



# June Monthly Public Meeting

Remote Via Teams

Packet 5 of 17

condition that the director, officer or person receiving such advance shall repay to the Corporation any amounts so advanced if, upon the termination of the matter or matters as to which such advances were made, such director, officer or person shall not be entitled to indemnification under the preceding paragraph of this Article.

The foregoing right to indemnification shall not be exclusive of any other rights to which any such director, officer or person is entitled under any agreement, vote of shareholders, statute, or as a matter of law, or otherwise.

The provisions of this Article are separable, and if any provision or portion hereof shall for any reason be held inapplicable, illegal or ineffective, this shall not prevent any other provision or portion hereof from applying, and shall not affect any right of indemnification existing otherwise than under this Article.

THREE: No director shall be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director notwithstanding any provision of law imposing such liability; provided, however, that such limitation on liability will not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under sections 6.41 or 8.32 of Chapter 156D of the Massachusetts General Laws, or (iv) for any transaction from which the director derived an improper personal benefit. If the Massachusetts Business Corporation Law is amended after the effective date of these Articles of Organization, to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Massachusetts Business Corporation Law, as so amended.

FOUR: A quorum of any meeting of the Shareholders shall require the presence of the Shareholders holding a majority of the outstanding shares, and no action at any meeting may be taken by the Shareholders unless the appropriate quorum is present.

FIVE: To the extent allowed by law, any action that is required to be or may be taken at a meeting of the Shareholders of the Corporation may be taken without a meeting if a written consent, setting forth the action, shall be signed by persons who would be entitled to vote at a meeting those shares having voting power to cast not less than the minimum number (or numbers, in the case of voting by classes) of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote were present and voted. Notice of any such action taken by written consent shall be provided to applicable Shareholders as may be required under the Act.

SIX: The affirmative vote of a majority of all the votes entitled to be cast on a matter shall be sufficient for approval of the matter, notwithstanding any greater vote on the matter otherwise required by any provision of the Act.

**ARTICLE VII**

The effective date of organization of the corporation is the date and time the articles were received for filing if the articles are not rejected within the time prescribed by law. If a later effective date is desired, specify such date, which may not be later than the 90th day after the articles are received for filing:

**ARTICLE VIII**

The information contained in this article is not a permanent part of the articles of organization.

- a. The street address of the initial registered office of the corporation in the commonwealth:  
243 Main St, Athol, MA 01331
- b. The name of its initial registered agent at its registered office:  
Oluwaseun Adedeji
- c. The names and addresses of the individuals who will serve as the initial directors, president, treasurer and secretary of the corporation (an address need not be specified if the business address of the officer or director is the same as the principal office location):

President: Oluwaseun Adedeji

Treasurer: Oluwaseun Adedeji

Secretary: Oluwaseun Adedeji


Director(s): Oluwaseun Adedeji

*If a professional corporation, include a list of shareholders with residential addresses and attach certificates of the appropriate regulatory board.*

- d. The fiscal year end of the corporation:  
12/31
- e. A brief description of the type of business in which the corporation intends to engage:  
To apply for a license to operate an adult use marijuana dispensary
- f. The street address of the principal office of the corporation:  
243 Main St, Athol, MA 01331
- g. The street address where the records of the corporation required to be kept in the commonwealth are located is:

243 Main St, Athol, MA 01331, which is  
(number, street, city or town, state, zip code)

- ☒ its principal office;
- ☐ an office of its transfer agent;
- ☐ an office of its secretary/assistant secretary;
- ☐ its registered office.

Signed by: ,  
(signature of authorized individual)

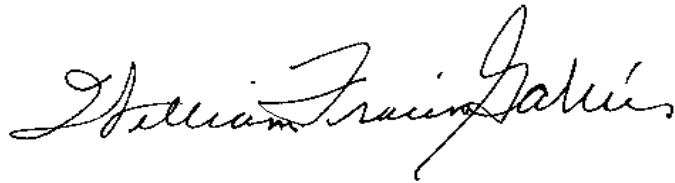
- ☐ Chairman of the board of directors,
- ☒ President,
- ☐ Other officer,
- ☐ Court-appointed fiduciary,

on this 2 day of October, 2019

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:

October 04, 2019 03:15 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*



## TERMINATION AGREEMENT

**THIS TERMINATION AGREEMENT** (the “Termination Agreement”) is entered into on May 22, 2020, by and between Herbology Group, Inc. (the “Company”), on the one hand, and Sea Hunter Therapeutics, LLC (“Therapeutics”), SH Finance Company, LLC (“SH Finance”), Sea Hunter Capital Partners, LLC (“Sea Hunter”), Sea Hunter Holdings, LLC (“Sea Hunter Holdings”), Commonwealth Alternative Care, Inc. (“CAR”), SH Realty Holdings (“SH Realty”), Cultivo, LLC (“Cultivo”), Herbology Holdings, LLC (“Herbology Holdings,” and, together with Therapeutics, SH Finance, Sea Hunter, Sea Hunter Holdings, CAR, SH Realty, Cultivo, and their respective affiliates, successors, and assigns “TILT Group”), on the other hand, to be made effective as of the date hereof (the “Termination Date”). The Company and the TILT Group are referred to collectively herein as the “Parties,” and each individually, as a “Party.”

**WHEREAS**, the Company and one or more members of TILT Group are parties to each of those certain commercial agreements (each, as amended, supplemented, replaced, or otherwise modified from time to time) listed on Schedule 1 annexed hereto (the “Commercial Agreements”);

**WHEREAS**, the Company and one or more members of TILT Group are parties to each of those certain loan agreements (each, as amended, supplemented, replaced, or otherwise modified from time to time) listed on Schedule 2 annexed hereto (the “Debt Agreements”), certain of such Debt Agreements are secured by those certain UCC-1 filings annexed hereto as Schedules 2-1 and 2-2 (the “TILT UCC Filings,” and together with the Commercial Agreements and the Debt Agreements, collectively, the “TILT Agreements”);

**WHEREAS**, the Company and TILT Group desire to terminate the TILT Agreements as of the Termination Date;

**WHEREAS**, contemporaneously herewith, PBM Enterprises LLC, a Delaware limited liability company (“PBM”) has agreed to issue to SH Finance a promissory note in the principal amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000.00) substantially in the form annexed hereto as Exhibit A (the “TILT Promissory Note”); and

**WHEREAS**, TILT Group has agreed to accept the TILT Promissory Note as full consideration and satisfaction of the Herbology Obligations (as defined below) to TILT Group.

**NOW, THEREFORE**, in consideration of the promises and mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned being (i) the Company, and (ii) the TILT Group, hereby agree as follows:

1. Termination. Each of TILT Agreements shall terminate effective immediately as of the Termination Date.

2. Herbology Obligations. Each member of TILT Group, on behalf of itself, and its respective employees, officers, directors, members, managers, shareholders, affiliates, subsidiaries, successors and assigns, (collectively, the “TILT Parties”), acknowledges, agrees, and covenants to the Company that the TILT Agreements constitute any and all debts, obligations,

liabilities, contracts, claims or demands, whether known or unknown, contingent or fixed, direct or indirect, that any of the TILT Parties may have now or at any time (collectively, the “Herbology Obligations”) against the Company, Jane Hawman, April Hawman, Anna Grey, or PBM (except with respect to PBM’s payment obligations under the TILT Note) along with their respective affiliates, successors, assigns, together with all of their respective past and present officers, directors, shareholders, affiliates, employees, agents, attorneys, accountants, and heirs (collectively, the “Herbology Parties”).

3. TILT Note. The Parties acknowledge and agree that the TILT Note constitutes full payment for, and complete satisfaction of, any and all Herbology Obligations owed by any of the Herbology Parties to the TILT Parties. Effectively immediately as of the Terminate Date, all Herbology Obligations will be canceled and terminated.

4. Consent to Termination and Further Assurances. TILT Group hereby consents to (x) the filing of UCC-3 termination statements removing all liens on any of the Herbology Parties’ assets held by or in favor of any of the TILT Parties, including, but not limited to, the TILT UCC Filings, and (y) any necessary or appropriate documents evidencing the terminations and releases of the TILT Agreements. TILT Group, at the sole cost of the Company, agrees to promptly do all things and take all actions, presently or in the future, which may be reasonably requested by the Company, the Company’s designees or its counsel to effect and evidence the foregoing, including, without limitation, the execution and delivery of UCC-3 termination statements and other documents reasonably requested to effectuate the releases provided for herein, in each case, without any recourse to the TILT Group.

5. Governing Law. This Termination Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to its rules concerning conflicts of laws.

6. Counterparts, Signature Pages and Electronic Signatures. This Termination Agreement may be entered into by original, electronic or facsimile signature, or by signing, scanning, and e-mailing the originally signed document or the signature pages of the document, and in counterparts, each of which shall be deemed an original, and all of which together shall constitute one original instrument. If signed signature pages are mailed or scanned and emailed or if electronic signature copies of the signature pages are emailed, the signing party authorizes the Company to attach such pages to a copy of this document and agrees to be bound by the terms hereof.

7. Severability. If a court of law holds any provision of this Termination Agreement to be illegal, invalid or unenforceable, (a) that provision shall be deemed amended to achieve an economic effect that is as near as possible to that provided by the original provision and (b) the legality, validity and enforceability of the remaining provisions of this Request and Waiver shall not be affected thereby.

8. Amendment. This Termination Agreement may not be modified or amended, except by an agreement in writing signed by the parties to be bound.

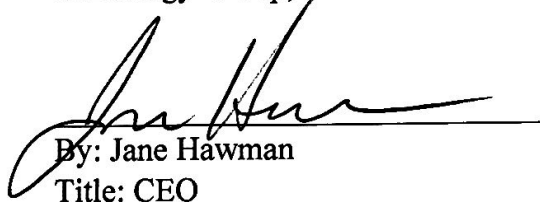
9. Headings. The titles or headings of provisions hereof are for convenience only and do not form a part of this Termination Agreement.

*[Signature Pages Follow]*

**IN WITNESS WHEREOF**, the Parties have executed this Termination Agreement as of the date in the heading on the first page.

**COMPANY:**

Herbology Group, Inc.

A handwritten signature in black ink, appearing to read "Jane Hawman", is written over a horizontal line. The signature is fluid and cursive.

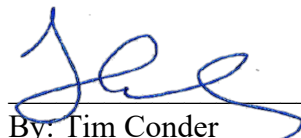
By: Jane Hawman

Title: CEO

**IN WITNESS WHEREOF**, the Parties have executed this Termination Agreement as of the date in the heading on the first page.

**TILT GROUP:**

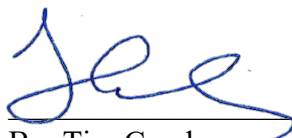
SEA HUNTER THERAPEUTICS, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

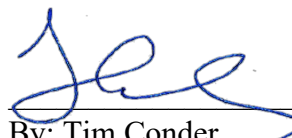
SH FINANCE COMPANY, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

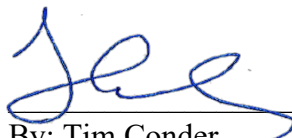
COMMONWEALTH ALTERNATIVE  
CARE, INC.

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

SH REALTY HOLDINGS, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

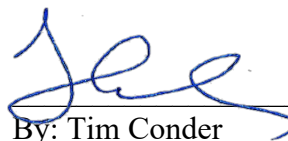
By: Tim Conder

Title: Chief Operating Officer

**IN WITNESS WHEREOF**, the Parties have executed this Termination Agreement as of the date in the heading on the first page.

**TILT GROUP:**

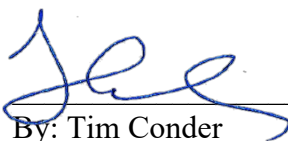
CULTIVO, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

HERBOLOGY HOLDINGS, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

## Schedule 1

### Commercial Agreements

- Amended and Restated Memorandum of Understanding, dated December 19, 2018, by and between Sea Hunter Therapeutics, LLC and Herbology Group, Inc.
- Management Agreement, dated July, 2017, by and between Herbology Group, Inc. and Herbology Management Group, LLC.
- Services Agreement, dated [\_\_\_\_\_], 2018, by and between Herbology Management Group, LLC and Herbology Group, Inc.
- Supply and Services Agreement, dated December 19, 2018, by and between Sea Hunter Therapeutics, LLC and Herbology Group, Inc.

## Schedule 2

### Debt Agreements

- Loan and Security Agreement, dated on or about July, 2017, by and among Herbology Management Group, LLC, Herbology Group, Inc., and Herbology Holdings, LLC, in the amount of up to \$15,000,000.00.
- Promissory Note and Exclusivity Agreement, dated April 5, 2017, by and between Herbology Group, Inc. and Sea Hunter Capital Partners, LLC, in the principal amount of \$50,000.00.
- Flow of Funds and Closing Agreement, dated on or about July 17, 2017, by and among Herbology Holdings, LLC, Herbology Management Group, LLC, and Herbology Group, Inc.



Schedule 2-1

UCC-1

*See attached.*

Schedule 2-2

UCC-1

*See attached.*

Exhibit A

Form of TILT Promissory Note

*See attached.*

4810-7011-3196.7



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

Minimum Fee: \$35.00

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

Special Filing Instructions

**Articles of Organization**

(General Laws, Chapter 180)

**Identification Number:** 001180219

**ARTICLE I**

The exact name of the corporation is:

HERBOLOGY GROUP, INC.

**ARTICLE II**

The purpose of the corporation is to engage in the following business activities:

THE PURPOSE OF THE CORPORATION IS TO PROMOTE ACCESS TO HEALTH CARE, AND ENGAGE IN ANY ACTIVITY IN WHICH A CORPORATION ORGANIZED UNDER MGL CHAPTER 180 (4) OF THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS MAY LAWFULLY ENGAGE. (A) FOR CIVIC, EDUCATIONAL, CHARITABLE, AND BENEVOLENT PURPOSES; (B) FOR THE PROSECUTION OF ANY ANTIQUARIAN, HISTORICAL, LITERARY, SCIENTIFIC, MEDICAL, CHIROPRACTIC, ARTISTIC, MONUMENTAL OR MUSICAL PURPOSES.

**ARTICLE III**

A corporation may have one or more classes of members. If it does, the designation of such classes, the manner of election or appointments, the duration of membership and the qualifications and rights, including voting rights, of the members of each class, may be set forth in the by-laws of the corporation or may be set forth below:

THE CORPORATION SHALL HAVE NO MEMBERS AND NO MEMBERSHIP.

**ARTICLE IV**

Other lawful provisions, if any, for the conduct and regulation of the business and affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the corporation, or of its directors or members, or of any class of members, are as follows:

*(If there are no provisions state "NONE")*

THE HERBOLOGY GROUP, INC. ARTICLES OF ORGANIZATION OTHER LAWFUL PROVISIONS:

1. THE CORPORATION SHALL HAVE, AND MAY EXERCISE IN FURTHERANCE OF ITS CORPORATE PURPOSES, THE FOLLOWING POWERS: (A) THE CORPORATION SHALL HAVE PERPETUAL SUCCESSION IN ITS CORPORATE NAME. (B) THE CORPORATION MAY SUE AND BE SUE D. (C) THE CORPORATION MAY HAVE A CORPORATE SEAL WHICH IT MAY ALTER AT ITS PLEASURE. (D) THE CORPORATION MAY ELECT OR APPOINT DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS, FIX THEIR COMPENSATION AND DEFINE THEIR DUTIES AND OBLIGATIONS. (E) THE CORPORATION MAY PURCHASE, RECEIVE OR TAKE BY GRANT, GIFT, DEVISE, BEQUEST OR OTHERWISE, LEASE, OR OTHERWISE ACQUIRE, OWN, HOLD, IMPROVE, EMPLOY, USE AND OTHERWISE DEAL IN AND WITH, REAL OR PERSONAL PROPERTY, OR AN

Y INTEREST THEREIN, WHEREVER SITUATED, IN AN UNLIMITED AMOUNT. (F) THE CORPORATION MAY MAKE DONATIONS IN SUCH AMOUNTS AS THE DIRECTORS SHALL DETERMINE, IRRESPECTIVE OF CORPORATE BENEFIT, FOR THE PUBLIC WELFARE, FOR COMMUNITY FUND, CHARITABLE, EDUCATIONAL OR CIVIC PURPOSES. (G) THE CORPORATION MAY BE A PARTNER IN ANY BUSINESS ENTERPRISE OR ACTIVITY WHICH IT WOULD HAVE POWER TO CONDUCT BY ITSELF. (H) THE CORPORATION MAY BE AN INCORPORATOR OF OTHER CORPORATIONS OF ANY TYPE OR KIND. I) THE CORPORATION MAY SELL, CONVEY, LEASE, EXCHANGE, TRANSFER OR OTHERWISE DISPOSE OF, OR MORTGAGE, PLEDGE, ENCUMBER OR CREATE A SECURITY INTEREST IN, ALL OR ANY OF ITS PROPERTY, OR ANY INTEREST THEREIN, WHEREVER SITUATED. (J) THE CORPORATION MAY PURCHASE, TAKE, RECEIVE, SUBSCRIBE FOR, OR OTHERWISE ACQUIRE, OWN, HOLD, VOTE, EMPLOY, SELL, LEND, LEASE, EXCHANGE, TRANSFER, OR OTHERWISE DISPOSE OF, MORTGAGE, PLEDGE, USE AND OTHERWISE DEAL IN AND WITH, BONDS AND OTHER OBLIGATIONS, SHARES, OR OTHER SECURITIES OR INTERESTS ISSUED BY OTHERS, WHETHER ENGAGED IN SIMILAR OR DIFFERENT BUSINESSES, GOVERNMENTAL, OR OTHER ACTIVITIES. (K) THE CORPORATION MAY LEND MONEY, INVEST AND REINVEST ITS FUNDS, AND TAKE AND HOLD REAL AND PERSONAL PROPERTY AS SECURITY FOR THE PAYMENT OF FUNDS SO LOANED OR INVESTED. (L) THE CORPORATION MAY PAY PENSIONS, ESTABLISH AND CARRY OUT PENSION, SAVINGS, THRIFT AND OTHER RETIREMENT AND BENEFIT PLANS, TRUSTS AND PROVISIONS FOR ANY OR ALL OF ITS DIRECTORS, OFFICERS AND EMPLOYEES. (M) THE CORPORATION MAY MAKE CONTRACTS, GIVE GUARANTEES, INCUR LIABILITIES, BORROW MONEY AT SUCH RATES OF INTEREST AS THE CORPORATION MAY DETERMINE, ISSUE ITS NOTES, BONDS AND OTHER OBLIGATIONS AND SECURE ANY OF ITS OBLIGATIONS BY MORTGAGE, PLEDGE, OR ENCUMBRANCE OF, OR SECURITY INTEREST IN, ALL OR ANY OF ITS PROPERTY OR ANY INTEREST THEREIN, WHEREVER SITUATED. (N) THE CORPORATION MAY DO BUSINESS, CARRY ON ITS OPERATIONS, AND HAVE OFFICES AND EXERCISE ALL THE POWERS GRANTED BY MASSACHUSETTS GENERAL LAWS, CHAPTER 180, AS NOW IN FORCE OR AS HEREAFTER AMENDED, IN ANY JURISDICTION WITHIN OR WITHOUT THE UNITED STATES. (O) THE CORPORATION MAY PURCHASE AND MAINTAIN INSURANCE ON BEHALF OF ANY PERSON WHO IS OR WAS A DIRECTOR, OFFICER, EMPLOYEE OR OTHER AGENT OF THE CORPORATION, OR IS OR WAS SERVING AT THE REQUEST OF THE CORPORATION AS A DIRECTOR, OFFICER, EMPLOYEE OR OTHER AGENT OF ANOTHER ORGANIZATION IN WHICH IT HAS AN INTEREST, AGAINST ANY LIABILITY INCURRED BY HIM IN ANY SUCH CAPACITY, OR ARISING OUT OF HIS STATUS AS SUCH, WHETHER OR NOT THE CORPORATION WOULD HAVE THE POWER TO INDEMNIFY. (P) ANY ACTION OR VOTE REQUIRED BY CHAPTER 180 OF THE GENERAL LAWS TO BE TAKEN BY MEMBERS OF THE CORPORATION SHALL BE TAKEN BY ACTION OR VOTE OF THE SAME PERCENTAGE OF THE DIRECTORS OF THE CORPORATION. 2. MEETINGS OF THE DIRECTORS MAY BE HELD ANYWHERE IN THE UNITED STATES. 3. THE DIRECTORS MAY MAKE, AMEND OR REPEAL THE BYLAWS OF THE CORPORATION IN WHOLE OR IN PART. 4. THE CORPORATION MAY HAVE AND EXERCISE ALL POWERS NECESSARY OR CONVENIENT TO EFFECT ANY OR ALL OF THE PURPOSES FOR WHICH THE CORPORATION IS FORMED, PROVIDED THAT NO SUCH POWER SHALL BE EXERCISED IN A MANNER INCONSISTENT WITH MASSACHUSETTS GENERAL LAWS, CHAPTER 180, AS NOW IN FORCE OR HEREAFTER AMENDED, OR WHICH IS UNLAWFUL UNDER ANY OTHER CHAPTER OF THE GENERAL LAWS OF THE COMMONWEALTH. 5. NO DIRECTOR OR OFFICER SHALL BE PERSONALLY LIABLE TO THE CORPORATION OR ITS DIRECTORS FOR MONETARY DAMAGES FOR BREACH OF FIDUCIARY DUTY AS AN DIRECTOR OR OFFICER NOTWITHSTANDING ANY PROVISION OF LAW IMPOSING SUCH LIABILITY, EXCEPT THAT, TO THE EXTENT EXISTING OR FUTURE APPLICABLE LAW PROVIDES THAT THE FOLLOWING LIABILITY MAY NOT BE ELIMINATED OR LIMITED, THIS PROVISION SHALL NOT ELIMINATE OR LIMIT THE LIABILITY OF AN DIRECTOR OR OFFICER FOR ANY OF THE FOLLOWING ACTS: (I) BREACH OF THE DIRECTOR'S OR OFFICER'S DUTY OF LOYALTY TO THE CORPORATION, (II) ACTS OR OMISSIONS NOT IN GOOD FAITH OR WHICH INVOLVE INTENTIONAL MISCONDUCT OR A KNOWING VIOLATION OF LAW OR (III) A TRANSACTION FROM WHICH THE OFFICER OR DIRECTOR DERIVED AN IMPROPER PERSON

