will be maintained by KushKart for no less than one year or the duration of an open investigation, whichever is longer, and made available to the Commission and law enforcement authorities within KushKart's jurisdiction on request.
- Visitor Records
  - A visitor sign-in and sign-out log will be maintained at the security office. The log will include the visitor's name, address, organization or firm, date, time in and out, and the name of the authorized agent who will be escorting the visitor.
- Waste Disposal Records
  - When marijuana or marijuana products are to be disposed of, KushKart will create and maintain a record of any marijuana or marijuana products returned for waste disposal. KushKart will keep disposal records for at least three (3) years. This period will automatically be extended for the duration of any enforcement action and may be extended by an order of the Commission.
- Security Records
  - A current list of authorized agents and service personnel that have access to the surveillance room will be available to the Commission upon request.
  - Recordings from all video cameras which shall be enabled to record twenty-four (24) hours each day shall be available for immediate viewing by the Commission on request for at least the preceding ninety (90) calendar days or the duration of a request to preserve the recordings for a specified period of time made by the Commission, whichever is longer.
  - Recordings shall not be destroyed or altered and shall be retained as long as necessary if KushKart is aware of pending criminal, civil or administrative investigation or legal proceeding for which the recording may contain relevant information.
- Transportation Records
  - KushKart will retain all transportation manifests for a minimum of one (1) year and make them available to the Commission upon request.
- Vehicle Records
  - Records that any and all of KushKart's vehicles are properly registered, inspected, and insured in the Commonwealth and shall be made available to the Commission on request.
- Agent Training Records
  - Documentation of all required training, including training regarding privacy and confidentiality requirements, and a signed statement of the individual indicating the date, time, and place he or she received the training, the topics discussed and the name and title of the presenter(s).
- Responsible Vendor Training
  - KushKart shall maintain records of Responsible Vendor Training Program compliance for four (4) years and make them available to inspection by the Commission and any other applicable licensing authority on request during normal business hours.

- Closure
  - In the event KushKart closes, all records will be kept for at least two (2) years at KushKart's expense in a form (electronic, hard copies, etc.) and location acceptable to the Commission. In addition, KushKart will communicate with the Commission during the closure process and accommodate any additional requests the Commission or other agencies may have.
- Written Operating Policies and Procedures
  - Policies and Procedures related to KushKart's operations will be updated on an ongoing basis as needed and undergo a review by the executive management team on an annual basis. Policies and Procedures will be maintained as required by 935 CMR 500.105(1).
- License Renewal Records
  - KushKart will keep and submit as a component of the renewal application documentation that the establishment requested from its Host Community the records of any cost to a city or town reasonably related to the operation of the establishment, which would include the city's or town's anticipated and actual expenses resulting from the operation of the establishment in its community. The applicant shall provide a copy of the electronic or written request, which should include the date of the request, and either the substantive response(s) received or an attestation that no response was received from the city or town. The request should state that, in accordance with M.G.L. c. 94G, § 3(d), any cost to a city or town imposed by the operation of a Marijuana Establishment or MTC shall be documented and considered a public record as defined by M.G.L. c. 4, § 7, cl. 26.

## MANIFESTS

Every home delivery will have a manifest produced by the originating marijuana establishment. A manifest will be completed in duplicate, with KushKart. The manifest will be signed by the consumer receiving the Products and the marijuana establishment agent acting on behalf of KushKart. A signed manifest will serve as the written record of the completion of the delivery.

The manifest must, at a minimum, include:

1. The name, address, and License number of KushKart;
2. The names and marijuana establishment agent numbers of the marijuana establishment agents performing the delivery;
3. The consumer's name and address;
4. A description of the Products being transported, including the weight and form or type of product;
5. Signature lines for the agents who transported the Products;
6. A signature line for consumer who receives the Products.; and
7. The KushKart vehicle make, model, and license plate number.

The manifest will be maintained within the vehicle during the entire transportation process, until all deliveries are completed. All manifests will be retained for no less than one year and made available to the Commission upon request.



A separate log will be maintained for each delivery. For each delivery, KushKart agents will record:

1. The location of the originating marijuana establishment and date and time the vehicle leaves the location;
2. The mileage of the transporting vehicle at departure from the marijuana establishment, the mileage on arrival at each Consumer destination, and mileage on return to the marijuana establishment;
3. The date and time of departure from the marijuana establishment and arrival at each consumer destination for each delivery; and
4. An entry indicating the date and time of the last delivery in an order.

KushKart will ensure that all orders for delivery will comply with the regulations pursuant to 935 CMR 500.145(2).

### **THIRD-PARTY PLATFORMS**

KushKart may use a third-party technology platform to facilitate the ordering of marijuana and marijuana products. This provider will comply with all privacy and consumer protection standards. Any agreement between KushKart and third-party technology platform provider will be available for inspection pursuant to 935 CMR 500.101 and control limitations pursuant to CMR 500.050(1)(a). KushKart will notify the Commission within five (5) days of any modification to an agreement with third-party technology platform provider and any new, additional, or assigned agreements with the provider.