AL BENEFIT. NO AMENDMENT TO OR REPEAL OF THIS PROVISION SHALL APPLY TO OR HAVE ANY EFFECT ON THE LIABILITY OR ALLEGED LIABILITY OF AN DIRECTOR OR OFFICER OR OR WITH RESPECT TO ANY ACTS OR OMISSIONS OF SUCH DIRECTOR OR OFFICER OCCURRING PRIOR TO SUCH AMENDMENT OR REPEAL. 6. NO PERSON SHALL BE DISQUALIFIED FROM HOLDING ANY OFFICE BY REASON OF ANY INTEREST. IN THE ABSENCE OF FRAUD, ANY DIRECTOR OR OFFICER OF THIS CORPORATION, OR ANY CONCERN IN WHICH ANY SUCH DIRECTOR OR OFFICER HAS ANY INTEREST, OR ANY INDIVIDUAL HAVING ANY INTEREST IN ANY SUCH CONCERN, MAY BE A PARTY TO, OR MAY BE PECUNIARILY OR OTHERWISE INTERESTED IN, ANY CONTRACT, TRANSACTION OR OTHER ACT (COLLECTIVELY CALLED A "TRANSACTION") OF THIS CORPORATION, AND (I) SUCH TRANSACTION SHALL NOT BE IN ANY WAY INVALIDATED OR OTHERWISE AFFECTED BY THAT FACT; AND (II) NO SUCH DIRECTOR, OFFICER, MEMBER, CONCERN OR INDIVIDUAL SHALL BE LIABLE TO ACCOUNT TO THIS CORPORATION FOR ANY PROFIT OR BENEFIT REALIZED THROUGH ANY SUCH TRANSACTION; PROVIDED HOWEVER, THAT SUCH TRANSACTION EITHER WAS FAIR AT THE TIME IT WAS ENTERED INTO OR IS AUTHORIZED OR RATIFIED BY A MAJORITY OF THE DIRECTORS WHO ARE NOT SO INTERESTED AND TO WHOM THE NATURE OF SUCH INTEREST HAS BEEN DISCLOSED AND WHO HAVE MADE ANY FINDINGS REQUIRED BY LAW. EXCEPT TO THE EXTENT OTHERWISE PROVIDED BY LAW, ANY INTERESTED DIRECTOR OR MEMBER OF THIS CORPORATION MAY BE COUNTED IN DETERMINING THE EXISTENCE OF A QUORUM AT ANY MEETING AT WHICH SUCH TRANSACTION SHALL BE AUTHORIZED AND MAY VOTE TO AUTHORIZE SUCH TRANSACTION. FOR THE PURPOSES OF THIS SECTION, THE TERM "INTEREST" SHALL INCLUDE PERSONAL INTEREST AND ALSO INTEREST AS A DIRECTOR, OFFICER, STOCKHOLDER, SHAREHOLDER, TRUSTEE, MEMBER OR BENEFICIARY OF ANY CONCERN AND THE TERM "CONCERN" SHALL MEAN ANY CORPORATION, ASSOCIATION, TRUST, PARTNERSHIP, FIRM, PERSON OR OTHER ENTITY OTHER THAN THIS CORPORATION. 7. THE DIRECTORS AND OFFICERS OF THE CORPORATION SHALL NOT BE PERSONALLY LIABLE FOR ANY DEBT, LIABILITY OR OBLIGATION OF THE CORPORATION. ALL PERSONS, CORPORATIONS OR OTHER ENTITIES EXTENDING CREDIT TO, CONTRACTING WITH, OR HAVING ANY CLAIM AGAINST, THE CORPORATION, MAY LOOK ONLY TO THE FUNDS AND PROPERTY OF THE CORPORATION FOR THE PAYMENT OF ANY SUCH CONTRACT OR CLAIM, OR FOR THE PAYMENT OF ANY DEBT, DAMAGES, JUDGMENT OR DECREE, OR OF ANY MONEY THAT MAY OTHERWISE BECOME DUE OR PAYABLE TO THEM FROM THE CORPORATION. 8. NEITHER ANY AMENDMENT NOR REPEAL OF THIS ARTICLE IV, NOR THE ADOPTION OF ANY PROVISION OF THE CORPORATION'S ARTICLES OF ORGANIZATION INCONSISTENT WITH THIS ARTICLE IV, SHALL ELIMINATE OR REDUCE THE EFFECT OF THIS ARTICLE IV IN RESPECT OF ANY MATTER OCCURRING, OR ANY ACTION OR PROCEEDING ACCRUING OR ARISING OR THAT, BUT FOR THIS ARTICLE IV, WOULD ACCRUE OR ARISE, PRIOR TO SUCH AMENDMENT, REPEAL OR ADOPTION OF AN INCONSISTENT PROVISION. 9. NO PERSON SHALL BE DISQUALIFIED FROM HOLDING ANY OFFICE BY REASON OF ANY INTEREST IN THE CORPORATION. IN THE ABSENCE OF FRAUD, ANY DIRECTOR OR OFFICER OF THE CORPORATION INDIVIDUALLY, OR ANY INDIVIDUAL HAVING ANY INTEREST IN ANY CONCERN IN WHICH ANY DIRECTORS, OFFICERS OR INDIVIDUALS HAVE ANY INTEREST, MAY, UNLESS OTHERWISE DETERMINED BY DIRECTORS, BE A PARTY TO, OR MAY BE PECUNIARILY OR OTHERWISE INTERESTED IN, ANY CONTRACT TRANSACTION OR OTHER ACTION OF THE CORPORATION, AND (A) SUCH CONTRACT, TRANSACTION OR ACT SHALL NOT BE IN ANY WAY INVALIDATED OR OTHERWISE AFFECTED BY THAT FACT; (B) NO SUCH DIRECTOR, OFFICER OR OTHER INDIVIDUAL SHALL BE LIABLE TO ACCOUNT TO THIS CORPORATION FOR ANY PROFIT OR BENEFIT REALIZED THROUGH ANY SUCH CONTRACT, TRANSACTION OR ACT; (C) UNLESS OTHERWISE DETERMINED BY THE DIRECTORS, ANY SUCH DIRECTOR OF THE CORPORATION MAY BE COUNTED IN DETERMINING THE EXISTENCE OF A QUORUM AT ANY MEETING OF THE DIRECTORS OR ANY COMMITTEE THEREOF WHICH SHALL AUTHORIZE ANY SUCH CONTRACT, TRANSACTION OR ACT, AND VOTE TO AUTHORIZE THE SAME; AND (D) ANY DIRECTOR MAY ASK FOR A VOTE TO BE TAKEN BY THE NON-INTERESTED DIRECTORS AND EXCLUDE ANY DIRECTOR WHO HAS A POTENTIAL CONFLICT FROM PARTICIPATING IN SUCH

DISCUSSION OR VOTE, AND FROM BEING COUNTED TO DETERMINE THE EXISTENCE OF A QUORUM IN CONNECTION WITH SUCH VOTE. AS USED HEREIN, THE TERM "INTEREST" INCLUDES PERSONAL INTEREST AND INTEREST AS A DIRECTOR, OFFICER, STOCKHOLDER, SHAREHOLDER, TRUSTEE, MEMBER OR BENEFICIARY OF ANY CONCERN; AND THE TERM "CONCERN" MEANS CORPORATION, ASSOCIATION, TRUST, PARTNERSHIP, FIRM, PERSON OR OTHER ENTITY OTHER THAN THIS CORPORATION. 10. THE CORPORATION SHALL, TO THE EXTENT LEGALLY PERMISSIBLE, INDEMNIFY EACH PERSON WHO MAY SERVE OR WHO HAS SERVED AT ANY TIME AS A TRUSTEE, DIRECTOR OR OFFICER OF THE CORPORATION OR OF ANY OF ITS SUBSIDIARIES, OR WHO AT THE REQUEST OF THE CORPORATION MAY SERVE OR AT ANY TIME HAS SERVED AS A TRUSTEE, DIRECTOR OR OFFICER OF, OR IN A SIMILAR CAPACITY WITH, ANOTHER ORGANIZATION OR AN EMPLOYEE BENEFIT PLAN, AGAINST ALL EXPENSES AND LIABILITIES (INCLUDING COUNSEL FEES, JUDGMENTS, FINES, EXCISE TAXES, PENALTIES AND AMOUNTS PAYABLE IN SETTLEMENTS) REASONABLY INCURRED BY OR IMPOSED UPON SUCH PERSON IN CONNECTION WITH ANY THREATENED, PENDING OR COMPLETED ACTION, SUIT OR OTHER PROCEEDING, WHETHER CIVIL, CRIMINAL, ADMINISTRATIVE OR INVESTIGATIVE, IN WHICH SUCH PERSON MAY BECOME INVOLVED BY REASON OF SERVING OR HAVING SERVED IN SUCH CAPACITY (OTHER THAN A PROCEEDING VOLUNTARILY INITIATED BY SUCH PERSON UNLESS HE OR SHE IS SUCCESSFUL ON THE MERITS, THE PROCEEDING WAS AUTHORIZED BY THE CORPORATION OR THE PROCEEDING SEEKS A DECLARATORY JUDGMENT REGARDING HIS OR HER OWN CONDUCT); PROVIDED THAT NO INDEMNIFICATION SHALL BE PROVIDED FOR ANY SUCH PERSON WITH RESPECT TO ANY MATTER AS TO WHICH HE OR SHE SHALL HAVE BEEN FINALLY ADJUDICATED IN ANY PROCEEDING NOT TO HAVE ACTED IN GOOD FAITH IN THE REASONABLE BELIEF THAT HIS OR HER ACTION WAS IN THE BEST INTERESTS OF THE CORPORATION OR, TO THE EXTENT SUCH MATTER RELATES TO SERVICE WITH RESPECT TO ANY EMPLOYEE BENEFIT PLAN, IN THE BEST INTEREST OF THE PARTICIPANTS OR BENEFICIARIES OF SUCH EMPLOYEE BENEFIT PLAN; AND PROVIDED, FURTHER, THAT AS TO ANY MATTER DISPOSED OF BY A COMPROMISE PAYMENT BY SUCH PERSON, PURSUANT TO A CONSENT DECREE OR OTHERWISE, THE PAYMENT AND INDEMNIFICATION THEREOF HAVE BEEN APPROVED BY THE CORPORATION, WHICH APPROVAL SHALL NOT UNREASONABLY BE WITHHELD, OR BY A COURT OF COMPETENT JURISDICTION. SUCH INDEMNIFICATION SHALL INCLUDE PAYMENT BY THE CORPORATION OF EXPENSES INCURRED IN DEFENDING A CIVIL OR CRIMINAL ACTION OR PROCEEDING IN ADVANCE OF THE FINAL DISPOSITION OF SUCH ACTION OR PROCEEDING, UPON RECEIPT OF AN UNDERTAKING BY THE PERSON INDEMNIFIED TO REPAY SUCH PAYMENT IF HE OR SHE SHALL BE ADJUDICATED TO BE NOT ENTITLED TO INDEMNIFICATION UNDER THIS SECTION, WHICH UNDERTAKING MAY BE ACCEPTED WITHOUT REGARD TO THE FINANCIAL ABILITY OF SUCH PERSON TO MAKE REPAYMENT. A PERSON ENTITLED TO INDEMNIFICATION HEREUNDER WHOSE DUTIES INCLUDE SERVICE OR RESPONSIBILITIES AS A FIDUCIARY WITH RESPECT TO A SUBSIDIARY OR OTHER ORGANIZATION SHALL BE DEEMED TO HAVE ACTED IN GOOD FAITH IN THE REASONABLE BELIEF THAT HIS ACTION WAS IN THE BEST INTERESTS OF THE CORPORATION IF HE ACTED IN GOOD FAITH IN THE REASONABLE BELIEF THAT HIS ACTION WAS IN THE BEST INTERESTS OF SUCH SUBSIDIARY OR ORGANIZATION OR OF THE PARTICIPANTS OR BENEFICIARIES OF, OR OTHER PERSONS WITH INTERESTS IN, SUCH SUBSIDIARY OR ORGANIZATION TO WHOM HE HAD A FIDUCIARY DUTY. WHERE INDEMNIFICATION HERE UNDER REQUIRES AUTHORIZATION OR APPROVAL BY THE CORPORATION, SUCH AUTHORIZATION OR APPROVAL SHALL BE CONCLUSIVELY DEEMED TO HAVE BEEN OBTAINED, AND IN ANY CASE WHERE A TRUSTEE OF THE CORPORATION APPROVES THE PAYMENT OF INDEMNIFICATION, SUCH TRUSTEE SHALL BE WHOLLY PROTECTED, IF: (I) THE PAYMENT HAS BEEN APPROVED OR RATIFIED (1) BY MAJORITY VOTE OF A QUORUM OF THE TRUSTEES CONSISTING OF PERSONS WHO ARE NOT AT THAT TIME PARTIES TO THE PROCEEDING, OR (2) BY A MAJORITY VOTE OF A COMMITTEE OF ONE OR MORE TRUSTEES WHO ARE NOT AT THAT TIME PARTIES TO THE PROCEEDING AND ARE SELECTED FOR THIS PURPOSE BY THE FULL BOARD (IN WHICH SELECTION TRUSTEES WHO ARE PARTIES MAY PARTICIPATE); OR (II) THE ACTION IS TAKEN IN RELIANCE UPON T

HE OPINION OF INDEPENDENT LEGAL COUNSEL (WHO MAY BE COUNSEL TO THE CORPORATION) APPOINTED FOR THE PURPOSE BY VOTE OF THE TRUSTEES OR IN THE MANNER SPECIFIED IN CLAUSES (1) OR (2) OF SUBPARAGRAPH (I); OR (III) THE PAYMENT IS APPROVED BY A COURT OF COMPETENT JURISDICTION; OR (IV) THE TRUSTEES HAVE OTHERWISE ACTED IN ACCORDANCE WITH THE APPLICABLE LEGAL STANDARD OF CONDUCT. ANY INDEMNIFICATION OR ADVANCE OF EXPENSES UNDER THIS SECTION SHALL BE PAID PROMPTLY, AND IN ANY EVENT WITHIN 30 DAYS, AFTER THE RECEIPT BY THE CORPORATION OF A WRITTEN REQUEST THEREFORE FROM THE PERSON TO BE INDEMNIFIED, UNLESS WITH RESPECT TO A CLAIM FOR INDEMNIFICATION THE CORPORATION SHALL HAVE DETERMINED THAT THE PERSON IS NOT ENTITLED TO INDEMNIFICATION. IF THE CORPORATION DENIES THE REQUEST OR IF PAYMENT IS NOT MADE WITHIN SUCH 30-DAY PERIOD, THE PERSON SEEKING TO BE INDEMNIFIED MAY AT ANY TIME THEREAFTER SEEK TO ENFORCE HIS OR HER RIGHTS HEREUNDER IN A COURT OF COMPETENT JURISDICTION AND, IF SUCCESSFUL IN WHOLE OR IN PART, HE OR SHE SHALL BE ENTITLED ALSO TO INDEMNIFICATION FOR THE EXPENSES OF PROSECUTING SUCH ACTION. UNLESS OTHERWISE PROVIDED BY LAW, THE BURDEN OF PROVING THAT THE PERSON IS NOT ENTITLED TO INDEMNIFICATION SHALL BE ON THE CORPORATION. THE RIGHT OF INDEMNIFICATION UNDER THIS SECTION SHALL BE A CONTRACT RIGHT INURING TO THE BENEFIT OF THE TRUSTEES, DIRECTORS, OFFICERS AND OTHER PERSONS ENTITLED TO BE INDEMNIFIED HEREUNDER AND NO AMENDMENT OR REPEAL OF THIS SECTION SHALL ADVERSELY AFFECT ANY RIGHT OF SUCH TRUSTEE, DIRECTOR, OFFICER OR OTHER PERSON EXISTING AT THE TIME OF SUCH AMENDMENT OR REPEAL. THE INDEMNIFICATION PROVIDED HEREUNDER SHALL INURE TO THE BENEFIT OF THE HEIRS, EXECUTORS AND ADMINISTRATORS OF A TRUSTEE, DIRECTOR, OFFICER OR OTHER PERSON ENTITLED TO INDEMNIFICATION HEREUNDER. THE INDEMNIFICATION PROVIDED HEREUNDER MAY, TO THE EXTENT AUTHORIZED BY THE CORPORATION APPLY TO THE TRUSTEES, DIRECTORS, OFFICERS AND OTHER PERSONS ASSOCIATED WITH CONSTITUENT CORPORATIONS THAT HAVE BEEN MERGED INTO OR CONSOLIDATED WITH THE CORPORATION WHO WOULD HAVE BEEN ENTITLED TO INDEMNIFICATION HEREUNDER HAD THEY SERVED IN SUCH CAPACITY WITH OR AT THE REQUEST OF THE CORPORATION. THE RIGHT OF INDEMNIFICATION UNDER THIS SECTION SHALL BE IN ADDITION TO, AND NOT EXCLUSIVE OF, ALL OTHER RIGHTS TO WHICH SUCH TRUSTEE, DIRECTOR, OFFICER OR OTHER PERSONS MAY BE ENTITLED. NOTHING CONTAINED IN THIS SECTION SHALL AFFECT ANY RIGHTS TO INDEMNIFICATION TO WHICH CORPORATION EMPLOYEES OR AGENTS, OTHER THAN TRUSTEES, DIRECTORS, OFFICERS AND OTHER PERSONS ENTITLED TO INDEMNIFICATION HEREUNDER, MAY BE ENTITLED BY CONTRACT OR OTHERWISE BY LAW.

*Notes: The preceding four (4) articles are considered to be permanent and may only be changed by filing appropriate Articles of Amendment.*

#### **ARTICLE V**

The by-laws of the corporation have been duly adopted and the initial directors, president, treasurer and clerk or other presiding, financial or recording officers, whose names are set out on the following page, have been duly elected.

#### **ARTICLE VI**

The effective date of organization of the corporation shall be the date approved and filed by the Secretary of the Commonwealth. If a *later* effective date is desired, specify such date which shall not be more than *thirty days* after the date of filing.

07/07/2015

#### **ARTICLE VII**

The information contained in Article VII is not a permanent part of the Articles of Organization.

**a. The street address (*post office boxes are not acceptable*) of the principal office of the corporation in Massachusetts is:**



No. and Street: 82 WENDELL AVENUE  
STE 100  
City or Town: PITTSFIELD State: MA Zip: 01201 Country: USA

**b. The name, residential street address and post office address of each director and officer of the corporation is as follows:**

Title	Individual Name First, Middle, Last, Suffix	Address (no PO Box) Address, City or Town, State, Zip Code	Expiration of Term
PRESIDENT	JANE HAWMAN	9 NUTMEG LANE SANDY HOOK, CT 06482 USA 5 COMMERCE RD. NEWTOWN, CT 06470 USA	12/31/2017
TREASURER	JANE HAWMAN	9 NUTMEG LANE SANDY HOOK, CT 06482 USA 5 COMMERCE RD. NEWTOWN, CT 06470 USA	12/31/2017
CEO	JANE HAWMAN	9 NUTMEG LANE SANDY HOOK, CT 06482 USA 5 COMMERCE RD. NEWTOWN, CT 06470 USA	12/31/2017
COO	APRIL HAWMAN	2321 NW 33RD ST. APT.214 OAKLAND PARK, FL 33309 USA 1900 W OAKLAND PARK BLVD. FORT LAUDERDALE, FL 33310 USA	12/31/2017
VICE PRESIDENT	APRIL HAWMAN	2321 NW 33RD ST. APT.214 OAKLAND PARK, FL 33309 USA 1900 W OAKLAND PARK BLVD. FORT LAUDERDALE, FL 33310 USA	12/31/2017
CLERK	APRIL HAWMAN	2321 NW 33RD ST. APT.214 OAKLAND PARK, FL 33309 USA 1900 W OAKLAND PARK BLVD. FORT LAUDERDALE, FL 33310 USA	12/31/2017
DIRECTOR	JANE HAWMAN	9 NUTMEG LANE SANDY HOOK, CT 06482 USA 5 COMMERCE RD. NEWTOWN, CT 06470 USA	12/31/2017
DIRECTOR	APRIL HAWMAN	2321 NW 33RD ST. APT.214 OAKLAND PARK, FL 33309 USA 1900 W OAKLAND PARK BLVD. FORT LAUDERDALE, FL 33310 USA	12/31/2017

**c. The fiscal year (i.e., tax year) of the business entity shall end on the last day of the month of:**  
December

**d. The name and business address of the resident agent, if any, of the business entity is:**

Name: REGISTERED AGENT INC.  
No. and Street: 82 WENDELL AVENUE  
STE 100  
City or Town: 82 WENDELL AVENUE State: MA Zip: 01201 Country: USA

**I/We, the below signed incorporator(s), do hereby certify under the pains and penalties of perjury that I/we have not been convicted of any crimes relating to alcohol or gaming within the past ten years. I/We do hereby further certify that to the best of my/our knowledge the above-named officers have not been similarly convicted. If so convicted, explain:**

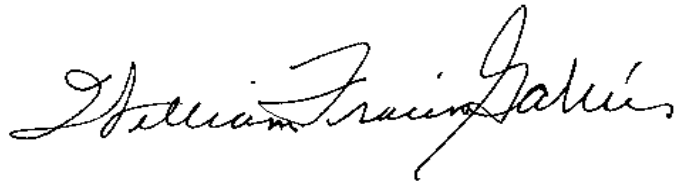
**IN WITNESS WHEREOF AND UNDER THE PAINS AND PENALTIES OF PERJURY, I/we, whose signature(s) appear below as incorporator(s) and whose name(s) and business or residential address (es) beneath each signature do hereby associate with the intention of forming this business entity under the provisions of General Law, Chapter 180 and do hereby sign these Articles of Organization as incorporator(s) this 7 Day of July, 2015.** *(If an existing corporation is acting as incorporator, type in the exact name of the business entity, the state or other jurisdiction where it was incorporated, the name of the person signing on behalf of said business entity and the title he/she holds or other authority by which such action is taken.)*

JANE HAWMAN 82 WENDELL AVE. STE 100 PITTSFIELD, MA 01201 APRIL HAWMAN 82 WENDELL AVE. STE 100 PITTSFIELD, MA 01201

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:

July 07, 2015 10:50 AM

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*

## NOTICE OF TERMINATION AND RELEASE OF CLAIMS

**THIS NOTICE OF TERMINATION AND RELEASE OF CLAIMS** (the “Notice and Release”) is entered into this 21st day of August, 2020, in favor of Verdant Medical Inc. (the “Company”) by Sea Hunter Therapeutics, LLC (“Therapeutics”), SH Finance Company, LLC (“SH Finance”), Commonwealth Alternative Care, Inc. (“CAR”), SH Realty Holdings, LLC (“SH Realty”), Cultivo, LLC (“Cultivo”), Verdant Management Group, LLC (“VMG”) and Verdant Holdings, LLC (“Verdant Holdings” and, together with Therapeutics, SH Finance, CAR, SH Realty, Cultivo, VMG and their respective affiliates, successors, and assigns, “TILT Group”), on the other hand, to be made effective as of the date hereof. The Company and the TILT Group are referred to collectively herein as the “Parties,” and each individually, as a “Party.”

**WHEREAS**, the Company and one or more members of TILT Group are parties to each of those certain commercial agreements (each, as amended, supplemented, replaced, or otherwise modified from time to time) listed on Schedule 1 annexed hereto (the “TILT Agreements”);

**WHEREAS**, the Company, VMG and Verdant Holdings are parties to that certain Loan and Security Agreement dated September 19, 2017 (the “LSA”); and

**WHEREAS**, for purposes of clarity with regard to the nature of the relationship between TILT Group and the Company, TILT Group desires (i) to terminate the TILT Agreements, (ii) to waive certain covenants of the LSA and (iii) to release the Company from any and all obligations to the TILT Group under the TILT Agreements with the intent to alleviate any suggestion or impression that TILT Group exercises “control” over the Company as that concept is set forth in 935 CMR 501.000 *et seq.*;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, being the TILT Group, hereby covenants as follows:

1. Termination. Each of TILT Agreements, if not already terminated, shall terminate effective immediately. In the event that a TILT Agreement requires notice to terminate by the TILT Group and the TILT Group has not yet given such notice, this Notice and Release shall constitute such notice. Any principal, interest, fees or other expenses accruing or accrued under the TILT Agreements are hereby waived, cancelled and terminated by the TILT Group.

2. Waiver. Verdant Holdings hereby waives compliance by the Company and VMG with the covenants contained in Sections 9.7, 9.9, 9.11(b) and 9.13 of the LSA and further covenants not to enforce such covenants. Verdant Holdings expressly retains all other rights granted to it by the LSA unless expressly waived in this Notice and Release.

3. Release of Verdant Obligations. Each member of TILT Group, on behalf of itself, and its respective employees, officers, directors, members, managers, shareholders, affiliates, subsidiaries, successors and assigns, (collectively, the “TILT Parties”), acknowledges, agrees, and covenants to the Company that the TILT Agreements constitute any and all debts, obligations, liabilities, contracts, claims or demands, whether known or unknown, contingent or fixed, direct

or indirect, that any of the TILT Parties may have now or at any time (collectively, the “Verdant Obligations”) against the Company, Tito Jackson or Anne Nagle along with their respective affiliates, successors, assigns, together with all of their respective past and present officers, directors, shareholders, affiliates, employees, agents, attorneys, accountants, and heirs (collectively, the “Verdant Parties”). Notwithstanding anything in the previous sentence, this Section 3 does not apply to the Verdant Parties with respect to the LSA except as specifically set forth in Section 2.

4. TILT Release of Claims.

- a. The TILT Parties, on behalf of itself and its respective present and former parents, subsidiaries, affiliates, and each of their respective directors, managers, officers, shareholders, members, partners, employees, advisors, agents, representatives, successors, and assigns (collectively, “Releasors”) hereby releases, waives, and forever discharges the Verdant Parties and any respective present and former, direct and indirect, parents, subsidiaries, affiliates, and each of their respective directors, managers, officers, shareholders, members, partners, employees, advisors, agents, representatives, successors, and assigns (collectively, “Releasees”) of and from any and all actions, causes of action, suits, losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, obligations, costs, expenses, liens, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands, of every kind and nature whatsoever, whether now known or unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, in law, admiralty, or equity (collectively, “Claims”), which any of such Releasors ever had, now have, or hereafter can, shall, or may have against any of such Releasees for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of time through the Effective Date arising out of or relating to the TILT Agreements. For the purpose of clarity and notwithstanding anything to the contrary in the preceding sentence, this Section 4 shall not apply to the Releasees with respect to the LSA except as specifically set forth in Section 2.
- b. Each Releasor understands that it may later discover Claims or facts that may be different from, or in addition to, those that it or any other Releasor now knows or believes to exist regarding the subject matter of the release contained in this Section 3, and which, if known at the time of execution of this Agreement, may have materially affected this Agreement and such Party’s decision to enter into it and grant the release contained in this Section 3. Nevertheless, the Releasors intend to fully, finally and forever release and settle all Claims that now exist, may exist, or previously existed, as set out in the release contained in this Section 4, whether now known or unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, and the release

given herein is and will remain in effect as a complete release and settlement, notwithstanding the discovery or existence of such additional or different facts. The Releasors hereby waive any right or Claim that might arise as a result of such different or additional Claims or facts.

5. Governing Law. This Notice and Release shall be governed and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to its rules concerning conflicts of laws.

6. Counterparts, Signature Pages and Electronic Signatures. This Notice and Release may be entered into by original, electronic or facsimile signature, or by signing, scanning, and e-mailing the originally signed document or the signature pages of the document, and in counterparts, each of which shall be deemed an original, and all of which together shall constitute one original instrument.

7. Severability. If a court of law holds any provision of this Notice and Release to be illegal, invalid or unenforceable, (a) that provision shall be deemed amended to achieve an economic effect that is as near as possible to that provided by the original provision and (b) the legality, validity and enforceability of the remaining provisions of this Notice and Release shall not be affected thereby.

8. Amendment. This Notice and Release may not be modified or amended, except by an agreement in writing signed by the parties to be bound.

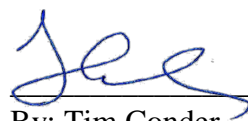
9. Headings. The titles or headings of provisions hereof are for convenience only and do not form a part of this Notice and Release.

*[Signature Pages Follow]*

**IN WITNESS WHEREOF**, the TILT Group has executed this Notice and Release as of the date in the heading on the first page.

**TILT GROUP:**

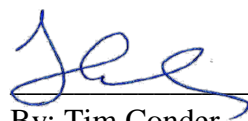
SEA HUNTER THERAPEUTICS, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

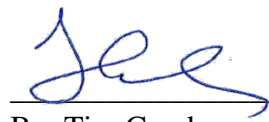
SH FINANCE COMPANY, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

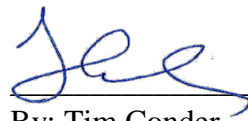
COMMONWEALTH ALTERNATIVE  
CARE, INC.

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

SH REALTY HOLDINGS, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

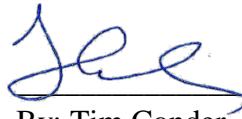
By: Tim Conder

Title: Chief Operating Officer

**IN WITNESS WHEREOF**, the TILT Group has executed this Notice and Release as of the date in the heading on the first page.

**TILT GROUP:**

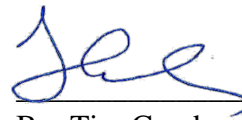
CULTIVO, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

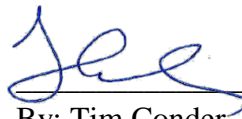
VERDANT HOLDINGS, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

VERDANT MANAGEMENT  
GROUP, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer



## Schedule 1

### Commercial Agreements

- Memorandum of Understanding, dated September 4, 2018, by and between Sea Hunter Therapeutics, LLC and Verdant Medical, Inc.
- Services Agreement, dated August 14, 2018, by and between Verdant Management Group, LLC and Verdant Medical, Inc.
- Management Agreement, dated May 2018, by and between Verdant Management Group LLC and Verdant Medical, Inc.
- Consulting Agreement, dated May 25, 2018, by and between Cultivo, LLC and Tito Jackson.
- Letter of Intent between SH Realty Holdings, LLC and Verdant Medical, Inc. dated May 14, 2018 and any other agreements, letters of intent or similar arrangements related to the subject matter thereto.



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

Minimum Fee: \$15.00

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

**Annual Report**

(General Laws, Chapter 180)

Identification Number: 001180219

Filing for November 1, 2019

In compliance with the requirements of Section 26A of Chapter one hundred and eighty (180) of the General Laws:

1. Exact name of the corporation: HERBOLOGY GROUP, INC.

2. Location of its principal office:

No. and Street: 55 KESTREL LANE

City or Town: AMHERST

State: CT

Zip: 01002

Country: USA

3. DATE OF THE LAST ANNUAL MEETING: 📅 (mm/dd/yyyy)  
 (if none leave blank)

4. State the names and street addresses of all officers, including all the directors of the corporation, and the date on which the term of office of each expires:

Title	Individual Name First, Middle, Last, Suffix	Address (no PO Box) Address, City or Town, State, Zip Code	Expiration of Term
PRESIDENT	JANE HAWMAN	9 ARLYN RIDGE RD NEWTOWN, CT 06482 USA	06/24/2024
TREASURER	MICHAEL DUKU	381 MIDDLETOWN RD COLUMBIA, CT 06237 USA	06/29/2024
CLERK	JANE HAWMAN	9 ARLYN RIDGE RD NEWTOWN, CT 06482 USA	06/24/2024
DIRECTOR	JANE HAWMAN	9 ARLYN RIDGE RD NEWTOWN, CT 06482 USA	06/24/2024
DIRECTOR	MICHAEL DUKU	381 MIDDLETOWN RD COLUMBIA, CT 06237 USA	06/29/2024
DIRECTOR	STEVE GOTWALD	7711 SOUTH FLAGLER DRIVE WEST PALM BEACH, FL 33401 USA	12/31/2024

5. Check if the corporation is a cemetery corporation that does NOT hold perpetual care funds in trust. If the corporation is a cemetery corporation that holds perpetual care funds in trust, a copy of the written instrument establishing the trust and any amendments thereto must be attached, and the annual report must be filed by facsimile, mail or in person. ☐

I, the undersigned, JANE HAWMAN of the above-named business entity, in compliance with the General Laws, Chapter 180, hereby certify that the above information is true and correct as of the dates shown. IN WITNESS WHEREOF AND UNDER PENALTIES OF PERJURY, I hereto sign my name on this 2 Day of December, 2019.



## NOTICE OF TERMINATION AND WAIVER OF COVENANTS

**THIS NOTICE OF TERMINATION AND WAIVER OF COVENANTS** (the “Notice and Waiver”) is entered into this 21st day of August, 2020, in favor of Ermont, Inc. (the “Company”) by Cultivo, LLC (“Cultivo”) and SH Finance Company, LLC (“SH Finance” and, with its respective affiliates, successors, and assigns, the “TILT Group”) to be made effective as of the date hereof. The Company and the TILT Group are referred to collectively herein as the “Parties,” and each individually, as a “Party.”

**WHEREAS**, the Company and Zolly, LLC (“Zolly”) entered into that certain Services Agreement dated December 20, 2015 (the “Zolly Agreement”);

**WHEREAS**, the Massachusetts Department of Public Health approved the Zolly Agreement pursuant to its regulatory authority (the “DPH Approval”);

**WHEREAS**, pursuant to an Assignment dated May 31, 2018, Zolly assigned its rights, titles, interests in and obligations under the Zolly Agreement to Cultivo;

**WHEREAS**, notwithstanding the DPH Approval, TILT desires to terminate the Zolly Agreement with the intent to alleviate any suggestion or impression that TILT Group exercises “control” over the Company as that concept is set forth in 935 CMR 501.000 *et seq.*;

**WHEREAS**, the Company and SH Finance are parties to that certain Loan and Security Agreement dated June 1, 2018 (the “LSA”);

**WHEREAS**, Section 12.8 of the LSA states that the Parties agree that the LSA nor any agreements contemplated therein are intended to provide or establish control (as that concept is understood in the regulations of the Massachusetts Department of Public Health or the Cannabis Control Commission);

**WHEREAS**, for purposes of clarity with regard to the nature of the relationship between TILT Group and the Company, TILT Group desires to waive certain covenants of the LSA with the intent to alleviate any suggestion or impression that TILT Group exercises “control” over the Company as that concept is set forth in 935 CMR 501.000 *et seq.*;

**WHEREAS**, Section 12.8 of the LSA provides that the Parties shall amend the LSA in the event that a determination of “control” would be likely, “provided that the Parties shall work in good faith to maintain the original intent of the Parties.”

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, being the TILT Group, hereby waives and covenants as follows:

1. Termination. The Zolly Agreement shall terminate effective immediately. In the event that notice is required for termination, this Notice and Waiver shall constitute such notice.

2. Waiver. SH Finance hereby waives compliance by the Company with the covenants contained in Subsections 9.7(e), 9.7(f), 9.7(g) and 9.7(j) and Section 9.12 of the LSA

and further covenants not to enforce such covenants. SH Finance expressly retains all other rights granted to it by the LSA unless expressly waived in this Notice and Waiver.

3. Governing Law. This Notice and Waiver shall be governed and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to its rules concerning conflicts of laws.

4. Counterparts, Signature Pages and Electronic Signatures. This Notice and Waiver may be entered into by original, electronic or facsimile signature, or by signing, scanning, and e-mailing the originally signed document or the signature pages of the document, and in counterparts, each of which shall be deemed an original, and all of which together shall constitute one original instrument.

5. Severability. If a court of law holds any provision of this Notice and Waiver to be illegal, invalid or unenforceable, (a) that provision shall be deemed amended to achieve an economic effect that is as near as possible to that provided by the original provision and (b) the legality, validity and enforceability of the remaining provisions of this Notice and Waiver shall not be affected thereby.

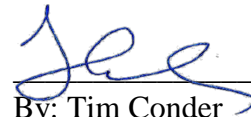
6. Headings. The titles or headings of provisions hereof are for convenience only and do not form a part of this Notice and Waiver.

*[Signature Pages Follow]*

**IN WITNESS WHEREOF**, the TILT Group has executed this Notice and Waiver as of the date in the heading on the first page.

**TILT GROUP:**

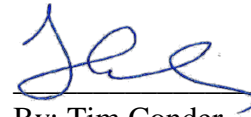
SH FINANCE COMPANY, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

CULTIVO, LLC

A handwritten signature in blue ink, appearing to read 'Jee', is written over a horizontal line.

By: Tim Conder

Title: Chief Operating Officer

**EXECUTION VERSION**

**DEBT PURCHASE AND SALE AGREEMENT**

**by and among**

**THE DEBTHOLDERS OF ERMONT, INC. LISTED ON EXHIBIT A-1 HERETO**

**JOHN D. HUDSON, AS SELLER REPRESENTATIVE**

**and**

**SH FINANCE COMPANY, LLC**

**Dated as of May 31, 2018**

## DEBT PURCHASE AND SALE AGREEMENT

This DEBT PURCHASE AND SALE AGREEMENT (this "Agreement"), dated as of May 31, 2018 (the "Effective Date"), is entered into by and among the debtholders of Ermont, Inc., a Massachusetts not-for-profit corporation (the "Company") listed on Exhibit A-1 hereto (collectively the "Debtholders" and each individually a "Debtholder"), John D. Hudson, an individual (the "Seller Representative"), and SH Finance Company, LLC, a Delaware limited liability company (the "Buyer").

### RECITALS

A. The Company is a registered marijuana dispensary engaged in the business of growing, cultivating, dispensing, selling, marketing, transporting, storing, packaging or in any way handling the hemp plants cannabis sativa and cannabis indica, or any item or product, whether liquid, vapor, infusion, confection, or any solid or other tangible item containing the pharmacologically active ingredient tetra-hydro- cannabinol (THC) or cannabidiol (CBD) within the Commonwealth of Massachusetts.

B. The Debtholders are the owners of certain loans of varying dates reflected on Exhibit A-1 that are represented by one or more promissory notes owned by the applicable Debtholder (the "Notes") in the amounts (including accrued interest thereon) outstanding on the date of this Agreement set forth opposite such Debtholder's name on Exhibit A-1.

C. The Debtholders desire to sell to Buyer, and Buyer desires to purchase from the Debtholders, all of the Debtholders' right, title and interest in and to the Notes.

NOW, THEREFORE, the parties hereby agree as follows:

### ARTICLE I PURCHASE PRICE

1.1. Purchase and Sale. At the Closing, on the terms and subject to the conditions set forth in this Agreement, the Debtholders shall sell, transfer, assign, convey and deliver to Buyer, and Buyer shall purchase from the Debtholders, all right, title and interest in and to the Notes free and clear of all Liens.

1.2. Purchase Consideration; Deposit; Escrow Fund.

(a) Purchase Price. The aggregate consideration (the "Purchase Price") to be paid by Buyer to the Debtholders for the assignment of the Notes shall be an amount equal to \$12,250,000 minus (i) the amount necessary to permit the Company to satisfy at Closing the obligations listed in Section 1.2(a) of the Company Disclosure Schedule (the "Closing Payables Amount") and (ii) the Estimated Working Capital Deficit, if any, , with the resulting amount (less the Escrow Fund described in Section 1.2(c)), being payable at Closing to the Debtholders in the percentages as set forth on Exhibit A-2 hereto (the "Debtholder Percentage").



(b) Deposit. Buyer has previously deposited the sum of \$250,000 (the "Deposit") with Murphy & King, Professional Corporation ("Escrow Agent"). At Closing, from the Purchase Price, Buyer shall deposit with the Escrow Agent by wire transfer of immediately available funds to the account(s) designated in writing by Escrow Agent \$1,250,000 (the "Closing Deposit"), which together with the Deposit will be referred to as the "Escrow Fund" to be held pursuant to the terms of this Agreement and an escrow agreement in the form of Exhibit B attached hereto (the "Escrow Agreement") executed simultaneously herewith.

(c) Escrow Fund; Release of Escrow Fund.

(i) Escrow Fund. The Escrow Agent shall hold the Escrow Fund pursuant to this Agreement and the Escrow Agreement until 5:00 p.m. on September 28, 2018 (the "Escrow Fund Period"), subject to Section 1.2(c)(ii)(E), as the sole source of recovery for claims by Buyer (an "Escrow Claim") for (i) any amount due under Section 7.7; (ii) any Final Working Capital Shortfall pursuant to Section 1.5; (iii) the payment of any undisclosed and unpaid amounts due to third parties for the period prior to Closing that are not Closing Payables or included in the calculation of Final Working Capital; and (iv) indemnification pursuant to Section 7.1(b).

(ii) Release of Escrow Fund. The Escrow Agent shall hold and disburse the Escrow Fund solely to satisfy Escrow Claims of Buyer in accordance with this Agreement and the Escrow Agreement, which shall, among other things, provide for the release of the Escrow Fund as follows:

(A) At any time during the Escrow Fund Period, Buyer may deliver to the Escrow Agent a written notice (a "Escrow Fund Damage Notice") requesting distribution to Buyer of a sum certain equal to all or a portion of the Escrow Fund to satisfy an Escrow Claim setting forth a description of the nature of the claim and accompanied by any and all supporting evidence and information, whether in written, imagery, electronic or other form, along with a delivery receipt or other appropriate proof of delivery to Seller Representative of a copy of such Escrow Fund Damage Notice (the "Proof of Delivery"). If the Escrow Fund Damage Notice relates to Inventory Destruction, it must be delivered within 30 days after the Closing or such claims shall be deemed waived and released. Buyer shall preserve all evidence that is the basis of any such Escrow Fund Damage Notice (including, without limitation, all security and surveillance records, images and other information) and shall make such evidence available to the Seller Representative for independent testing and analysis. Buyer shall afford Seller Representative with access to the books and records of the Company for purposes of such process.

(B) If the Escrow Agent is not in actual receipt of a written objection from Seller Representative to such Claim (an "Objection Notice") within ten (10) Business Days following the date of the Escrow Agent's actual receipt of such Escrow Fund Damage Notice and Proof of Delivery, then on the eleventh (11<sup>th</sup>) Business Day following such actual receipt (or if the eleventh (11<sup>th</sup>) Business Day is not a Business Day for the Escrow Agent, then on the first Business Day after the eleventh (11<sup>th</sup>) Business Day, the Escrow Agent shall pay to the Buyer the portion of the Escrow Fund that is the subject of the Escrow Fund Damage Notice. The Escrow Fund Damage Notice and the Objection Notice may be delivered via nationally

recognized overnight delivery service, facsimile or electronic mail to Escrow Agent and the respective parties.

(C) If the Escrow Agent is in actual receipt of an Objection Notice from Seller Representative to an Escrow Fund Damage Notice within ten (10) Business Days following the date of the Escrow Agent's actual receipt of such Escrow Fund Damage Notice and Proof of Delivery, the Escrow Agent shall not make the payment of the amount specified in the Escrow Fund Damage Notice to Buyer, but shall instead continue to hold the portion of the Escrow Fund that is the subject of the Escrow Fund Damage Notice, until it shall have received either (i) joint written instructions from Buyer and Seller Representative as to the disposition of the portion of the Escrow Fund that is the subject of the Escrow Fund Damage Notice, or (ii) an order, judgment or award of by a court of competent jurisdiction as to disposition of the portion of the Escrow Fund that is the subject of the Escrow Fund Damage Notice, which is final and not subject to further court proceedings or appeal.

(D) If an Objection Notice is delivered to the Escrow Agent pursuant to Section 1.2(c)(ii)(B), the Buyer and Seller Representative shall attempt in good faith for twenty (20) Business Days to resolve such dispute and the Escrow Agent shall not disburse the portion of the Escrow Fund that is the subject of the Escrow Fund Damage Notice until final settlement of such dispute between the Buyer and Seller by a joint written instruction to the Escrow Agent directing disbursement of the portion of the Escrow Fund that is the subject of the Escrow Fund Damage Notice. If the Buyer and Seller Representative reach an agreement with respect to such dispute, they shall provide a joint written instruction to the Escrow Agent. The Escrow Agent shall be entitled to rely on any such instruction and make distributions from the Escrow Fund in accordance with the terms thereof. If the Buyer and Seller Representative are unable to reach an agreement with respect to such dispute after good faith negotiation during the twenty (20) Business Day period following delivery of the Objection Notice, any party may seek judicial resolution of the matters set forth in the Objection Notice and the disposition of the portion of the Escrow Fund that is the subject of the Escrow Fund Damage Notice. Any final and non-appealable order, judgment or award by a court of competent jurisdiction as to disposition of the portion of the Escrow Fund that is subject to the Escrow Fund Damage Notice shall be final, binding, and conclusive upon the parties. The Escrow Agent shall be entitled to rely on such order, judgment or award and make distributions from the Escrow Fund in accordance with the terms of such order, judgment or award.

(E) On first Business Day following expiration of the Escrow Fund Period, the Escrow Agent shall pay to Seller Representative an amount equal to the Escrow Fund less (i) any amounts paid to Buyer under this Section 1.2(c), and (ii), if an Escrow Fund Damage Notice remains unresolved on such date, the portion of the Escrow Fund that is the subject of the Escrow Fund Damage Notice, which reserved amount shall remain subject to the provisions of this Section 1.2(c), and shall release the balance of the Escrow Fund, if any, to Seller Representative for distribution to the Debtholders according to the Debtholder Percentages.

### 1.3. Closing.

(a) The closing of the Contemplated Transactions (the "Closing") shall take place remotely via the exchange of documents and signatures on the date hereof (the "Closing")

Date”). For accounting and computational purposes, the Closing will be deemed to have occurred at 12:01 a.m. (Eastern Time) on the Closing Date.