### **WHOLESALE AGREEMENTS**

KushKart may deliver Marijuana or Marijuana Products directly to Consumers from a licensed Marijuana Cultivator, Marijuana Product Manufacturer, Microbusiness or Craft Marijuana Cooperative with which the Delivery Operator has a Wholesale Agreement. A licensed Marijuana Establishment with which the Delivery Operator has a Wholesale Agreement with for the purpose of transacting home deliveries to Consumers shall establish a Pre-verification process for Consumers who intend to place orders for delivery with the Marijuana Establishment. KushKart will only obtain Marijuana or Marijuana Products for delivery from a licensed Marijuana Establishment with which KushKart has a Wholesale Agreement. All agreements between KushKart will be disclosed under the requirements of licensure in 935 CMR 500.101 and subject to limitations on control over Licenses under 935 CMR 500.050(1)(a). The Commission will be notified in writing of any substantial modification to a Delivery Agreement.

### **RECORD-RETENTION**

KushKart will meet Commission recordkeeping requirements and retain a copy of all records for two (2) years, unless otherwise specified in the regulations.

## **Diversity Plan**

### **Overview**

Kush Kart is dedicated to promoting equity in its operations for diverse populations, which the Commission has identified as the following:

1. People of color, particularly Black, African American, Hispanic, Latinx, and Indigenous people;
2. Women;
3. Veterans;
4. People with disabilities; and
5. LGBTQ+ individuals.

To support such populations, Kush Kart has created the following Diversity Plan (the “Plan”) and has identified and created goals/programs to promote equity in Kush Kart’s operations. As friends of lifelong residents of the Outer Cape, the founders of Kush Kart embrace and support the diversity objectives established by the Legislature and promulgated by the Commission.

### **Goal 1: Kush Kart Workforce Diversity Retention Program**

Kush Kart Workforce Diversity Retention Program will have a workforce representative of Eastham and surrounding communities’ demographics, and in some cases, exceeding current percentages as follows:

- 25% Women (Eastham Women Population is 54.5%)
- 12% Veteran (Eastham Veterans Population is 11.7%)
- 10% LGBTQ+ individuals
- 10% People with disabilities
- 5% African American/Asian American (Eastham African American Population is 1.8%; Eastham Asian American Population is 2.4%)

To accomplish Goal 1, Kush Kart will advertise employment opportunities with diverse publications and programs such as the Provincetown Independent, Cape Coddler, HOW (Helping Our Women), CDP (Community Development Partnership), Cape Cod Vet Center, local Career Development Centers, and on diversityjobs.com. Kush Kart intends to prioritize employment and advancement opportunities for veterans, women, LGBTQ+, people with disabilities, and minorities. Kush Kart’s goal is to ensure that more than 50% of its staff from these diverse populations.

Kush Kart will attend at minimum one annual community meeting and/or job fair with the focus of attracting individuals from the diverse demographics listed above. At the event(s) and/or job fair(s), Kush Kart will provide information on available positions within Kush Kart and general information about how to enter the industry.

Kush Kart will advertise when actively hiring. Kush Kart will continuously post current job opportunities at Kush Kart and accept applications through its website on a rolling basis.

**Goal 1 Metrics:** Kush Kart will track and provide the following metrics at the time of license renewal to ensure Kush Kart is reaching its intended goals:

- Number of and type of community meetings/job fairs/other information sessions held or participated in with supporting documents.
- Number of postings in diverse publications or general publications with supporting documents and/or links
- Number of individuals from the above-referenced demographics groups who were hired by Kush Kart after the issuance of license.
- Number of jobs created since issuance of license.
- Kush Kart Workforce Diversity Retention Program will semi-annually monitor aggregate data to ensure progress in the program.

### **Goal 2: Kush Kart Diversity Development Initiative**

To support staff's professional development, job stability, and advancement within the company, Kush Kart's Diversity Development Initiative will train diverse individuals for management and promotion opportunities. Kush Kart will practice ongoing, informal mentorship and hold internal training twice per year with an emphasis on career advancement and management opportunities.

Kush Kart's goal is to promote 20% of its staff who fall in demographics as listed in Goal 1.

**Goal 2 Metrics:** Kush Kart will track and provide the following metrics at the time of license renewal to ensure Kush Kart is reaching their intended goal:

- Number of participating individuals listed in diverse demographics in Goal 1.
- Number of career advancement and management trainings provided to individuals listed in diverse demographics in Goal 1 since initial licensure.
- Kush Kart Diversity Development Initiative will semi-annually monitor aggregated data to ensure progress in the program.

Kush Kart believes that it is a core responsibility for those of us fortunate enough to affect the characteristics of this new industry in its earliest stages to demonstrate that a strong social conscience is good business.

Any actions taken, or programs instituted, by the applicant will not violate the Commission's regulations with respect to limitations on ownership or control or other applicable state laws.

Kush Kart diversity programs will adhere to the requirements set forth in 935 CMR 500.105(4) which provides the permitted and prohibited advertising, branding, marketing, and sponsorship practices of Marijuana Establishments.