(b) Upon the terms and conditions set forth in this Agreement, at the Closing:

(i) Buyer shall pay to the Escrow Agent for distribution to the Debtholders based upon the Debtholder Percentages, by wire transfer of immediately available funds to the account(s) designated in writing by the Seller Representative, an amount equal to the Purchase Price minus the Escrow Fund (the “Closing Payment”);

(ii) The Escrow Agent shall retain the Escrow Fund (in the aggregate amount of \$1,500,000) as the sole source of recovery for Escrow Claims; and

(iii) Buyer shall pay to the Escrow Agent by wire transfer of immediately available funds to the account(s) designated in writing by Escrow Agent the Closing Payables Amount which shall be disbursed by the Escrow Agent to satisfy the obligations of the Company listed in Section 1.2(a) of the Company Disclosure Schedule in accordance with joint written instructions provided to the Escrow Agent by Buyer and Seller Representative. The Closing Payables Amount shall be deemed a loan from Buyer to the Company. The Closing Payables Amount shall not be considered in the calculation of Net Working Capital or as an undisclosed liability of Ermont for purposes of this Agreement.

(c) Following the receipt of the wire transfers contemplated by Section 1.3(b)(i) and any release from Escrow for the benefit of Debtholders, the Seller Representative shall have sole responsibility and liability with respect to any subsequent transfer of any portion of the Purchase Price to any Debtholders.

1.4. Closing Deliveries. In addition to any other documents to be delivered under the provisions of this Agreement, on or prior to the Closing Date:

(a) Each Debtholder shall deliver the following documents to Buyer, all of which shall be in form and substance satisfactory to Buyer:

(i) the Assignment and Release in the form attached hereto as Exhibit C (the “Assignment and Release”) together with the original Note(s) held by such Debtholder to the extent held by the Debtholder (if the original notes have been lost or destroyed, the Assignment and Release shall contain customary lost note and indemnification provisions); and

(ii) such other documents as Buyer may reasonably request to ensure the transfer to Buyer of title to the Notes free and clear of any Liens.

(b) The Seller Representative shall deliver each of the following documents to Buyer, all of which shall be in form and substance satisfactory to Buyer:

(i) all corporate books and records of the Company (which shall be made available at the offices of the Company);

(ii) a resolution of the Company's Board of Directors (excluding any Debtholder or Affiliate thereof or of Zolly, all of whom shall have resigned prior to the date hereof) appointing Jonathan Gates as a director of the Company;

(iii) a fully executed copy of that certain Assignment Agreement between Cultivo, LLC and Zolly LLC in the form attached hereto as Exhibit D;

(iv) a fully executed copy of a Sixth Amendment to Lease signed by the Landlord and the Company in the form attached hereto as Exhibit E.

(v) a bill of sale from Backdoor Leasing LLC ("Backdoor") to the Company for all equipment subject to any Lease with Backdoor (a "Backdoor Lease") setting forth the amount necessary to satisfy all obligations of the Company to Backdoor and giving the Company authority to file a release of any Lien Backdoor may have with respect to such equipment, and reflecting the release and the termination of any obligation of the Company under any Backdoor Lease; and

(vi) a certificate of good standing for the Company issued by the Secretary of State of the Commonwealth of Massachusetts as of a date no more than ten (10) calendar days prior to the Closing Date.

(c) Buyer shall deliver the following to the Seller Representative, all of which shall be in form and substance satisfactory to the Seller Representative:

(i) a certificate of a Manager of Buyer, to be dated as of the Closing Date, certifying (A) the resolutions duly adopted by the board of managers of Buyer authorizing and approving the execution, delivery and performance of this Agreement and each Transaction Document to which Buyer is a party, and (B) that such resolutions have not been rescinded or modified and remain in full force and effect as of the Closing Date; and

(ii) the Closing Payment;

(iii) a fully executed copy of a Sixth Amendment to Lease signed by the Landlord in the form attached hereto as Exhibit E.

(iv) a fully executed copy of that certain Assignment Agreement between Cultivo, LLC and Zolly LLC in the form attached hereto as Exhibit D.

(d) Buyer shall pay to the Escrow Agent (i) the Closing Deposit and (ii) the Closing Payables Amount.

1.5. Reduction of the Purchase Price.

(a) Definition of "Net Working Capital". The term "Net Working Capital" means (i) the Company's Cash on hand, credit card or debit card receivables collectible by the Company within five (5) Business Days of Closing and the prepaid expenses listed on Schedule 1(a) (the "Current Assets") less (ii) accounts payable, the portion of accrued expenses for the period prior to the Closing Date, Taxes and Host Community Fees attributable to the operation of the business prior to the Closing Date and severance payments due to Jamie Sipe at the time of Closing, but excluding any amount of such items included within the Closing Payables Amount (the "Current Liabilities"), determined as of the Closing, with the value of each item determined in accordance with GAAP.

(b) Estimated Closing Statement. The Company, in accordance with the Accounting Methodology, has prepared and delivered to Buyer at Closing an estimated closing statement of the Company (the "Estimated Closing Statement") setting forth its good faith estimate of the Company's estimated Net Working Capital as of Closing (the "Estimated Net Working Capital") calculated as set forth on Schedule 1.5 (the "Accounting Methodology").

(c) Closing Date Adjustment. The parties hereto acknowledge that the Purchase Price is based on the assumption that the Net Working Capital of the Company as of the Closing shall equal or exceed \$150,000 (the "Working Capital Threshold"). The parties hereto agree that if the Estimated Net Working Capital as reflected on the Estimated Closing Statement is less than the Working Capital Threshold then the difference between the Working Capital Threshold and the Estimated Net Working Capital shall constitute the "Estimated Working Capital Deficit". At the Closing, the Closing Payment shall be reduced by any Estimated Working Capital Deficit or increased by any Estimated Working Capital Excess, as the case may be.

(d) Buyer's Proposed Closing Statement. Within twenty-one (21) calendar days after the Closing Date, Buyer shall prepare and deliver to the Seller Representative, at the sole expense of Buyer, a closing statement of the Company as of the Closing (the "Proposed Closing Statement"), which Proposed Closing Statement shall set forth Buyer's proposed calculation of the Current Assets, the Current Liabilities, and the Net Working Capital shall be accompanied by reasonable financial information supporting the Proposed Closing Statement. The Proposed Closing Statement shall be prepared in accordance with the Accounting Methodology.

(e) Examination of Proposed Closing Statement. The Seller Representative shall review the Proposed Closing Statement to confirm the accuracy of the Proposed Closing Statement and of Buyer's calculation of the Net Working Capital. If the Seller Representative fails to give Buyer and the Escrow Agent written notice of any disputed amounts within fourteen (14) calendar days after the Seller Representative receives the Proposed Closing Statement (the "Review Period"), then the Proposed Closing Statement shall become the Final Closing Statement for purposes hereof. If the Seller Representative gives the Buyer and Escrow Agent written notice (a "Dispute Notice") of any disputed items within the Review Period, the Buyer and the Seller Representative shall attempt in good faith to agree on any adjustments that should be made to the Proposed Closing Statement in order to reflect the Net Working Capital. If the Buyer and the Seller Representative are unable to resolve any disputed amounts within thirty (30) days after Buyer receives the Dispute Notice, the Buyer and the Seller Representative will engage the

independent public accounting firm of Bridge West CPAs and Consultants, LLC or such other firm as shall be mutually acceptable to Seller Representative and Buyer (the "Audit Firm") to resolve any such disputed matters. The Audit Firm shall make its determination regarding any disputed amounts by calculating such amounts in a manner consistent with the definitions of the components of Net Working Capital included in this Agreement. If issues are submitted to the Audit Firm for resolution, the Seller Representative and the Buyer shall furnish or cause to be furnished to the Audit Firm such work papers and other documents and information relating to the disputed issues as the Audit Firm may request and are available to that party or its agents and shall be afforded the opportunity to present to the Audit Firm any material relating to the disputed issues and to discuss the issues with the Audit Firm. Buyer shall afford Seller Representative with access to the books and records of the Company for purposes of such process. The decision of the Audit Firm shall be provided in writing and, if possible, be made within thirty (30) days after the engagement of the Audit Firm and shall be final and binding on the parties. The Proposed Closing Statement shall be revised, if necessary, to reflect the final determination of the Net Working Capital (the final form of the Proposed Closing Statement, including any revisions which are made thereto pursuant to this Section 1.5(e), is referred to herein as the "Final Closing Statement").

(f) Final Adjustment. Upon final determination of the Net Working Capital in accordance with this Section 1.5, a payment adjustment shall be made in accordance with this Section 1.5. If the Net Working Capital as reflected on the Final Closing Statement is less than the Estimated Net Working Capital (the amount of such shortfall, if any, is hereinafter referred to as the "Final Working Capital Shortfall"), Buyer shall be entitled to receive from the Escrow Fund, on a dollar for dollar basis, an amount equal to the Final Working Capital Shortfall. If the Net Working Capital as reflected on the Final Closing Statement is greater than the Estimated Net Working Capital (the amount of such excess is hereinafter referred to as the "Final Working Capital Excess"), the Buyer shall pay to the Seller Representative, on a dollar for dollar basis, an amount equal to the Final Working Capital Excess for distribution to the Debtholders according to the Debtholder Percentages, provided that, in no event shall the amount of such payment exceed the Estimated Working Capital Adjustment made at Closing. All payments due pursuant to this Section 1.5 shall be received or made, respectively, within five (5) Business Days of the Final Closing Statement.

(g) Expenses of Audit Firm. In the event that the parties submit any unresolved objections to the Audit Firm for resolution as provided in Section 1.5(e) above, the Debtholders, on the one hand, and the Buyer, on the other hand, will bear responsibility for fifty percent (50%) of fees and expenses of the Audit Firm.

## **ARTICLE II**

### **REPRESENTATIONS AND WARRANTIES OF THE DEBTHOLDERS**

Each of the Debtholders, individually and not jointly, hereby represents and warrants to Buyer that the following statements are true and correct as of the date hereof.

2.1. Ownership. Such Debtholder is the sole lawful owner, beneficially and of record, and has good and valid title to all of the Notes, which ownership is free and clear of any Liens. Such Debtholder is not a party to or otherwise subject to any voting trust, proxy or other agreement or understanding with respect to the disposition of any of such Notes. Such Notes represent all of



the debt obligations of the Company to such Debtholder. Upon the consummation of the Contemplated Transactions, Buyer will acquire good and valid title to all such Notes held by such Debtholder, free and clear of any Liens.

2.2. Authority of Debtholder.

(a) If such Debtholder is not an individual, such Debtholder is duly incorporated or organized, as the case may be, and is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, as the case may be, has all requisite corporate power and authority to enter into the Transaction Documents to which such Debtholder is a party and to perform its obligations thereunder, and the execution, delivery and performance by such Debtholder of such Transaction Documents have been duly authorized by the corporate action necessary to authorize such execution, delivery and performance thereof. If such Debtholder is an individual, such Debtholder has the requisite power, authority and capacity to enter into the Transaction Documents to which such Debtholder is a party and to perform its obligations thereunder.

(b) This Agreement has been duly executed and delivered by such Debtholder and the provisions applicable to such Debtholder constitute a legal, valid and binding obligations of such Debtholder, enforceable against such Debtholder in accordance with their terms, except as limited by Applicable Law affecting the enforcement of creditors' rights generally or by general equitable principles.

2.3. Conflicts. The execution and delivery of the Transaction Documents by such Debtholder, and the performance of its obligations thereunder (i) do not conflict with the Organizational Documents of such Debtholder, if applicable and (ii) do not conflict with, violate, contravene, breach or result in a default under (with or without the giving of notice or the lapse of time), any Contract to which such Debtholder is a party or by which any of its properties or assets are bound or result in the creation or imposition of any Liens.

2.4. Debt. The Company is not indebted to such Debtholder or any of its Affiliates in any respect or amount other than as reflected in Exhibit A-1, plus interest to accrue between the date of such schedule and Closing, which interest is being assigned to Buyer at Closing.

2.5. Litigation. There is no Proceeding pending, or to the knowledge of such Debtholder, threatened against such Debtholder or its respective properties, assets or businesses, or Judgment to which such Debtholder is subject, which challenges or seeks to prevent, enjoin or otherwise delay the Contemplated Transactions.

2.6. Broker. All negotiations relating to this Agreement and the Contemplated Transactions have been carried out without the intervention of any Person acting on behalf of such Debtholder in such manner as to give rise to any claim against Buyer for any brokerage or finder's commission, fee or similar compensation.

2.7. Legal Representation. Such Debtholder agrees and represents that such Debtholder has been represented by such Debtholder's own legal counsel with regard to all aspects of this Agreement, the Transaction Documents, and the Contemplated Transactions, or if such Debtholder is acting without legal counsel, that such Debtholder has had adequate opportunity and has been

encouraged to seek the advice of such Debtholder's own legal counsel prior to the execution of this Agreement. Such Debtholder further agrees and represents that Murphy & King, Professional Corporation has acted as legal counsel solely to the Company (and not the Debtholders) in connection with the Contemplated Transactions.

**ARTICLE III**  
**FURTHER REPRESENTATIONS AND WARRANTIES OF DEBTHOLDERS**  
**CONCERNING THE COMPANY**

Each Debtholder, individually and not jointly, hereby represents and warrants to Buyer that the following statements are true and correct in all material respects as of the date hereof. Prior to the date hereof, the Seller Representative has delivered to Buyer a schedule (the "Company Disclosure Schedule") listing, among other things, items the disclosure of which is necessary or appropriate in relation to any or all of the representations and warranties contained in this Article III. To the extent that facts or circumstances are described in one section of the Company Disclosure Schedule, such description shall be considered disclosure for purposes of all representations and warranties to the extent that the application or relevance of such disclosure is reasonably apparent from the Company Disclosure Schedule.

3.1. Corporate Status, etc.

(a) Organization. The Company is a not-for-profit corporation that is duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts, and has full corporate power and authority to own, lease and operate its properties and to carry on its business as presently conducted.

3.2. Capitalization.

(a) The Company. The Company is a not-for-profit corporation with no issued and outstanding equity interests.

(b) Subsidiaries. The Company has no Subsidiaries.

(c) Company Options. Except as set forth on Section 3.2(c) of the Company Disclosure Schedule, the Company has not granted to any Person any options, warrants, purchase rights, calls, claims of any character, convertible or exchangeable securities, subscription rights, conversion rights, exchange rights, or similar contracts or instruments to purchase any equity interest of the Company or an Affiliate.

3.3. Consents. Except for any Consent of or filing with any Governmental Entity or as otherwise set forth in Section 3.3(b) of the Company Disclosure Schedule, no Consent of or filing with any third Person (other than such Governmental Entities) is required to be obtained or filed by the Company in connection with the consummation of the transactions contemplated by this Agreement



### 3.4. Financial Statements.

(a) The Company has made available to Buyer, whether by delivery thereof or by providing access thereto, complete and correct copies of the unaudited but external accountant compiled statements of operations and cash flows of the Company for the fiscal year ended, December 31, 2017 and balance sheet of the Company as at such date and the unaudited but external accountant compiled financial statements consisting of the balance sheet of the Company as at January 31, 2018, February 28, 2018 and March 31, 2018 and the related statements of operations and cash flow of the Company for the periods then ended (collectively, the “Financial Statements”). The Financial Statements (including the notes thereto) have been prepared in accordance with generally accepted accounting principles as applied in the United States of America (“GAAP”) applied on a consistent basis during the periods covered thereby and fairly present in all material respects the financial position and the results of operations and cash flows of the Company as of the dates thereof or for the periods presented therein (except as otherwise noted therein). The Financial Statements were derived from the books and records of the Company, which are accurate and complete in all material respects. The internal controls and procedures of the Company are sufficient to ensure that the Financial Statements are accurate and complete in all material respects.

(b) Exhibit A-1 sets forth a complete and accurate list of the outstanding amount due to the Debtholders under the Notes (exclusive of any interest earned thereon between the date of such schedule and the Closing). The Notes constitute the only promissory notes payable by, or Indebtedness (other than Capital Leases listed on Section 3.4(b) of the Company Disclosure Schedule) of, the Company and outstanding as of the date hereof.

3.5. Books and Records. The books of account and other financial records of the Company are complete and correct and represent actual, bona fide transactions and have been maintained in accordance with sound business practices in all material respects.

3.6. Absence of Undisclosed Liabilities. Except as expressly reflected in the Financial Statements, the Closing Payables and those Liabilities incurred in the ordinary course of business consistent with past practice since March 31, 2018, the Company does not have any Liabilities.

3.7. No Material Adverse Effect; Ordinary Course. Except as expressly reflected in Section 3.7 of the Company Disclosure Schedule, since March 31, 2018, there has occurred no fact, event or circumstance which has had, or would reasonably be expected to have, a Material Adverse Effect. Except as expressly reflected in Section 3.7 of the Company Disclosure Schedule, since March 31, 2018, the Company has conducted business only in the ordinary course of business consistent with past practice.

### 3.8. Tax Matters.

(a) (i) except as expressly reflected in Section 3.8 of the Company Disclosure Schedule, each Tax Return required to have been filed or submitted by the Company has been filed or submitted, and all such Tax Returns are true, correct and complete in all material respects; (ii) except as expressly reflected in Section 3.8 of the Company Disclosure Schedule, except for the period from January 1, 2018 through the date hereof, all Taxes owed by the Company (whether or not shown on any Tax Return) if due and payable have been paid (assuming the amount of Taxes for any period continue to be calculated using the same methodology used by the Company in tax periods prior to the Closing, including, without limitation, the methods for valuing inventory (the "Tax Methodology"); (iii) except as expressly reflected in Section 3.8 of the Company Disclosure Schedule to the Knowledge of Seller Representative, the Company has withheld and collected and paid over to the appropriate taxing authority all Taxes required to have been withheld and collected and paid over by the Company as required by applicable Law, including in connection with any amounts paid or owing to any employee, independent contractor, creditor, Debtholder or other Person; (iv) the Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of a period for the assessment or collection of any Tax which waiver of extension is currently outstanding; (v) the Company is not the beneficiary of any extension of time within which to file any Tax Return not previously filed which extension is currently outstanding; (vi) there are no ongoing, pending or threatened Tax Claims against the Company and there are no matters under discussion with any taxing authority with respect to Taxes of the Company; and (vii) no power of attorney has been executed by or on behalf of the Company with respect to any matters relating to Taxes that is currently in force.

(b) All Taxes that would be owed for the period January 1, 2018 through the date hereof (assuming such date was the last day of a tax period and that the Taxes continue to be calculated using the Tax Methodology) are included either in (i) the Closing Payables Amount, or (ii) the Estimated Closing Statement.

(c) (i) The Company has not been a member of an affiliated, consolidated, combined, unitary or other aggregate group for tax purposes, and (ii) the Company does not have any Liability for the Taxes of another Person under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), as a successor or transferee, by contract or otherwise.

(d) The Company is not a party to or bound by any Tax indemnity agreement, tax sharing agreement or other similar agreement.

(e) Adequate accruals have been established in accordance with GAAP to provide for the payment of all Taxes which have accrued but are not yet due and payable with respect to the Company (assuming that the Taxes continue to be calculated using the Tax Methodology). No deficiencies or other liabilities relating to Taxes have been threatened, proposed or assessed against the Company that have not been adequately reserved for in the Financial Statements in accordance with GAAP.

(f) There are no Liens for Taxes (other than Permitted Liens), except for taxes not yet due or payable, upon the assets of the Company.

(g) The Company will not be required to include any item of income in, or exclude any item of deduction or loss from, taxable income for any taxable period or portion thereof beginning on or after the Closing Date as a result of: (i) any "closing agreement" described in Section 7121 of the Code (or any similar provision of state, local or foreign law) executed on or before the Closing Date; (ii) any installment sale or open transaction disposition made on or before the Closing Date; (iii) any excess loss account described in Treasury Regulations Section 1.1502 (or any similar provision of Applicable Law); (iv) any prepaid amount received on or before the Closing Date; or (v) indebtedness discharged in connection with any election under Section 108(i) of the Code.

(h) The Company has made available to Buyer true, correct and complete copies of the 2016 Tax Returns filed with respect to the Company, together with all examination reports by any taxing authority, any statements of deficiencies proposed or assessed against or agreed to by the Company, and any notices of proposed adjustments received with respect to such years.

(i) No claim in writing has ever been made by a taxing authority in a jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to taxation by such jurisdiction.

### 3.9. Litigation.

(a) There is no Proceeding pending or, to the Knowledge of Seller Representative, threatened that questions the legality, validity or enforceability of any of the Transaction Documents or any of the Contemplated Transactions. Except as set forth in Section 3.9(a) of the Company Disclosure Schedule, the Company is not currently, and has not been, during the past four years, party to any Proceeding. To the Knowledge of Seller Representative, no Proceeding against any Person by the Company is contemplated. The Company is not subject to any Judgment.

(b) Except as set forth in Section 3.9(b) of the Company Disclosure Schedule, no claims have been asserted or, to the Knowledge of Seller Representative, threatened against the Company. Except as set forth in Section 3.9(b) of the Company Disclosure Schedule, no event has occurred or circumstances exist that could give rise to or serve as a basis for the commencement of any Proceeding against, related to or affecting the Company or its business, operations or assets.

### 3.10. Compliance with Laws; Permits; Testing Data.

(a) The Company is, and since its inception has been, in compliance with all Applicable Law in all material respects. Except as set forth in Section 3.10(a) of the Company Disclosure Schedule, the Company has not received any written notice of any alleged violation, nor has any act or omission occurred which would result in a material violation of any Applicable Law and no investigation, audit or review by any Governmental Entity with respect to the Company is pending or, to the Knowledge of Seller Representative, threatened, nor, to the Knowledge of Seller Representative, has any Governmental Entity indicated an intention to conduct the same.

(b) All of the licenses, approvals, permits and other governmental authorizations necessary or used to conduct the medicinal cannabis business of the Company, as presently conducted (collectively, the “Permits”) have been duly obtained, are held by the Company and are valid and in full force and effect, except for such matters governed by any federal law, including the CSA, restricting or otherwise applicable to the cultivation, processing, transport, sale, purchase, distribution, marketing, or other trafficking of cannabis products or cannabis paraphernalia which is inconsistent with the laws of the Commonwealth of Massachusetts. Section 3.10(b) of the Company Disclosure Schedule sets forth a list of all Permits held by the Company by name and/or type, issuing authority, permit number, and expiration date. No event has occurred or other fact exists with respect to the Permits that allows, or after notice or lapse of time or both would allow, revocation or termination of any of the Permits or would result in any other impairment of the rights of the holder of any of the Permits.

(c) The Company has obtained a final certificate of registration (the “Certificate”) from the Massachusetts Department of Public Health to operate a medical marijuana cultivation and dispensary facility in Quincy, Massachusetts. The Certificate has not been revoked and is in full force and effect.

(d) The Company, since it obtained the Certificate, has been in compliance with all safety and testing regulations, protocols, and guidance of the Department of Public Health and other applicable State agencies, including without limitation, the Department of Public Health Policy on Contamination Notification Requirements. The Company has not caused any inorganic pesticide or other banned substance to be applied in any manner within the confines of the leased premises of the Company.

3.11. Employee Benefits Plans. Section 3.11 of the Company Disclosure Schedule sets forth each Employee Benefit Plan in which any Company employee participates. The Company has made available to Buyer, to the extent applicable, complete and correct copies of each such Employee Benefit Plan. Neither the Company, nor any ERISA Affiliate, sponsors, maintains or contributes to, or has ever sponsored, maintained or contributed to (or been obligated to sponsor, maintain or contribute to), or has any direct, indirect or contingent liability with respect to (i) any “multiemployer plan”, as that term is defined in Section 3(37) or 4001(a)(3) of ERISA; (ii) any “employee benefit plan” subject to Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code; or (iii) any employee benefit plan, program, policy or arrangement covering employees outside of the United States or subject to the laws of any jurisdiction other than the United States. None of the Employee Benefit Plans provides severance, life insurance, medical or other welfare benefits (within the meaning of Section 3(1) of ERISA) to any current or former employee of the Company or any ERISA Affiliate, or to any other person, after his or her retirement or other termination of employment or service, and neither the Company, nor any ERISA Affiliate, has ever represented, promised or contracted to any employee or former employee, or to any other person, that such benefits would be provided, except to the extent required by Part 6 of Subtitle B of Title I of ERISA or Section 4980B(f) of the Code. To the Knowledge of Seller Representative, each Employee Benefit Plan is, and at all times since inception has been, maintained, administered, operated and funded in accordance with its terms and in material compliance with ERISA, the Code and all other applicable Laws.

3.12. Employee Matters. Section 3.12 of the Company Disclosure Schedule sets forth a list of all Employees of, and consultants to, the Company, their job position and level of compensation.

3.13. Labor Matters. The Company is not a party to or bound by any collective bargaining agreement or other similar agreement, and, to the Knowledge of Seller Representative, there are no labor unions or other organizations representing, purporting to represent or attempting to represent any employees employed by the Company, nor represent any parties currently classified by the Company as Independent Contractors.

3.14. Real Property; Tangible Property.

(a) The Company does not own any real property.

(b) Section 3.14(b) of the Company Disclosure Schedule lists all real estate leased by the Company as a lessee, sub-lessee, or assignee (the "Leased Real Property" or the "Real Property"), including a description of the premises leased. All Leased Real Property is leased pursuant to valid written leases listed in Section 3.14(b) of the Company Disclosure Schedule. Such leases contain the entire agreement between the landlord of each of the leased premises and the Company, and there is no other Contract between the landlord and the Company affecting such Leased Real Property.

(c) Except as set forth in Section 3.14(c) of the Company Disclosure Schedule, the Company has good and valid title to all personal property used by the Company in the Business, free and clear of all Liens, other than Permitted Liens.

(d) Except as set forth in Section 3.14(d) of the Company Disclosure Schedule, the Company has a good and valid leasehold interest in all equipment and vehicles leased by the Company in the conduct of its business, free and clear of all Liens, other than Permitted Liens. Except as set forth in Section 3.14(e) of the Company Disclosure Schedule, the Company has good and valid title to, or a good and valid leasehold or license in, all assets used in the conduct of the business of the Company, free and clear of all Liens, other than Permitted Liens.

(e) Except as set forth in Section 3.14(e) of the Company Disclosure Schedule, the assets owned, licensed, and leased by the Company constitute all of the assets used in connection with the business of the Company and such assets constitute all assets necessary for the Company to continue to conduct its business following the Closing as it is currently being conducted.

3.15. Intellectual Property.

(a) Except as set forth in Section 3.15(a) of the Company Disclosure Schedule, the operation of the business of the Company prior to the Closing has not and does not infringe, misappropriate, dilute, violate or otherwise conflict with any Intellectual Property right or of any other Person.

(b) Other than amounts due in connection with the Zolly Services Agreement, the Company is not obligated to pay royalties or similar fees for the use of any Intellectual Property (other than customary, off-the-shelf software fees).

(c) Except for the Internet and as set forth in Section 3.15(c) of the Company Disclosure Schedule, all Information Systems used by the Company are owned, controlled and operated by the Company and are not wholly or partly dependent upon any Information System of any other Person. All Information Systems used by the Company are sufficient for the conduct of the business of the Company as currently conducted. The Company uses reasonable means, consistent with state of the art generally available to the public, to protect the security and integrity of all Information Systems used by the Company. To the Knowledge of Seller Representative, since its inception, there have been no breaches of the Information Systems of the Company, and the Company is not aware of any virus, Trojan horse, malware or other event that would compromise the integrity of the Company's Information Systems.

(d) Except as set forth in Section 3.15(d) of the Company Disclosure Schedule, at Closing, the Company will own, be licensed to utilize or otherwise have the valid right to exploit all Company Intellectual Property in the possession of the Company as of the Closing Date upon terms and conditions no less favorable to the Company than those as exploited by the Company prior to the Closing. Except as set forth in Section 3.15(d) of the Company Disclosure Schedule, the Company Intellectual Property constitutes all of the Intellectual Property necessary to operate the Company's business as it is currently conducted and as proposed to be conducted.

3.16. Contracts. Section 3.16 of the Company Disclosure Schedule lists, as of the date hereof, all Material Contracts. The term "Material Contract" means all of the following types of Contracts to which the Company is a party or by which the Company or its properties are bound as of the date hereof:

(a) any agreement for the purchase of materials, supplies, goods, services (including Contracts with Independent Contractors), equipment or other assets providing for annual payments by the Company of \$25,000 or more under each separate agreement or series of related agreements;

(b) any sales, distribution or other similar agreement providing for the sale by the Company of goods, products, services, or other assets that provides for annual payments to the Company of \$25,000 or more under each separate agreement or series of related agreements;

(c) any agency, dealer, sales representative, marketing or other similar agreement involving annual sales of \$25,000 or more under each separate agreement or series of related agreements;

(d) any agreement that limits the freedom of the Company to compete in any line of business or with any Person or in any geographic area;

(e) mortgages, indentures, promissory notes, loan or credit agreements, security agreements, and other agreements and instruments relating to any Indebtedness of the Company (other than the Notes);



(f) (i) involving a joint venture or partnership or involving the sharing of profits, losses, costs or liability by the Company with any other Person or (ii) involving the acquisition or divestiture of any business enterprise whether via equity or asset purchase or otherwise;

(g) settlement, conciliation or similar agreement with, or enforceable by, any Governmental Entity, pursuant to which the Company is obligated to pay consideration in excess of \$25,000;

(h) any Contract containing an effective power of attorney granted by the Company;

(i) any guaranty;

(j) any Contract regarding any material indemnification provided to or by the Company;

(k) any Contract (i) providing for any offset, countertrade, pricing concessions or barter arrangement; or (ii) containing a "most favored nation" pricing agreement, special warranties, agreements to take back or exchange goods, consignment arrangements or similar understandings with a customer or supplier;

(l) any Contract involving employment, management services, consulting services, support services or any other similar services, including but not limited to any Contracts with any professional employer organization(s);

(m) any Contract involving a material distributor, sales representative, broker or advertising arrangement that by its express terms is not terminable by the Company without Liability at will or by giving notice of thirty (30) calendar days or less;

(n) any Contract, other than those described in Sections 3.17(a)-(m) above, entered into other than in the ordinary course of business involving aggregate annual payments in excess of \$25,000;

(o) any Contract providing for severance payment to any employee or consultant of the Company; or

(p) any Contract with an Affiliate.

The Company has made available to Buyer true, correct and complete copies of all of the written Material Contracts and a description of the material terms of each unwritten Material Contract. Each such Material Contract is a valid and binding agreement of the Company, enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency reorganization or similar laws or equitable principles relating to creditors' laws generally), and is in full force and effect, with respect to the parties thereto, and neither the Company nor, to the Knowledge of Seller Representative, any other Person is in default under any Material Contract. Neither the Company nor, to the Knowledge of Seller Representative, any other party thereto has terminated, canceled, modified or waived any term or condition of any Material

Contract. There exists no event, condition or occurrence that, after notice or lapse of time, or both, would constitute a breach or default by the Company or, to the Knowledge of Seller Representative, any other party to any Material Contract.

3.17. Insurance. Section 3.17 of the Company Disclosure Schedule contains a true, correct and complete list of all insurance policies to which the Company is a party or which provide coverage to or for the benefit of or with respect to the Company or any employee, officer or director of the Company in his or her capacity as such, indicating in each case the type of coverage, the name of the insured, the insurer, the expiration date of each policy and the amount of coverage (the "Insurance Policies"). The Seller Representative has made available to Buyer true, correct and complete copies of all such insurance policies. To the Knowledge of Seller Representative, each such policy is in full force and effect, there are no historical gaps in insurance coverage, limits have not been exhausted or significantly diminished and each policy currently in place will not expire, be modified or cancelled prior to Closing. All policy premiums due and payable and with respect to all periods specified in Section 3.17 of the Company Disclosure Schedule have either been paid or adequate provisions for the payment thereof by the Company have been made. The Company has not received any written notice of any material increase of premiums with respect to, or cancellation or non-renewal of, any of such insurance policies. There are no material claims by the Company under any of such policies relating to the business, assets or properties of the Company as to which any insurance company is denying Liability or defending under a reservation of rights or similar clause other than a general reservation of rights.

3.18. Environmental Matters.

(a) The Company is in compliance with all applicable Environmental Laws in all material respects;

(b) the Company has obtained, and is and has at all times been in compliance with, all permits, licenses, approvals, certificates and other authorizations required from Governmental Entities under applicable Environmental Laws in all material respects;

(c) the Company has not received from any Governmental Entity any written notice of violation, alleged violation, non-compliance, Liability or potential Liability regarding compliance with applicable Environmental Laws, other than matters that have been resolved or that are no longer outstanding;

(d) except as set forth in Section 3.18(d) of the Company Disclosure Schedule, the Company has not assumed, undertaken, provided an indemnity with respect to, or otherwise become subject to, any Liability of any other Person relating to any matter arising under Environmental Law; and

(e) the Company has furnished to Buyer all third party environmental audits and reports obtained by the Company relating to the compliance with Environmental Laws of the current and former operations and facilities of the Company.

3.19. Affiliate Transactions. Except for the Zolly Payable, the amount due to Jamie Sipe, any amounts that may be owed to Four Front, Backdoor Leasing and other parties listed on the Closing Payables Schedule or included in the calculation of Net Working Capital, there are no



amounts owed to any current or former director, officer, Debtholder or consultant of the Company or any Affiliate thereof or to Zolly other than the Notes and amount of \$2,047,500 owed to Zolly for unpaid fees pursuant to the Services Agreement (the “Zolly Payable”). The Company and employees Lesley Scott Gordon, Esquire and John Belsan are parties to written employment agreements (as amended), which shall remain in effect following the Closing.

3.20. Bank Accounts. Section 3.20 of the Company Disclosure Schedule sets forth a complete and correct list of each bank, deposit, lockbox or cash collection, management or other account of the Company including the title and number of the account and the financial or other institution at which such account is located (designating each authorized signatory).

3.21. Inventory. Section 3.21 of the Company Disclosure Schedule lists all of the Company’s inventory as of April 30, 2018. Except as set forth in Section 3.21 of the Company Disclosure Schedule, all items of consist of a quality and quantity usable or salable in the ordinary course of business of the Company and are in conformity with Applicable Law. All of the inventories that are reflected in Section 3.21 of the Company Disclosure Schedule, the Financial Statements or on any other accounting records of the Company have been valued at the lower of cost or market, in each case in accordance with GAAP.

#### **ARTICLE IV**

#### **REPRESENTATIONS AND WARRANTIES OF BUYER**

The Buyer represents and warrants to the Debtholders (including the Seller Representative) as follows:

4.1. Corporate Status. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and has full corporate power and authority to own, lease and operate its properties and to carry on its business as presently conducted.

4.2. Authorization, etc. Buyer has all requisite entity power and authority to enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance by Buyer of this Agreement has been duly authorized by the Board of Managers of Buyer which constitutes all requisite corporate authorization of Buyer regarding such action. This Agreement has been duly executed and delivered by Buyer and constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as limited by laws affecting the enforcement of creditors’ rights generally or by general equitable principles.

4.3. Conflicts; Consents.

(a) Conflicts. The execution and delivery of this Agreement by Buyer, and the performance of its obligations hereunder (i) do not conflict with the Organizational Documents of Buyer, (ii) do not conflict with, violate, contravene, breach or result in a default under (with or without the giving of notice or the lapse of time), give rise to a right of termination, cancellation, modification or acceleration of any obligation or to the loss of any benefit under any Permit, License or Contract to which Buyer is a party or by which any of its properties or assets are bound or result in the creation or imposition of any Liens or (iii) violate any Applicable Law.

(b) Consents. Other than filings with the Massachusetts Department of Health to be filed promptly following the Closing, no Consent of or filing with any Governmental Entity or any third Person is required to be obtained or filed by the Buyer in connection with the execution and delivery of the Transaction Documents by the Buyer or the performance of its obligations thereunder. Buyer has investigated any Consent required under Applicable Law and any federal law to permit the Contemplated Transactions to be consummated by the Company, the Debtholders, the Seller Representative, and Buyer, and is willing to proceed with the Contemplated Transactions without obtaining the Consent of any Governmental Entity of the Contemplated Transactions prior to Closing.

4.4. Litigation. There is no judicial or administrative action, claim, suit, proceeding or investigation pending or, to the knowledge of Buyer, threatened against Buyer that questions the validity of any action taken or to be taken by Buyer in connection herewith.

4.5. Broker. Except for Weston Roots Assets, LLC ("WRA"), all negotiations relating to this Agreement and the Contemplated Transactions have been carried out without the intervention of any Person acting on behalf of the Buyer in such manner as to give rise to any claim against the Company or any of the Debtholders for any brokerage or finder's commission, fee or similar compensation. Buyer and its Affiliates are fully and solely responsible for the payment of any and all broker or other fees owed to WRA.

4.6. Creditworthiness of Company. Buyer has conducted its own due diligence of the Company with respect to the Company's ability to continue to make payments required by the Notes and is not relying on any representations by Debtholders as to the collectability of the Notes.

## **ARTICLE V**

### **COVENANTS AND CERTAIN AGREEMENTS**

5.1. Confidentiality. Each Party receiving Confidential Information (the "Receiving Party") agrees (i) to observe complete confidentiality with respect to all Confidential Information; (ii) not to disclose, or permit any access to, the Confidential Information (or any portion thereof), except to or by any Representative of such Receiving Party having a need to know such Confidential Information for purposes of performing such Receiving Party's obligations or enforcing the Disclosing Party's obligations under this Agreement, without prior written permission of the Party disclosing such Confidential Information (the "Disclosing Party"), and (iii) not to use the Confidential Information except as required to perform such Receiving Party's obligations or to enforce the Disclosing Party's obligations under this Agreement. Notwithstanding the foregoing, if the Receiving Party is required to disclose the Confidential Information pursuant to law or governmental or judicial process, it may do so provided that (a) to the extent legally permitted, it first provides prompt written notice to the Disclosing Party in order that the Disclosing Party may have every opportunity to intercede in such process, contest such disclosure or obtain special treatment under an appropriate protective order, (b) the Receiving Party provides assistance to Disclosing Party in its efforts pursuant to subclause (a) above, and (c) the Receiving Party's disclosure of the Confidential Information pursuant to this sentence is limited to information specifically required, in both content and manner, by such law or governmental or judicial process.

## 5.2. Tax Matters.

(a) Tax Returns. Buyer shall cause the Company to prepare and timely file all Tax Returns of the Company for a Pre-Closing Tax Period that are first required to be filed after the Closing Date, including Tax Returns for a Straddle Tax Period (a "Buyer Prepared Tax Return"), with all such Returns to be prepared using the Tax Methodology. Buyer shall cause the Company to provide Seller Representative with drafts of such filings at least fourteen (14) calendar days before filing. A copy of any such Buyer Prepared Tax Return relating solely to the Company filed under this Section 5.8(a) and evidence of payment of such Taxes shall be provided to the Seller Representative no later than fourteen (14) calendar days after such Tax Return is filed.

(b) Tax Cooperation. The Seller Representative, the Company and Buyer shall provide each other with such cooperation and information as any of them reasonably may request of the others in filing any Tax Return or in connection with any audit or other administrative or judicial proceeding in respect of Taxes of the Company at the requesting party's expense. Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules, related work papers and documents relating to rulings or other determinations by Governmental Entities.

(c) Termination of Powers of Attorney. Any power of attorney with respect to Taxes or Tax Returns of Company shall be terminated as of the Closing Date.

5.3. Publicity. None of the parties hereto shall make, or permit any agent or Affiliate to make, any public statements, including any press releases, with respect to this Agreement and the Contemplated Transactions without the prior written consent of Buyer and the Seller Representative (which consent shall not be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, the Parties may make disclosures required by any Applicable Law or Judgment or for purposes of enforcing the obligations of the other party under this Agreement. Buyer and the Seller Representative shall jointly agree on the content and substance of all public announcements concerning the Contemplated Transactions other than those that are permitted pursuant to the foregoing sentence.

5.4. DPH Application. On the Closing Date, Buyer shall cause the Company's application with the DPH to be amended as required by Applicable Law, including but not limited to disclosures that Cultivo, LLC will replace Zolly as the provider of management services and that the composition of the Company's Board of Directors and Officers has changed with the form of such amendment and other communications with DPH to be approved by Seller Representative prior to Closing.

5.5. Insurance. For a three (3) year period after the Closing, Buyer shall cause the Company to maintain directors and officers insurance in coverage types and amounts and from sources that are consistent with coverage in place prior to the date of this Agreement, such that the current and former officers and directors of the Company remain insured. In addition, Buyer shall cause the Company to maintain its current Cannabis and Hemp Crop Insurance Coverage ("Hemp Policy") for a period of 45 days after Closing, provided however, if Buyer has made a claim under Section 7.7 of this Agreement, it shall maintain the Hemp Policy until any claim under such policy for the benefit of the Debtholders is resolved.

5.6 Lease and Auto Loan Guaranties. John D. Hudson is presently a guarantor of (a) lease agreements between the Company and North Star Leasing Company and (b) a loan from Nissan Motor Corporation related to the purchase of a Nissan cargo van used in the business of the Company. Promptly following the Closing, the Company and Buyer shall take appropriate action to cause the related third parties to release such guaranties, including, without limitation, by the substitution of new guarantors, as requested by the third parties. In the event that such third parties will not release Hudson, Buyer and the Company shall indemnify Hudson from all loss, liability, cost and expense related to such obligations and guaranties.

## **ARTICLE VI** **INTENTIONALLY OMITTED**

## **ARTICLE VII** **INDEMNIFICATION AND RELATED MATTERS**

### **7.1. Indemnification by the Debtholders.**

(a) Indemnification by the Debtholders. Subject to the limitations expressly set forth in this Article VII, from and after the Closing Date, Buyer and each of its Affiliates (including, following the Closing, the Company), and each of their respective successors, assigns, officers, employees, directors, managers, members, partners, shareholders, and all of their respective and personal representatives (each a "Buyer Indemnitee") shall be indemnified and held harmless by each Debtholder, severally and not jointly, from and against any Damages suffered or incurred by any Buyer Indemnitee based upon, or arising or resulting from any breach of any representation or warranty of such Debtholder contained in Article II of this Agreement.

(b) Further Indemnification by the Debtholders. Subject to the limitations expressly set forth in this Article VII, in addition to the matters set forth in clause (a) above, the Buyer Indemnitees shall be indemnified and held harmless by each Debtholder severally and not jointly, from Debtholder's Percentage of the Escrow Fund, from and against any Damages suffered or incurred by any Buyer Indemnitee based upon, or arising from the breach by a Debtholder of any representation or warranty made by such Debtholder in Article II hereof or an Escrow Claim, in each case made prior to the expiration of the Escrow Fund Period up to a maximum amount not to exceed the Debtholder's Percentage of the Escrow Fund.

(c) No Right of Contribution. The Debtholders shall have no right of contribution from any of the other Debtholders with respect to Damages claimed by any Buyer Indemnitees.

7.2. Indemnification by Buyer. Subject to the limitations set forth in this Article VII, from and after the Closing Date, Buyer shall indemnify the Debtholders and the Seller Representative, and the current and former officers and directors of the Company and each of their respective Affiliates and their respective successors, assigns, officers, employees, directors, managers, members, partners, agents, representatives, and all of their respective heirs and personal

representatives (each a “Debtholder Indemnatee”) against any Damages that any Debtholder Indemnatee suffers or incurs based upon, or arising or resulting from:

(i) any breach of any representation or warranty of Buyer contained in this Agreement; and

(ii) any breach of any covenant of Buyer contained in this Agreement.

7.3. Expiration of Representations, Warranties, and Covenants.

(a) The covenants and agreements set forth in this Agreement shall survive until performed pursuant to their terms as set forth herein.

(b) The representations and warranties of the Debtholders set forth in Article II of this Agreement and claims for breach or violation thereof shall survive for a period of twelve months from Closing, and the Representations and Warranties contained in Articles III and IV hereof and claims for breach or violation thereof shall survive the Closing and shall terminate upon expiration of the Escrow Fund Period in each case, after which time all claims for indemnification for any such breach or violation shall be prohibited and released. The applicable expiration of each representation or warranty as set forth in this Section 7.3 shall be referred to as the “Claim Expiration Date” of such representation or warranty.

(c) Notwithstanding anything in this Section 7.3 to the contrary, if, prior to the applicable Claim Expiration Date for any indemnified representation or warranty, any Buyer Indemnatee shall have duly delivered a Claim Notice or Third Party Claim Notice relating to such representation or warranty to the Seller Representative, then the specific indemnification claim set forth in such Claim Notice or Third Party Claim Notice (to the extent of the matter specified in the Claim Notice or Third Party Claim Notice) shall survive such Claim Expiration Date, and shall not be extinguished thereby until resolution of the matter specified in such Claim Notice or Third Party Claim Notice in accordance with this Agreement.

(d) Notwithstanding anything in this Section 7.3 to the contrary, if, prior to the applicable Claim Expiration Date for any indemnified representation or warranty, the Seller Representative shall have duly delivered a Claim Notice or Third Party Claim Notice relating to such representation or warranty to Buyer, then the specific indemnification claim set forth in such Claim Notice or Third Party Claim Notice (to the extent of the matter specified in the Claim Notice or Third Party Claim Notice) shall survive such Claim Expiration Date, and shall not be extinguished thereby until resolution of the matter specified in the Claim Notice or Third Party Claim Notice in accordance with the terms of this Agreement.

7.4. Limitations; Basket.

(a) The aggregate Liability of each Debtholder to the Buyer Indemnitees (x) under Section 7.1(a) of this Agreement shall not exceed the consideration received by each such Debtholder hereunder, and (y) under Section 7.1(b) shall not exceed Debtholder’s Percentage of the Escrow Fund.

(b) The Debtholders shall not be liable to the Buyer Indemnitees for indemnification under Section 7.1(b) until the aggregate amount of all Damages in respect of indemnification under Section 7.1(b) exceeds Fifty Thousand Dollars (\$50,000.00) (the “Basket”), in which event Buyer may claim indemnification for all such Damages against the Escrow Fund without regard to the Basket.

(c) The Seller Representative shall have no liability to Buyer under this Agreement other than as a Debtholder.

(d) Upon exhaustion or release of the Escrow Fund, all liability of the Debtholders for Escrow Claims shall terminate and be released. For the avoidance of doubt, a claim for indemnification for breach of a representation or warranty contained in Article II shall not be subject to such limitation, but shall remain subject to the other limitations in Section 7.3 and Section 7.4.

(e) The Debtholder Indemnitees are expressly intended to be third party beneficiaries of the provisions of this Article VII.

#### 7.5. Indemnification Claims.

(a) If either a Buyer Indemnitee or a Debtholder Indemnitee (the “Claimant”) wishes to assert an indemnification claim in accordance with this Article VII, the Claimant shall deliver promptly (i) in the case of a Buyer Indemnitee, to the Seller Representative, and (ii) in the case of a Debtholder Indemnitee, to Buyer, a written notice (a “Claim Notice” and Buyer or Seller Representative (solely as agent of the Debtholders, as applicable) receiving such Claim Notice the “Indemnifying Party”) setting forth a brief description of the facts and circumstances giving rise to the claim to the extent then known and whether such claim is a Third Party Claim.

(b) If the claim is not a Third Party Claim and the Indemnifying Party does not dispute such claim in writing delivered to the Claimant within thirty (30) calendar days from the Indemnifying Party’s receipt of the relevant Claim Notice (the “Claims Notice Period”), the Indemnifying Party shall be determined to have acknowledged and agreed to the matters set forth in the Claim Notice, and the Claimant shall be free to pursue such remedies as may be available to the Claimant with respect to such Claim Notice and the related underlying claim on the terms and subject to the provisions of this Agreement. If the Indemnifying Party has timely disputed such claim as provided above, such dispute shall be resolved pursuant to the terms of this Agreement. During the Claims Notice Period, the Claimant shall allow the Indemnifying Party and its professional advisers, to investigate the matter or circumstance alleged to give rise to the claim set forth in the applicable Claim Notice.

(c) Following the Closing, the Debtholder Indemnitees shall have no liability to Buyer or the Company for matters arising under this Agreement or related to the operation of the business of the Company prior to the Closing other than Damages indemnified by the Debtholders under Sections 7.1(a) and 7.1(b).

#### 7.6. Defense of Third Party Claims.



(a) If either Buyer, a Debtholder or the Seller Representative (on behalf of the Debtholders) (as applicable, the “Third Party Claim Indemnatee”) receives notice or otherwise obtains knowledge of any Proceeding commenced or threatened by a third party (each, a “Third Party Claim”) against the Third Party Claim Indemnatee that may give rise to an indemnification claim under this Article VII, then the Third Party Claim Indemnatee shall promptly deliver to (i) if the Third Party Claim Indemnatee is the Buyer, the Seller Representative, or (ii) if the Third Party Claim Indemnatee is a Debtholder or the Seller Representative, to Buyer, a written notice describing the Third Party Claim in reasonable detail (the “Third Party Claim Notice”, and the party to whom such Third Party Claim Notice is delivered by another party the “Third Party Claim Indemnifying Party”). Within thirty (30) calendar days after receipt of the Third Party Claim Notice, the Third Party Claim Indemnifying Party shall notify the Third Party Claim Indemnatee whether the Third Party Claim Indemnifying Party disputes its potential Liability to the Third Party Claim Indemnatee under this Agreement with respect to such Third Party Claim or whether the Third Party Claim Indemnifying Party desires, at its sole cost and expense, to defend the Third Party Claim Indemnatee against such Third Party Claim in a timely manner (the “Election Period”). The Third Party Claim Indemnifying Party shall have the right, at its option and sole expense, to assume the defense of any such Third Party Claim. If the Third Party Claim Indemnifying Party elects to assume the defense of any such Third Party Claim, then the Third Party Claim Indemnifying Party shall promptly and diligently defend such Third Party Claim, and:

(i) the Third Party Claim Indemnatee shall have the right, at its own expense, to participate in the defense thereof and, at its own expense, to employ counsel reasonably acceptable to the Third Party Claim Indemnifying Party, separate from the counsel employed by the Third Party Claim Indemnifying Party, it being understood that the Third Party Claim Indemnifying Party shall control such defense;

(ii) the Third Party Claim Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Third Party Claim Indemnatee for any period during which the Third Party Claim Indemnifying Party has not assumed the defense of the relevant Third Party Claim;

(iii) the Third Party Claim Indemnatee shall otherwise fully cooperate in the defense or prosecution thereof as reasonably requested by the Third Party Claim Indemnifying Party;

(iv) the Third Party Claim Indemnatee shall not admit any Liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Third Party Claim Indemnifying Party’s prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed); and

(v) the Third Party Claim Indemnifying Party shall not admit any Liability with respect to, or settle, compromise or discharge any Third Party Claim without the Third Party Claim Indemnatee’s prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed); *provided* that the Third Party Claim Indemnatee shall agree to any settlement, compromise or discharge of a Third Party Claim that the Third Party Claim Indemnifying Party may recommend and that by its terms obligates the Third Party Claim Indemnifying Party to pay the full amount of the Liability

in connection with such Third Party Claim and which releases the Third Party Claim Indemnatee completely in connection with such Third Party Claim.

(b) If the Third Party Claim Indemnifying Party does not elect to assume the defense of such Third Party Claim within the Election Period, then the Third Party Claim Indemnatee shall proceed to defend such Third Party Claim at the sole expense and cost of the Third Party Claim Indemnifying Party, with the assistance of counsel reasonably satisfactory to the Third Party Claim Indemnifying Party; provided, however, that the Third Party Claim Indemnatee shall not settle, adjust, or compromise such Third Party Claim, or admit any Liability with respect to such Third Party Claim, without the prior written consent of the Third Party Claim Indemnifying Party, which consent shall not be unreasonably conditioned, withheld or delayed.

(c) The failure to provide notice as provided in Section 7.5(a) or Section 7.6(a) shall not excuse any Indemnifying Party or Third Party Claim Indemnifying Party from its continuing obligations hereunder except to the extent such Indemnifying Party or Third Party Claim Indemnifying Party shall have been materially prejudiced regarding its obligations pursuant to this Article VII as a result of such failure; *provided, however*, that any claim for indemnification shall be reduced by the Damages resulting from such Claimant or Third Party Claim Indemnatee's delay or failure to provide notice as provided in the applicable Section 7.5(a) or Section 7.6(a).

(d) Notwithstanding anything to the contrary in this Section 7.6, should any Third Party Claim hereunder involve a situation where the Third Party Claim Indemnatee reasonably anticipates that part of the claim will be borne by it and part of the claim will be borne by the Third Party Claim Indemnifying Party, each such party shall jointly consult and proceed as to any such Third Party Claim.

7.7. Inventory Destruction. Buyer shall be entitled to recover from the Escrow Fund the amount of any Damages sustained by the Company arising from vandalism (meaning willful and malicious act) occurring prior to 12:01 a.m. on the Closing Date by any current or former employee, agent or consultant of the Company that results in any damage to or destruction ("Inventory Destruction") of the Company's cannabis inventory of seeds, Plant Material, work in process and finished products ("Cannabis Inventory"). In the event the Company has insurance coverage for the Damages described in this Section, upon payment to the Buyer from Escrow Fund of the amount of such Damages, the Buyer shall cause the Company to pursue such insurance claim for the benefit of Debtholders and pay such amount, less the out-of-pocket cost of pursuing such claim, to the Seller Representative for the Debtholders' benefit. The indemnification by Debtholders provided for in this Section shall expire 30 days after Closing unless Buyer shall have furnished Seller Representative with written notice of a claim prior to such date, pursuant to Section 1.2(c).

(a) Buyer hereby agrees and acknowledges that any damage or destruction of any of the Plant Material arising out of or resulting from (x) the existence of powdery mildew or mold affecting Plant Material, (y) the presence of so-called "root aphids" in or on the Plant Material or (z) the removal or destruction of mother plants or other genetic material in accordance with the terms and conditions of that certain Employment Agreement, dated as of April 16, 2016, by and between the Company and James P. Sipe, IV ("Sipe") (as amended), in each case, shall not



be subject to this Section 7.7 and Buyer shall not have any right of reimbursement or any other remedy with respect to the matters described in this Section.

(b) The Buyer shall not be entitled to reimbursement from the Escrow Fund until the aggregate amount of all Cannabis Inventory damage and claims for indemnification exceeds Fifty Thousand Dollars (\$50,000.00) (the "Cannabis Inventory Basket"), in which event Buyer may exercise its right to reimbursement for all such damages.

(c) In no event shall any Debtholder be liable for any amount in excess of the Escrow Fund for claims arising from Inventory Destruction, purchase price reductions or indemnifications pursuant to Section 7.1(b).

7.8. Exclusive Remedy. The parties acknowledge and agree that the sole and exclusive remedy with respect to any and all claims for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Article VII. In furtherance of the foregoing, each party hereby waives, to the fullest extent permitted under Applicable Law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement it may have against the other parties hereto and their Affiliates, except pursuant to the indemnification provisions set forth in this Article VII. Nothing in this Section 7.8 shall limit (a) any Person's right to seek and obtain any equitable relief to which any Person shall be entitled or (b) any Person's rights and claims under Section 1.2(c) and the Escrow Agreement, pursuant to their respective terms. Notwithstanding the foregoing, this Section 7.8 shall not operate to interfere with or impede the operation of (i) the provisions set forth in Section 1.5 relating to the Working Capital between the parties and/or by the Independent Accountant and (ii) limit the rights and of the parties to seek equitable remedies with respect to matters indemnified under this Agreement (including specific performance or injunctive relief).

7.9. Investigation. The Buyer acknowledges that it and its Affiliates have expertise in the cannabis industry and have had the opportunity to conduct due diligence with respect to the Notes (and the Company's ability to pay the Notes), the Company and the business and operations of the Company, including, without limitation, all regulatory matters related to the Company and the consummation of the transactions contemplated by this Agreement. In no event shall the Debtholder Indemnitees have any liability for indemnification pursuant to Section 7.1(b) if Buyer or its Affiliates or any of their respective employees, attorneys, accountants, consultants, agents had actual knowledge on or before the Closing Date of facts or circumstances that would be evident to a prudent person with expertise in the cannabis industry generally and could form the basis of a claim under Section 7.1(b). Except with respect to the representations and warranties expressly set forth in Article II and Article III of this Agreement Buyer has not relied upon and will not rely upon, either directly or indirectly, any statements, representations or warranties (whether written or oral) of the Debtholders, Seller Representative, the Company or any of their respective current or former officers, employees, directors, agents, representatives or Affiliates.

7.10. Characterization of Indemnification Payment. Any payment made pursuant to or in connection with this Article VII shall be deemed to be an adjustment to the Purchase Price for Tax purposes to the extent permitted by Applicable Law.

7.11. Third Party Recovery. If any amount of Damages recoverable from third parties are actually realized by a Claimant subsequent to the receipt by such Claimant of an indemnification payment hereunder in respect of the claims to which such amounts relate, appropriate refunds shall be made promptly to the Indemnifying Party regarding the amount of such indemnification payment.

## **ARTICLE VIII** **INTENTIONALLY OMITTED**

## **ARTICLE IX** **DEFINITIONS**

9.1. Definition of Certain Terms; Interpretation. The terms defined in this Article IX, whenever used in this Agreement (including in the Schedules and Exhibits hereto), shall have the respective meanings indicated below for all purposes of this Agreement. The words “includes” and “including” will be deemed to be followed by the words “without limitation” whenever used. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

Affiliate: means with respect to any Person, a Person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such Person; “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise. “Affiliate” also includes any spouse, children, parents and grandparents (including, in each case, any such step or in-law relatives).

Applicable Law: means, with respect to any Person, any means any federal, national, supernational, state, provincial, local, municipal, foreign or similar constitution, statute, code, regulation, rule, law, principal of law (including common law), ordinance, injunction, judgment, order, decree, ruling, charge, requirement or other restriction (including Permits) of any Governmental Entity in effect that applies to such Person, its business and its properties; provided, however, Applicable Law shall not include any federal law, including the CSA, restricting or otherwise applicable to the cultivation, processing, transport, sale, purchase, distribution, marketing, or other trafficking of cannabis products or cannabis paraphernalia which is inconsistent with the laws of the Commonwealth of Massachusetts.

Business Day: means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York, New York are authorized or obligated by law to close.

Company Intellectual Property: All Intellectual Property owned or used by the Company or necessary for the conduct of the business of the Company as currently conducted.

Confidential Information: means all information that is disclosed by Buyer to any Debtholder, or by any Debtholder or the Seller Representative to Buyer, pursuant to or in anticipation of the Contemplated Transactions. Confidential Information shall not include information which: (i) is or becomes generally known to the public through no breach of this Agreement by the Party receiving such information or any of its Representatives; (ii) is disclosed by a third party to the Party receiving such information, whether before or after the date of this Agreement, if such disclosure did not breach a duty of confidentiality to the Party disclosing such information, (iii) can be shown by reasonably competent evidence to have been in the possession of the Party receiving such information prior to disclosure by the Party disclosing such information, or (iv) can be shown by reasonably competent evidence to have been independently developed by the Party receiving such information without use or reliance on the Confidential Information of the disclosing Party

Consent: means any consent, approval, authorization, order, filing, registration or qualification of or with any Person.

Contemplated Transactions: means the transactions contemplated by this Agreement.

Contract: means any agreement, contract, commitment, instrument, undertaking or arrangement, whether written or oral.

CSA: means the Controlled Substances Act, as codified in the laws of the United States and amended from time to time, and the rules and regulations promulgated thereunder.

Damages: means any loss, Liability, damage, claim, penalty, fine, judgment, award, settlement, cost, fee, Tax, disbursement or expense (including reasonable legal fees and expenses, accounting fees or fees or expenses otherwise reasonably incurred in connection with the investigation, prosecution, defense or collection of any claim or Proceeding), provided, however, that "Damages" shall not include any punitive or exemplary damages, except in the case of a party's obligation to indemnify a Buyer Indemnitee or Debtholder Indemnitee for amounts due or payable to a Third Party are awarded pursuant to a Third-Party Claim that is subject to indemnification hereunder.

Employee Benefit Plan: means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA).

Environmental Law: any federal, state, or local laws, statute, rule, regulation, ordinance or order relating to (i) the manufacture, transport, use, treatment, storage, disposal, release or threatened release of Hazardous Substances, or (ii) the protection of human health or the environment (including, without limitation, natural resources, air, and surface or subsurface land or waters), provided that, any federal law, including the CSA, restricting or otherwise applicable to the cultivation, processing, transport, sale, purchase, distribution, marketing, or other trafficking of cannabis products or cannabis paraphernalia which is inconsistent with the laws of the Commonwealth of Massachusetts shall, to the extent of such restriction, not be included in the

term “Environmental Law” as used herein to the extent of such inconsistency with the laws of the Commonwealth of Massachusetts.

ERISA: the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

ERISA Affiliate: any trade or business (whether or not incorporated) which, together with the Company, is or would have been at any date of determination, treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

Financial Statements: has the meaning set forth in Section 3.4.

GAAP: means general accepted accounting principles applied in the United States.

Governmental Entity: shall mean any federal, state or local government or political subdivision thereof, or any agency, regulatory body or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Applicable Law), or any arbitrator, court or tribunal of competent jurisdiction.

Hazardous Substance: any material or substance that is: (i) listed, classified or regulated as “hazardous” pursuant to any applicable Environmental Law, or (ii) any petroleum product or by-product, asbestos or polychlorinated biphenyls.

Indebtedness: means with respect to any Person, without duplication, any of the Liabilities and obligations in respect of items (i) through (ix) below, in each case, including the principal amount and all accrued interest and any related prepayment premiums, penalties, indemnities, breakage costs, make-whole payments or other similar costs, fees or expenses (if any) that would be required in order to fully discharge any such obligations and Liabilities: (i) borrowed money (including the current portion thereof), (ii) any unpaid interest and bank fees owing on any amounts indicated in clause (i) above, (iii) notes, bonds, debentures or similar instruments (including a purchase money obligation), (iv) the deferred purchase price of property, goods or services, including any “earnout” or similar payments (other than trade payables incurred in the ordinary course of business), (v) the payment of money relating to leases that are required to be classified as a capitalized lease obligation in accordance with GAAP, (vi) obligations in respect of banker’s acceptances or letters of credit, (vii) obligations related to interest rate swap, hedging or similar agreements, (viii) accrued and unpaid management, advisory or oversight fees or other obligations of any kind, and (ix) guarantees by the Company of the obligations described in clauses (i) through (viii) above of any other Person.

Independent Contractor: means any Person that provides services to customers of the Company, either directly or indirectly, and is characterized by the Company as an independent contractor (as opposed to an employee of the Company).

Information Systems: means all computer hardware, databases and data storage systems, computer, data, database and communications networks (other than the Internet), architecture interfaces and firewalls (whether for data, voice, video or other media access, transmission or

reception) and other apparatus used to create, store, transmit, exchange or receive information in any form.

Intellectual Property: means (a) all inventions, all improvements thereto, and all patents, patent applications, and invention disclosures, (b) all trademarks, service marks, trade dress, logos, slogans, trade names, corporate names, Internet domain names (collectively "Marks"), (c) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith, (d) all mask works and all applications, registrations, and renewals in connection therewith, (e) all trade secrets and confidential business information, (f) Software, (g) all material advertising and promotional materials, (h) all other proprietary rights, and (i) all rights in telephone numbers, fax number and IP addresses, and (j) all copies and tangible embodiments thereof (in whatever form or medium).

Judgment: means any order, judgment, injunction, edict, decree, ruling, pronouncement, determination, decision, opinion, verdict, sentence, subpoena, deferred prosecution agreement, writ or award issued, made, entered, rendered or otherwise put into effect by or under the authority of any court, administrative agency or other Governmental Entity or any arbitrator or arbitration panel.

Knowledge of Seller Representative: means the actual knowledge of Seller Representative or the knowledge that would have been obtained at the level of inquiry that a reasonably prudent person would have undertaken.

Landlord: means ELDEB, LLC or the current landlord for the Company's premises.

Liability: means all debts, liabilities, guarantees, assurances, claims, damages, losses, demands, fines, judgments, penalties, commitments and obligations of any kind or nature, whether primary or secondary, direct or indirect, fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including whether arising out of any Contract or tort based on negligence, strict liability or relating to Taxes payable by a Person in connection with compensatory payments to employees or independent contractors) and whether or not the same would be required by GAAP.

Lien: means any mortgage, pledge, deed of trust, hypothecation, claim, security interest, title defect, encumbrance, burden, charge or other similar restriction, lease, sublease, claim, title retention agreement, option, easement, covenant, encroachment or other adverse claim affecting title, whether arising by contract, Applicable Law or otherwise.

Material Adverse Effect: means any circumstance, event, occurrence, fact, condition, development or change that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on the business, condition (financial or otherwise), assets, Liabilities or results of operations of the Company, taken as a whole.

Organizational Documents: means (i) with respect to any corporation, its articles or certificate of incorporation and by-laws (or such similar formational or governing documents as such corporation may have), (ii) with respect to any limited liability company, its articles or certificate of formation and limited liability company agreement or operating agreement (or such

similar formational or governing documents as such limited liability company may have), and (iii) with respect to any other business entity, such formational or governing documents as such business entity may have which are similar in form and substance to those documents set forth in subclauses (i) and (ii) above.

Permitted Liens: means (i) Liens for Taxes and similar charges that are not yet due or are being contested in good faith through appropriate proceedings and for which the Company has cash on hand; (ii) mechanic's, materialmen's, carrier's, repairer's and other similar Liens arising or incurred in the ordinary course of business or that are not yet due and payable or that are being contested in good faith by appropriate proceedings diligently prosecuted and that are not material to the business operations and financial conditions of property of the Company so encumbered; (iii) easements, rights of way, title imperfections and restrictions, zoning ordinances and other similar encumbrances affecting the real property that do not, individually or in the aggregate, materially or adversely affect the use or marketability of such real property; and (iv) statutory Liens in favor of lessors arising in connection with any property leased to the Company.

Person: means any natural person, firm, partnership, association, corporation, company, trust, business trust, Governmental Entity or other entity.

Plant Material: means plant material that was part of the Company's Inventory as of Closing.

Pre-Closing Tax Period: means (i) all taxable periods ending before the Closing Date, and (ii) the portion through 12:01 a.m. (Eastern Standard Time) on the Closing Date for any taxable period that begins on or before, but ends after, the Closing Date.

Proceeding: means any action, arbitration, audit, claim, examination, summons, subpoena, inquiry, citation, notice of violation, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private) commenced, brought, conducted or heard by or before any Governmental Entity or arbitrator.

Representative: means, with respect to any Person, such Person's officers, directors, employees, financial advisors, legal counsel, accountants, consultants, and other representatives and agents.

Tax: means (i) any federal, state, local or foreign income taxes (including any tax on or based upon net income, or gross income, or income as specially defined, or earnings, or profits, or selected items of income, earnings or profits) and all gross receipts, estimated, sales, use, ad valorem, transfer, franchise, license, withholding, payroll, employment, excise, capital shares, social security (or similar), unemployment, disability, severance, stamp, gains, registration, value added, occupation, premium, real property, personal property, escheat, profits, windfall profits, environmental, alternative or add-on minimum taxes, custom duties or other taxes of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority with respect to any tax, whether disputed or not; (ii) Liability for the payment of any amounts of the type described in clause (i) of this sentence as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate group for any taxable



period, (iii) Liability for the payment of amounts as a result of being party to any tax sharing or allocation agreements or arrangements and (iv) Liability for the payment of any amounts of the type described in clause (i), (ii) or (iii) of this sentence as a result of being a transferee of or successor to any Person or as a result of any obligation to indemnify any other Person.

Tax Return: means any return, declaration, report, claim for refund, information return, statement or other document (including any related or supporting information, schedule, attachment and any amendment thereof) filed or submitted or required to be filed or submitted with any taxing authority or any other Person relating to any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

Transaction Documents: means this Agreement, the Escrow Agreement, and each other document, instrument or agreement contemplated by this Agreement.

## **ARTICLE X**

### **THE SELLER REPRESENTATIVE**

#### **10.1. Authorization of the Seller Representative.**

The Seller Representative hereby agrees to act on behalf of each of the Debtholders, and accepts the appointment by each such Debtholder (upon the execution of this Agreement by each of the Debtholders) to act on its behalf, as provided herein. In connection with such appointment, the Seller Representative shall be exclusively authorized and empowered to act, on behalf of each of the Debtholders, in connection with, and to facilitate the consummation of, the Contemplated Transactions, for the purposes and with the powers and authority hereinafter set forth in this Article X, which shall include, but not be limited to, the power and authority on behalf of each of the Debtholders:

(a) to execute and deliver the Escrow Agreement and such amendments, waivers and Consents in connection with this Agreement (or any other Transaction Document) and the consummation of the Contemplated Transactions as the Seller Representative, in his sole discretion, may deem necessary or desirable;

(b) to use reasonable efforts to enforce and protect the rights and interests of the Debtholders arising out of or under or in any manner relating to this Agreement and the Contemplated Transactions and, in connection therewith to (i) assert or institute any Proceeding; (ii) investigate, defend, contest or litigate any Proceeding initiated by the Buyer or any other Person against any Debtholder or the Seller Representative; (iii) settle or compromise any Proceeding relating to this Agreement; (iv) assume the defense of any Third Party Claim that is the basis of any Proceeding relating to this Agreement; and (v) file and prosecute appeals from any Judgment rendered in any of the foregoing Proceedings;

(c) to enforce payment and distribution of any amounts payable to the Debtholders;

(d) to receive any payments paid to the Seller Representative, on behalf of such Debtholder, for distribution to such Debtholder in accordance with the terms of this Agreement, and to acknowledge receipt thereof;

(e) to (A) dispute or refrain from disputing any claim made by the Buyer or any other Person under this Agreement; (B) negotiate and compromise any dispute that may arise under, and to exercise or refrain from exercising any remedies available under, this Agreement; and (C) execute any settlement agreement, release or other document with respect to such dispute or remedy;

(f) to give or agree to any and all Consents, waivers, amendments or modifications the Seller Representative determines, in its sole discretion, to be necessary and appropriate, under this Agreement, and, in each case, to execute and deliver any documents that may be necessary or appropriate in connection therewith;

(g) to give and receive notices or communications as the Seller Representative determines, in its sole discretion, to be necessary or appropriate under this Agreement (or any other Transaction Documents);

(h) to determine, in the Seller Representative's sole discretion, the time or times when any of the powers set forth in this Section 10.1 shall be exercised; and

(i) to make, execute, acknowledge and deliver all such other agreements, and, in general, to do any and all things and to take any and all action that the Seller Representative, in its sole and absolute discretion, may consider necessary, proper or convenient in connection with, or to carry out the activities described in subsections (a) through (h) of this Section 10.1, the Contemplated Transactions and all other agreements, documents or instruments referred to herein or therein or executed in connection herewith or therewith.

#### 10.2. Reliance.

(a) Each Debtholder hereby agrees that:

(i) in all matters in which action by the Seller Representative is required or permitted, the Seller Representative is authorized to act on behalf of such Debtholder notwithstanding any dispute or disagreement among any of the Debtholders, or between any Debtholder and the Seller Representative, and Buyer shall be entitled to rely conclusively on any and all instructions provided or action taken by the Seller Representative as part of the Contemplated Transactions without any Liability to, or obligation to inquire of, any of the Debtholders, notwithstanding any knowledge on the part of Buyer of any such dispute or disagreement;

(ii) notice to the Seller Representative, delivered in a manner provided herein, shall be deemed to be notice to each Debtholder for purposes of this Agreement;

(iii) the power and authority of the Seller Representative, as described in this Agreement, shall continue in force until all rights and obligations of Debtholders under this Agreement shall have terminated, expired or been fully performed; and

(iv) any decision, act, Consent or instruction of the Seller Representative shall constitute a decision of all of the Debtholders and shall be final, binding and conclusive upon each such Debtholder.



10.3. Actions by Debtholders. Notwithstanding the foregoing, each Debtholder agrees, at the request of the Seller Representative: (a) to take all actions necessary or appropriate to consummate the Contemplated Transactions individually on such Debtholder's own behalf, and (b) to deliver any other documents required of such Debtholder pursuant to this Agreement. The Seller Representative may resign from its capacity as the Seller Representative at any time by written notice delivered to Buyer and the Debtholders and the appointment of a successor Seller Representative.

10.4. Payment of Expenses. In connection with the performance of his obligations hereunder, the Seller Representative shall have the right at any time and from time to time to select and engage, attorneys, and such other professional and expert assistance, and maintain such records, as reasonably necessary or desirable and incur other reasonable out-of-pocket expenses. Such fees and expenses of such advisors shall be reimbursed by the Debtholders on a pro rata basis promptly upon demand.

10.5. Power of Attorney.

(a) Each Debtholder hereby appoints the Seller Representative as such Debtholder's true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, in such Debtholder's name, place and stead, in any and all capacities, in connection with the Contemplated Transactions, and has granted unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection with the Agreement and any other Contemplated Transaction, as fully to all intents and purposes as such Debtholder might or could do in person. THE POWER OF ATTORNEY GRANTED IN ACCORDANCE WITH THIS AGREEMENT IS COUPLED WITH AN INTEREST AND IS IRREVOCABLE, MAY BE DELEGATED BY THE SELLER REPRESENTATIVE; AND, SHALL SURVIVE THE DEATH, DISSOLUTION OR INCAPACITY OF ANY DEBTHOLDER.

(b) Buyer shall not be liable to any Debtholder for any action taken or not taken by the Seller Representative pursuant to this Agreement or the Contemplated Transactions.

## **ARTICLE XI**

### **GENERAL PROVISIONS**

11.1. Expenses. Except as otherwise specifically provided for in this Agreement, the Debtholders, on the one hand, and Buyer, on the other, shall bear their respective expenses, costs and fees in connection with the transactions contemplated hereby, including the preparation, execution and delivery of this Agreement; provided, however, certain of such expenses of Debtholders and the Company shall be paid by the Company without adjustment of the Purchase Price.

11.2. Further Actions. Subject to the terms and conditions of this Agreement, each Party shall execute and deliver such certificates and other documents and take such actions as may reasonably be requested by any other Party in order to effect the Contemplated Transactions.

11.3. Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to

have been duly given if (i) delivered personally, (ii) sent by next-day or overnight mail or delivery or (iii) sent via email, as follows:

if to Buyer:

SH Finance Company LLC  
c/o Sea Hunter Holdings, LLC  
515 North Flagler Drive, Suite 1700  
West Palm Beach, FL 33401  
Attn: Alexander Coleman  
acoleman@annexcapital.com

with a copy (which shall not constitute notice) to:

Forman & Shapiro LLP  
1345 Avenue of the Americas, 11<sup>th</sup> Floor  
New York, NY 10105  
Attn: Robert W. Forman  
forman@formanshapiro.com

if to Seller Representative or any Debtholder,

John D. Hudson,  
4 Meadow Road, Unit 3  
Provincetown, MA 02657  
[jackhudson5@mac.com](mailto:jackhudson5@mac.com)

with a copy (which shall not constitute notice) to:

Clifford Long  
Long & Gordon  
633 Tremont Street  
Boston, MA 02118  
Email: cliffordalong@gmail.com

or, in each case, at such other address as may be specified in writing to the other parties hereto.

All such notices, requests, demands, waivers and other communications shall be deemed to have been received (i) if by personal delivery, on the day of such delivery, (ii) if by next-day or overnight mail or delivery, on the day actually delivered or (iii) if by email, on the day on which such email was sent with confirmation of transmittal or receipt.

11.4. Assignment; Successors. This Agreement shall not be assignable by any Party (except Buyer may assign its rights to an Affiliate) without the prior written consent of all of the other Parties, and any attempt to assign this Agreement without such consent shall be void and of no effect. This Agreement shall inure to the benefit of, and be binding on and enforceable against,

the Parties and their respective heirs, successors and permitted assigns. Except for the indemnification of third parties pursuant to Article VII of this Agreement, nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon any Person other than the parties and the successors and assigns permitted by this Section 11.4 any right, remedy or claim under or by reason of this Agreement.

11.5. Amendment; Waivers, etc. No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by the party against whom enforcement of the amendment, modification, discharge or waiver is sought, or, in the case of each Debtholder, by the Seller Representative. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the party granting such waiver in any other respect or at any other time. The waiver by any of the Parties of a breach of or a default under any of the provisions of this Agreement or a failure to exercise or a delay in exercising any right or privilege hereunder, shall not be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder. The rights and remedies herein provided are cumulative and, except as expressly provided herein, none is exclusive of any other, or of any rights or remedies that any party may otherwise have at law or in equity.

11.6. Entire Agreement. This Agreement (including the Exhibits, the Schedules and other documents referred to herein or delivered hereunder) constitutes the entire agreement with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

11.7. No Strict Construction; Headings. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any Person. The headings contained in this Agreement are for purposes of convenience only and shall not affect the meaning or interpretation of this Agreement.

11.8. Counterparts. This Agreement may be executed in several counterparts, any one of which need not contain the signatures of more than one Party, but all such counterparts taken together shall constitute one and the same instrument. This Agreement and the Transaction Documents, and any amendments hereto or thereto, to the extent delivered by means of a facsimile machine, electronic mail, Adobe PDF format or other electronic means (any such delivery, an "Electronic Delivery"), shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

11.9. Governing Law.

(a) This Agreement, the Transaction Documents, the Contemplated Transactions and the legal relations between the parties hereto shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without giving effect to any law or rule that would cause the laws of any jurisdiction other than the Commonwealth of Massachusetts to be applied.

(b) Any judicial Proceeding brought against any of the parties to this Agreement or any dispute arising out of this Agreement, the other Transaction Documents, the Contemplated Transactions, or any matter related hereto or thereto shall be brought in the state courts of the Commonwealth of Massachusetts (and each party hereto agrees that no such Proceeding will be brought by it or any of its Affiliates except in such state courts of the Commonwealth of Massachusetts), and, by execution and delivery of this Agreement, each of the Parties accepts the exclusive jurisdiction and venue of such state courts of the Commonwealth of Massachusetts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement, the Transaction Documents, the Contemplated Transactions, or any matter related hereto or thereto. Each Party hereby irrevocably waives any objection it may now or in the future have to venue for any judicial Proceeding arising out of this Agreement, the other Transaction Documents, the Contemplated Transactions, or any matter related hereto or thereto being located in the state courts of the Commonwealth of Massachusetts, including but not limited to any claim that any such Proceeding has been brought in an inconvenient forum. The foregoing consents to jurisdiction shall not constitute general consents to service of process in the Commonwealth of Massachusetts for any purpose except as provided herein and shall not be deemed to confer rights on any Person other than the Parties. Each of the Parties agrees that service of any process, summons, notice or document by nationally recognized overnight delivery service to such Party's address set forth above (or, in the case of each Debtholder, in Exhibit A-1 hereto) shall be effective service of process for any action, suit or proceeding in the Commonwealth of Massachusetts with respect to any matters for which it has submitted to jurisdiction pursuant to this Section 11.9.

(c) Each Party expressly waives any defense against the enforcement of this Agreement or the Transaction Documents or any dispute or claim arising hereunder or thereunder which it may have by reason of (i) illegality under any federal or state law other than the laws of the Commonwealth of Massachusetts (including, but not limited to, the Controlled Substances Act and the laws of the Commonwealth of Massachusetts), or (ii) this Agreement or any Transaction Document being contrary to public policy, and each Party hereby agrees not to raise any such defense or any similar defense with respect to any dispute, claim or judicial Proceeding arising out of this Agreement or the Transaction Documents.

11.10. Waiver of Jury Trial. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

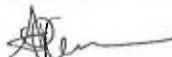
*[Remainder of Page Intentionally Left Blank]*

EXECUTION VERSION

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

**BUYER:**

SH FINANCE COMPANY, LLC

By:   
Name:  
Title:

**SELLER REPRESENTATIVE:**

By: \_\_\_\_\_  
Name: John D. Hudson

**DEBTHOLDERS:**

APPLEGARTH INVESTMENTS

By: \_\_\_\_\_  
Name:  
Title:

B WING LLC

By: \_\_\_\_\_  
Name:  
Title:

JOHN LAWTON BEIGHT AND  
MARCELLE JOY SHAPIRO

By: \_\_\_\_\_  
Name: John Lawton Beight

By: \_\_\_\_\_  
Name: Marcelle Joy Shapiro

EXECUTION VERSION

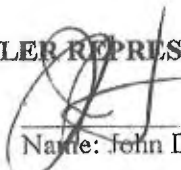
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

**BUYER:**

SH FINANCE COMPANY, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SELLER REPRESENTATIVE:**

By:  \_\_\_\_\_  
Name: John D. Hudson

**DEBTHOLDERS:**

APPLEGARTH INVESTMENTS

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

B WING LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

JOHN LAWTON BEIGHT AND  
MARCELLE JOY SHAPIRO

By: \_\_\_\_\_  
Name: John Lawton Beight

By: \_\_\_\_\_  
Name: Marcelle Joy Shapiro

EXECUTION VERSION

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

**BUYER:**

SH FINANCE COMPANY, LLC

By: \_\_\_\_\_  
Name:  
Title:

**SELLER REPRESENTATIVE:**

By: \_\_\_\_\_  
Name: John D. Hudson

**DEBTHOLDERS:**

APPLEGARTH INVESTMENTS, LLC

By: T Field  
Name: Jason Field  
Title: person/representative of  
estate of Richard Field, member

B WING LLC

By: \_\_\_\_\_  
Name:  
Title:

JOHN LAWTON BEIGHT AND  
MARCELLE JOY SHAPIRO

By: \_\_\_\_\_  
Name: John Lawton Beight

By: \_\_\_\_\_  
Name: Marcelle Joy Shapiro

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

**BUYER:**

SH FINANCE COMPANY, LLC

By: \_\_\_\_\_  
Name:  
Title:

**SELLER REPRESENTATIVE:**

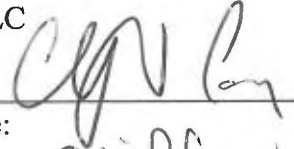
By: \_\_\_\_\_  
Name: John D. Hudson

**DEBTHOLDERS:**

APPLEGARTH INVESTMENTS

By: \_\_\_\_\_  
Name:  
Title:

B WING LLC

By: \_\_\_\_\_  
Name:   
Title: Clifford Long  
Managing member

JOHN LAWTON BEIGHT AND  
MARCELLE JOY SHAPIRO

By: \_\_\_\_\_  
Name: John Lawton Beight

By: \_\_\_\_\_  
Name: Marcelle Joy Shapiro



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

**BUYER:**

SH FINANCE COMPANY, LLC

By: \_\_\_\_\_  
Name:  
Title:

**SELLER REPRESENTATIVE:**

By: \_\_\_\_\_  
Name: John D. Hudson

**DEBTHOLDERS:**

APPLEGARTH INVESTMENTS

By: \_\_\_\_\_  
Name:  
Title:

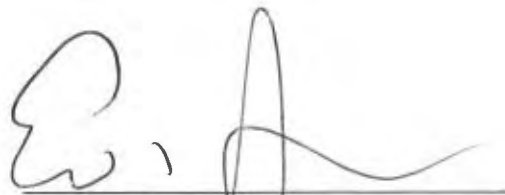
B WING LLC

By: \_\_\_\_\_  
Name:  
Title:

JOHN LAWTON BEIGHT AND  
MARCELLE JOY SHAPIRO

By: John Lawton Beight  
Name: John Lawton Beight

By: Marcelle Joy Shapiro  
Name: Marcelle Joy Shapiro



EMANUEL BERGER

JAMES T. BISSON

JARED STONE BRETHOLTZ

CABOT CARABOTT

JOSEPH CASTELLANA

COGGESHALL INTERESTS, LLC

By: \_\_\_\_\_  
Name:  
Title:

WILLIAM FARMER

DAVID HALL

ZACHARY HARVEY

\_\_\_\_\_  
EMANUEL BERGER

  
\_\_\_\_\_  
JAMES T. BISSON

\_\_\_\_\_  
JARED STONE BRETHOLTZ

\_\_\_\_\_  
CABOT CARABOTT

\_\_\_\_\_  
JOSEPH CASTELLANA

\_\_\_\_\_  
COGGESHALL INTERESTS, LLC

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
WILLIAM FARMER

\_\_\_\_\_  
DAVID HALL

\_\_\_\_\_  
ZACHARY HARVEY

\_\_\_\_\_  
EMANUEL BERGER

\_\_\_\_\_  
JAMES T. BISSON

  
\_\_\_\_\_  
JARED STONE BRETHOLTZ

\_\_\_\_\_  
CABOT CARABOTT

\_\_\_\_\_  
JOSEPH CASTELLANA

\_\_\_\_\_  
COGGESHALL INTERESTS, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
WILLIAM FARMER

\_\_\_\_\_  
DAVID HALL

\_\_\_\_\_  
ZACHARY HARVEY

\_\_\_\_\_  
EMANUEL BERGER

\_\_\_\_\_  
JAMES T. BISSON

\_\_\_\_\_  
JARED STONE BRETHOLTZ

  
\_\_\_\_\_  
CABOT CARABOTT

\_\_\_\_\_  
JOSEPH CASTELLANA

COGGESHALL INTERESTS, LLC

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
WILLIAM FARMER

\_\_\_\_\_  
DAVID HALL


\_\_\_\_\_  
ZACHARY HARVEY

\_\_\_\_\_  
EMANUEL BERGER

\_\_\_\_\_  
JAMES T. BISSON

\_\_\_\_\_  
JARED STONE BRETHOLTZ

\_\_\_\_\_  
CABOT CARABOTT

  
\_\_\_\_\_  
JOSEPH CASTELLANA

COGGESHALL INTERESTS, LLC

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
WILLIAM FARMER

\_\_\_\_\_  
DAVID HALL

\_\_\_\_\_  
ZACHARY HARVEY

\_\_\_\_\_  
EMANUEL BERGER

\_\_\_\_\_  
JAMES T. BISSON

\_\_\_\_\_  
JARED STONE BRETHOLTZ

\_\_\_\_\_  
CABOT CARABOTT

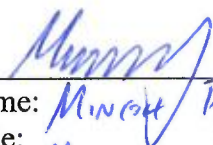
\_\_\_\_\_  
JOSEPH CASTELLANA

COGGESHALL INTERESTS, LLC

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

  
Name: Minch Farm  
Title: MANAGING PARTNER

\_\_\_\_\_  
WILLIAM FARMER

\_\_\_\_\_  
DAVID HALL

\_\_\_\_\_  
ZACHARY HARVEY

\_\_\_\_\_  
EMANUEL BERGER

\_\_\_\_\_  
JAMES T. BISSON

\_\_\_\_\_  
JARED STONE BRETHOLTZ

\_\_\_\_\_  
CABOT CARABOTT

\_\_\_\_\_  
JOSEPH CASTELLANA

\_\_\_\_\_  
COGGESHALL INTERESTS, LLC

By: \_\_\_\_\_  
Name:  
Title:

  
\_\_\_\_\_  
WILLIAM FARMER

\_\_\_\_\_  
DAVID HALL

\_\_\_\_\_  
ZACHARY HARVEY



\_\_\_\_\_  
EMANUEL BERGER

\_\_\_\_\_  
JAMES T. BISSON

\_\_\_\_\_  
JARED STONE BRETHOLTZ

\_\_\_\_\_  
CABOT CARABOTT

\_\_\_\_\_  
JOSEPH CASTELLANA

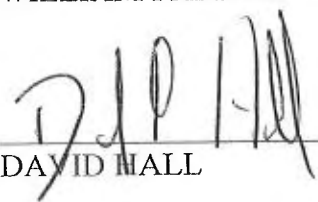
\_\_\_\_\_  
COGGESHALL INTERESTS, LLC

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
WILLIAM FARMER

  
\_\_\_\_\_  
DAVID MALL

\_\_\_\_\_  
ZACHARY HARVEY

\_\_\_\_\_  
EMANUEL BERGER

\_\_\_\_\_  
JAMES T. BISSON

\_\_\_\_\_  
JARED STONE BRETHOLTZ

\_\_\_\_\_  
CABOT CARABOTT


\_\_\_\_\_  
JOSEPH CASTELLANA

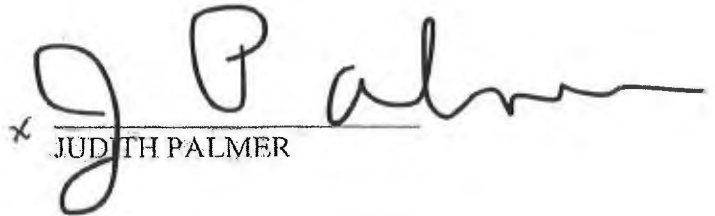
COGGESHALL INTERESTS, LLC

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
WILLIAM FARMER

\_\_\_\_\_  
DAVID HALL

  
\_\_\_\_\_  
ZACHARY HARVEY

x   
JUDITH PALMER

\_\_\_\_\_  
CLIFFORD LONG

\_\_\_\_\_  
JESSE NEEDLEMAN

NEW QUINCY VENTURES LLC

By: \_\_\_\_\_  
Name:  
Title:

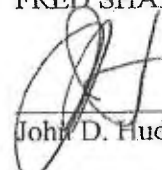
\_\_\_\_\_  
MEGAN PATRICK

\_\_\_\_\_  
MICHAEL PERRY

RIVER GLEN HOLDINGS, LLC

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
FRED SHAPIRO

  
John D. Hudson

\_\_\_\_\_  
JUDITH PALMER

  
\_\_\_\_\_  
CLIFFORD LONG

\_\_\_\_\_  
JESSE NEEDLEMAN

NEW QUINCY VENTURES LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
MEGAN PATRICK

\_\_\_\_\_  
MICHAEL PERRY

RIVER GLEN HOLDINGS, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
FRED SHAPIRO

\_\_\_\_\_  
JUDITH PALMER

\_\_\_\_\_  
CLIFFORD LONG

  
\_\_\_\_\_  
JESSE NEEDLEMAN

NEW QUINCY VENTURES LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
MEGAN PATRICK

\_\_\_\_\_  
MICHAEL PERRY

RIVER GLEN HOLDINGS, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
FRED SHAPIRO

\_\_\_\_\_  
JUDITH PALMER

\_\_\_\_\_  
CLIFFORD LONG

\_\_\_\_\_  
JESSE NEEDLEMAN

\_\_\_\_\_  
NEW QUINCY VENTURES LLC

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

Name: *William Depina*  
Title: *Manager*

\_\_\_\_\_  
MEGAN PATRICK

\_\_\_\_\_  
MICHAEL PERRY

\_\_\_\_\_  
RIVER GLEN HOLDINGS, LLC

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

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
FRED SHAPIRO

\_\_\_\_\_  
JUDITH PALMER

\_\_\_\_\_  
CLIFFORD LONG

\_\_\_\_\_  
JESSE NEEDLEMAN

NEW QUINCY VENTURES LLC

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_



\_\_\_\_\_  
MEGAN PATRICK

\_\_\_\_\_  
MICHAEL PERRY

RIVER GLEN HOLDINGS, LLC

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
FRED SHAPIRO

\_\_\_\_\_  
JUDITH PALMER

\_\_\_\_\_  
CLIFFORD LONG

\_\_\_\_\_  
JESSE NEEDLEMAN

NEW QUINCY VENTURES LLC

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
MEGAN PATRICK

\_\_\_\_\_  
MICHAEL PERRY

RIVER GLEN HOLDINGS, LLC

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
FRED SHAPIRO

\_\_\_\_\_  
John D. Hudson



\_\_\_\_\_  
JUDITH PALMER

\_\_\_\_\_  
CLIFFORD LONG

\_\_\_\_\_  
JESSE NEEDLEMAN

NEW QUINCY VENTURES LLC

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
MEGAN PATRICK


\_\_\_\_\_  
MICHAEL PERRY

RIVER GLEN HOLDINGS, LLC

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

  
Ted Norberg  
Managing Member

\_\_\_\_\_  
FRED SHAPIRO

\_\_\_\_\_  
JUDITH PALMER

\_\_\_\_\_  
CLIFFORD LONG

\_\_\_\_\_  
JESSE NEEDLEMAN

NEW QUINCY VENTURES LLC

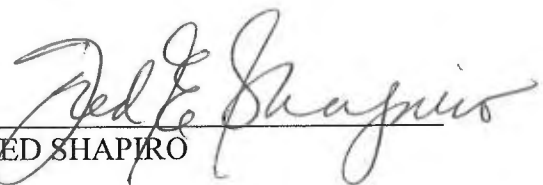
By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
MEGAN PATRICK

\_\_\_\_\_  
MICHAEL PERRY

RIVER GLEN HOLDINGS, LLC

By: \_\_\_\_\_  
Name:  
Title:

  
\_\_\_\_\_  
FRED SHAPIRO

x   
JUDITH PALMER

\_\_\_\_\_  
CLIFFORD LONG

\_\_\_\_\_  
JESSE NEEDLEMAN

NEW QUINCY VENTURES LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

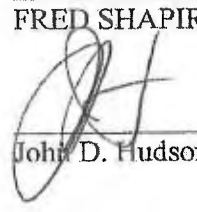
\_\_\_\_\_  
MEGAN PATRICK

\_\_\_\_\_  
MICHAEL PERRY

RIVER GLEN HOLDINGS, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
FRED SHAPIRO

  
\_\_\_\_\_  
John D. Hudson

**EXHIBIT A-1**

**Exhibit A-1**

**Promissory Note Schedule**

<b>Lender:</b>	<b>Original Loan Date</b>	<b>Original Loan Amount</b>	<b>Principal Outstanding as of May 25, 2018**</b>	<b>Accrued Interest Outstanding as of May 25, 2018**</b>	<b>Total Principal &amp; Accrued Interest Outstanding as of May 25, 2018**</b>
B Wing LLC	11/30/2015	500,000.00	497,166.67	168,210.29	665,376.96
Clifford Long *	7/11/2016	100,000.00	210,000.00	74,744.80	284,744.80
Clifford Long *	9/15/2016	110,000.00			
Coggeshall Interests LLC (M. Patel)	12/3/2015	250,000.00	248,585.06	83,700.55	332,285.61
David Hall	9/1/2015	150,000.00	298,266.63	108,821.01	407,087.64
David Hall	11/24/2015	150,000.00			
Emanuel Berger	2/2/2017	100,000.00	99,523.49	12,400.31	111,923.80
Applegarth Investments LLC	12/15/2015	250,000.00	248,591.98	82,086.69	330,678.67
Fred Shapiro	10/11/2016	50,000.00	49,750.51	8,824.91	58,575.42
James Bisson	9/1/2015	150,000.00	185,330.08	67,040.52	252,370.60
James Bisson	5/10/2016	36,404.60			
Jared Bretholtz	12/30/2015	181,825.00	180,807.22	58,241.94	239,049.16
Jesse Needleman	2/25/2016	181,825.00	180,830.23	52,787.64	233,617.87
John D Hudson	6/30/2013	22,500.00	1,618,519.16	934,216.08	2,552,735.24
John D Hudson	9/30/2013	2,500.00			
John D Hudson	12/30/2013	500,000.00			
John D Hudson	12/30/2013	113,692.00			
John D Hudson	3/31/2014	5,200.00			
John D Hudson	6/30/2014	2,200.00			
John D Hudson	9/30/2014	135,045.00			
John D Hudson	12/31/2014	25.00			
John D Hudson	3/31/2015	218,948.83			
John D Hudson	6/30/2015	423,863.26			
John D Hudson	9/30/2015	100,000.00			
John D Hudson	12/31/2015	105,437.57			
Joseph Castellana	12/17/2014	100,000.00	99,347.97	53,784.62	153,132.59
Joseph Castellana *	7/24/2016	18,666.67	18,666.67	6,856.82	25,523.49
Judith Palmer	6/24/2016	100,000.00	99,478.85	22,931.31	122,410.16
Marcelle Shapiro and John Beight	9/15/2016	50,000.00	49,747.95	9,442.98	59,190.93
Megan Patrick	10/16/2014	100,000.00	496,803.92	253,906.10	750,710.02
Megan Patrick	2/5/2015	200,000.00			
Megan Patrick	4/1/2015	200,000.00			
Michael Perry	8/23/2016	38,000.00	37,806.65	7,598.34	45,404.99
New Quincy Ventures LLC	2/29/2016	700,000.00	696,176.53	201,766.77	897,943.30
River Glen Holdings LLC (T Norberg)	12/9/2015	250,000.00	248,588.52	82,892.71	331,481.23
Cabot Carabott	2/4/2016	200,000.00	198,896.43	60,261.61	259,158.04
Cabot Carabott*	8/4/2016	37,333.33	37,333.33	13,506.24	50,839.57
William T Farmer	7/24/2016	150,000.00	149,227.41	32,186.51	181,413.92
Zachary Harvey	4/29/2015	150,000.00	323,045.32	136,058.51	459,103.83
Zachary Harvey	9/1/2015	50,000.00			
Zachary Harvey	9/2/2015	125,000.00			
<b>Total All Notes</b>		<b>6,308,466.26</b>	<b>6,272,490.58</b>	<b>2,532,267.26</b>	<b>8,804,757.84</b>
* Notes at 20% interest. All others at 15%.					
** Principal, accrued interest and combined totals summarized at first note for lenders with multiple 15% notes.					

**EXHIBIT A-2**

**Exhibit A-2****Percentage of Ermont Principal and Accrued Interest by Lender**

<b>Lender:</b>	<b>% of Total Outstanding Principal and Interest by Lender</b>
B Wing LLC (C. Long)	10.79%
Coggeshall Interests LLC (M. Patel)	3.77%
David Hall	4.62%
Emanuel Berger	1.27%
Applegarth Investments LLC	3.76%
Fred Shapiro	0.67%
James Bisson	2.87%
Jared Bretholtz	2.71%
Jesse Needleman	2.65%
John D Hudson	28.99%
Joseph Castellana	2.03%
Judith Palmer	1.39%
Marcelle Shapiro and John Beight	0.67%
Megan Patrick	8.53%
Michael Perry	0.52%
New Quincy Ventures LLC	10.20%
River Glen Holdings LLC (T Norberg)	3.76%
Cabot Carabott	3.52%
William T Farmer	2.06%
Zachary Harvey	5.21%
<b>Total All Notes</b>	<b>100.00%</b>

**EXHIBIT B**

Escrow Agreement



**ESCROW AGREEMENT**

This Escrow Agreement (this “Escrow Agreement”) is dated as of this 31<sup>st</sup> day of May, 2018, by and among Murphy & King, P.C. (the “**Escrow Agent**”, which term shall also include any successor escrow agent appointed in accordance with Section 4(a) hereof), John D. Hudson (the “**Seller Representative**”), an individual as representative of the debtholders of Ermont, Inc., (the “**Company**”) listed on Exhibit A-1 to the Purchase Agreement (the “**Debtholders**”), and SH Finance Company, LLC, (the “**Buyer**” and collectively with Seller Representative, the “**Other Parties**”). Capitalized terms used but not defined in this Escrow Agreement shall have the meanings ascribed to such terms in the Purchase Agreement.

**WHEREAS**, pursuant to that certain Debt Purchase and Sale Agreement, dated as of May 31, 2018 (the “Purchase Agreement”), by and among the Debtholders, Buyer and Seller Representative, the Debtholders are selling and assigning to Buyer, and Buyer is purchasing from the Debtholders, certain promissory notes due from the Company to the Debtholders (the “**Notes**”);

**WHEREAS**, the Purchase Agreement provides that Buyer shall deposit the Purchase Price (defined below) with Escrow Agent to be disbursed by Escrow Agent to the Debtholders as described in the Purchase Agreement;

**WHEREAS**, the Purchase Agreement provides that Buyer shall deposit from the Purchase Price the Escrow Amount (defined below) with the Escrow Agent to be held by Escrow Agent for the purpose of certain payments that may become due to Buyer pursuant to the Purchase Agreement;

**WHEREAS**, the Purchase Agreement provides that Buyer shall deposit the Closing Payables Amount (defined below) with Escrow Agent to be disbursed by Escrow Agent for the purpose of certain payments that are payable by the Company as described in the Purchase Agreement;

**WHEREAS**, Escrow Agent has agreed to accept, hold, and disburse the funds deposited with it in accordance with the terms of this Agreement; and

**WHEREAS**, the parties hereto desire to set forth the terms and conditions relating to the Escrow Amount.

**NOW, THEREFORE**, the parties hereto, in consideration of the mutual covenants contained herein, and intending to be legally bound, hereby agree as follows:

1. Escrow; Purchase Price; Closing Payable Amount.

a. Appointment of the Escrow Agent. The Other Parties hereby appoint the Escrow Agent to serve as, and the Escrow Agent hereby agrees to act as, escrow agent for the benefit of the Other Parties in accordance with the terms and conditions of this Escrow Agreement. Nothing in this Agreement, nor the Escrow Agent’s role as escrow agent, shall disqualify the Escrow Agent from acting as counsel to any party related to matters arising under or related to the Purchase Agreement and the transactions contemplated thereby.

- b. Escrow Amount. \$1,500,000.
- c. Purpose of Escrow Amount. The Escrow Agent shall hold and disburse the Escrow Amount solely to satisfy Escrow Claims of Buyer under Section 1.2(c) of the Purchase Agreement (“**Claims**”).
- d. Deposit of Escrow Funds. The Escrow Amount shall be deposited with Escrow Agent and held in Escrow Agent’s non-interest-bearing clients’ fund account until 5:00 p.m. on September 28, 2018 or longer if Claims have been asserted by Buyer (the “**Holdback Period**”).
- e. Deposit and Disbursement of Remainder of Purchase Price. The Escrow Agent shall accept the remainder of the Purchase Price (net of the Escrow Amount) from Buyer and shall promptly disburse such amount to the Debtholders in the amounts directed by Buyer and Seller Representative, pursuant to the Purchase Agreement. Once such amounts are disbursed by Escrow Agent as directed, Escrow Agent’s duties with respect to such portion of the Purchase Price shall be released and discharged.
- f. Deposit and Disbursement of Closing Payable Amount. The Escrow Agent shall accept the Closing Payables Amount from Buyer and shall promptly disburse such amount to the third parties and in the amounts directed by Buyer and Seller Representative, pursuant to the Purchase Agreement. Once such amounts are disbursed by Escrow Agent as directed, Escrow Agent’s duties with respect to the Closing Payables Amount shall be released and discharged.
- g. Termination. This Escrow Agreement shall terminate on the earliest to occur of (i) the date on which the Escrow Agent shall have been notified jointly in writing by the Other Parties that this Escrow Agreement shall be terminated; or (ii) the date on which the Escrow Agent shall have delivered the entirety of the Escrow Amount in accordance with the terms of Section 2 herein.

2. Escrow Term; Release of Escrow Amount.

- a. From time to time during the Holdback Period, Buyer may deliver to the Escrow Agent a written notice (a “**Holdback Damage Notice**”) requesting distribution to Buyer of a sum certain equal to all or a portion of the Escrow Amount to satisfy Claims setting forth a detailed description of the nature of the claim and accompanied by any and all supporting evidence and information, whether in written, imagery or electronic form, as required by the Purchase Agreement, along with a delivery receipt or other appropriate proof of delivery to Seller Representative of a copy of such Holdback Damage Notice (the “**Proof of Delivery**”). If the Escrow Agent is not in actual receipt of a written objection from Seller Representative to such Claim (an “**Objection Notice**”) within ten (10) Business Days (as defined in Section 7(a) below) following the date of the Escrow Agent’s actual receipt of such Holdback Damage Notice and Proof of Delivery, then on the eleventh (11<sup>th</sup>) Business Day following such actual receipt (or if the eleventh (11<sup>th</sup>) Business Day is not a Business Day for the Escrow Agent, then on the first Business Day after the eleventh (11<sup>th</sup>) Business Day) the Escrow Agent shall pay to Buyer the portion of the Escrow Amount that is the subject of the Holdback Damage Notice. The Claim and the Objection Notice may be delivered via nationally recognized overnight delivery service, facsimile or electronic mail to Escrow Agent and the respective parties in accordance with Section 7(a). For purposes of determining the

Agent and the respective parties in accordance with Section 7(a). For purposes of determining the expiration of such 10-Business Day period, the Escrow Agent may conclusively rely on the veracity of any Proof of Delivery received by the Escrow Agent.

b. If the Escrow Agent is in actual receipt of an Objection Notice from Seller Representative to a Holdback Damage Notice within ten (10) Business Days following the date of the Escrow Agent's actual receipt of such Holdback Damage Notice and Proof of Delivery, the Escrow Agent shall not make the payment of the amount specified in the Holdback Damage Notice to Buyer pursuant to Section 2(a) hereof, but shall instead continue to hold the portion of the Escrow Amount that is the subject of the Holdback Damage Notice until it shall have received either (i) joint written instructions executed by each of the Other Parties ("**Joint Instructions**") as to the disposition of the portion of the Escrow Amount that is the subject of the Holdback Damage Notice, or (ii) an order, judgment or award of by a court of competent jurisdiction as to disposition of the portion of the Escrow Amount that is the subject of the Holdback Damage Notice, which is final and not subject to further court proceedings or appeal (a "**Final Order**").

c. If an Objection Notice is delivered to the Escrow Agent pursuant to Section 2(a), the Escrow Agent shall not disburse any funds until it receives, with respect to all or a portion of the Escrow Amount that is the subject of the Holdback Damage Notice, either (i) Joint Instructions or (ii) a Final Order. If the Buyer and Seller Representative reach an agreement with respect to such dispute, they shall provide Joint Instructions to the Escrow Agent. The Escrow Agent shall be entitled to rely on any such Joint Instructions and make distributions from the Escrow Amount in accordance with the terms thereof within two (2) Business Days after the Escrow Agent's receipt of such Joint Instructions. Any Final Order as to disposition of the portion of the Escrow Amount that is the subject of the Holdback Notice shall be final, binding, and conclusive upon the parties. The Escrow Agent shall be entitled to rely on such order, judgment or award and make distributions from the Escrow Amount in accordance with the terms of such order, judgment or award.

d. On the date which is two (2) Business Days after the expiration of the Holdback Period, the Escrow Agent shall pay to Seller Representative an amount equal to the Escrow Amount less any amounts paid to Buyer hereunder, provided, however, if a Holdback Damage Notice remains unresolved on such date, the Escrow Agent shall retain the portion of the Escrow Amount that is the subject of the Holdback Damage Notice, which reserved amount shall remain subject to the provisions of this Section 2, and shall release the balance of the Escrow Amount to Seller Representative.

### 3. Duties of the Escrow Agent.

a. The Escrow Agent shall have no liability and is hereby indemnified and held harmless by the Other Parties with respect to its execution, delivery and the performance of actions under this Escrow Agreement in accordance with the terms of Section 7(l) herein except with respect to, and to the extent of, Escrow Agent's gross negligence or intentional misconduct. The Escrow Agent's sole responsibility shall be for the safekeeping and disbursement of the funds in the Escrow Account in accordance with the terms of this Escrow Agreement. The Escrow Agent shall have no implied duties or obligations and shall not be charged with knowledge or notice of any fact or circumstance not specifically set forth herein. The Escrow Agent may rely upon any

instrument, not only as to its due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein, which the Escrow Agent in good faith believes to be genuine, to have been signed or presented by the person or parties purporting to sign the same and to conform to the provisions of this Escrow Agreement, without further inquiry and without requiring substantial evidence of any kind. In no event shall the Escrow Agent be liable for incidental, indirect, special, consequential or punitive damages. The Escrow Agent shall not be obligated to take any legal action or commence any proceeding in connection with the Escrow Account, any account in which the Escrow Amount is deposited, or this Escrow Agreement, or to appear in, prosecute or defend any such legal action or proceedings. The Escrow Agent may consult legal counsel selected by it in the event of any dispute or question as to: (i) issues that may arise between or among the parties hereto with respect to the disposition or disbursement of any of the assets held hereunder, (ii) the application of any federal or state law or regulation; (iii) the construction of any of the provisions hereof or of any other agreement; or (iv) the performance of any of the Escrow Agent's responsibilities and duties hereunder, and shall incur no liability and shall be fully protected from any liability whatsoever in acting in accordance with the opinion or instruction of such counsel. The Escrow Agent shall have no responsibility or liability for any diminution in value of any assets held hereunder which may result from any investments or reinvestment made in accordance with the provisions contained herein.

b. The Escrow Agent shall have only those duties as are specifically provided herein, which shall be deemed purely ministerial in nature, and shall under no circumstance be deemed a fiduciary of any of the Other Parties. The Escrow Agent shall neither be responsible for, nor chargeable with, knowledge of the terms and conditions of any other agreement, instrument or document between the Other Parties. This Escrow Agreement sets forth all matters pertinent to the escrow contemplated hereunder, and no additional obligations of the Escrow Agent shall be inferred from the terms of any other agreement, instrument or document. In no event shall the Escrow Agent be liable, directly or indirectly, for any (i) damages or expenses arising out of the services provided hereunder, other than damages which result from the Escrow Agent's failure to act in accordance with the standards set forth in this Escrow Agreement, or (ii) special or consequential damages, even if the Escrow Agent has been advised of the possibility of such damages.

c. The Escrow Agent shall have the right to perform any of its duties hereunder through agents, attorneys, custodians or nominees all of which shall be indemnified to the full extent of the indemnity provided in Section 7(l) herein.

d. No provision of this Escrow Agreement shall require the Escrow Agent to pay an amount in excess of the then-current balance of the Escrow Account.

e. In the event the Escrow Agent is required to disburse any amounts hereunder on a day that is not a Business Day, such amounts shall be disbursed by the Escrow Agent on the next succeeding Business Day.

#### 4. Resignation and Removal of the Escrow Agent.

a. The Escrow Agent may resign as escrow agent at any time, with or without cause, by giving prior written notice to the Other Parties, such resignation to be effective at the time

specified in the notice, which may not be sooner than thirty (30) days following the date such notice is delivered (the “**Notice Period**”). In addition, the Other Parties may jointly remove the Escrow Agent as escrow agent at any time, with or without cause, by an instrument signed by the Other Parties (which may be executed in counterparts) delivered to the Escrow Agent, which instrument shall designate the effective date of such removal. In the event of any such resignation or removal, a successor escrow agent shall be appointed by the Other Parties within the Notice Period. If the Other Parties do not appoint a successor escrow agent, the Escrow Agent may apply to a court of competent jurisdiction in the Commonwealth of Massachusetts to do so. Any such successor escrow agent shall deliver to the Other Parties a written instrument accepting such appointment and the terms and conditions of this Escrow Agreement, and thereupon it shall succeed to all the rights and duties of the Escrow Agent hereunder and shall be entitled to receive the Escrow Amount pursuant to the terms hereof.

b. Upon receipt of written notice from the Other Parties, informing it of the appointment of the successor escrow agent, the Escrow Agent shall deliver the balance of the Escrow Account then held hereunder to the successor escrow agent. Upon such delivery and the confirmation thereof by the successor escrow agent, the Escrow Agent shall have no further duties, responsibilities or obligations hereunder and all such duties, responsibilities and obligations shall be binding upon the successor escrow agent.

5. Fees and Expenses. The fees, costs and expenses (including reasonable attorney’s fees and expenses) incurred by Escrow Agent in connection with its services under this Agreement shall be paid by, and shall be deemed a joint and several obligation of, the Other Parties. All or a portion of the Debtholders’ portion of such fees and expenses may be setoff against the Escrow Amount, provided, however, if (a) all of the Escrow Fund is payable to the Debtholders, 50% of such amount shall be deducted from the Escrow Fund and 50% shall be separately paid by the Buyer, (b) all of the Escrow Fund is payable to the Buyer, 50% of such amount shall be deducted from the Escrow Fund and 50% shall be separately paid by the Debtholders.

6. Actions by the Escrow Agent.

a. In the event conflicting demands are made upon, or conflicting notices delivered to, the Escrow Agent with respect to the Escrow Amount or any portion thereof, the Escrow Agent shall be entitled, in its sole discretion, to refuse to comply with any and all demands or instructions with respect to such assets so long as such conflict shall continue, and the Escrow Agent shall not be or become liable in any way to the Other Parties for failure or refusal to comply with such conflicting claims, demands or instructions. The Escrow Agent shall be entitled to refuse to act until such conflicting claims or demands shall have been resolved by a final non-appealable judgment of a court of competent jurisdiction. The Escrow Agent may, in addition, elect, in its sole discretion, to commence an interpleader action or seek other judicial relief or orders as it may deem, in its sole discretion, necessary in a state or federal court located in the Commonwealth of Massachusetts.

b. Notwithstanding anything to the contrary contained herein, this Escrow Agreement shall not be construed to require the Escrow Agent to refer to, or interpret, any provisions of any other document in connection with carrying out the Escrow Agent’s duties under this Escrow Agreement.

7. General.

a. Notices. Any notice given hereunder shall be in writing and shall be deemed received upon the earlier of: (i) as of the date delivered if delivered personally (with written confirmation of receipt) or by a nationally recognized overnight courier service (receipt requested); or (ii) on the date of confirmation of receipt (or, the first Business Day following such receipt if the date is not a Business Day) of transmission by facsimile or e-mail, and, in each case to the parties at the following addresses, e-mail addresses or facsimile numbers (or at such other address, e-mail address or facsimile number for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

If to the Other Parties:

SH Finance Company, LLC  
c/o Sea Hunter Holdings, LLC  
515 North Flagler Drive, Suite 1700  
West Palm Beach, FL 33401  
Attn: Alexander Coleman  
acoleman@annexcapital.com

John D. Hudson, Seller Representative  
4 Meadow Road  
Unit 3  
Provincetown, MA 02657  
jackhudson5@mac.com

and:

Forman & Shapiro LLP  
1345 Avenue of the Americas, 11<sup>th</sup> Floor  
New York, NY 10105  
Attn: Robert W. Forman  
forman@formanshapiro.com

If to the Escrow Agent:

Murphy & King, P.C.  
One Beacon Street  
Boston, MA 02108  
Attn: Robert E. Richards, Jr.  
Email: rrichards@murphyking.com  
Facsimile: (617) 305-0621

or to such other address as the applicable Other Party may have furnished in writing to the Escrow Agent in the manner provided above. Notwithstanding the foregoing, notices addressed to the Escrow Agent shall be effective only upon receipt, and any notices sent by Escrow Agent to the e-mail addresses set forth above shall be effective as of the date such e-mail correspondence was sent. When any notice, claim, objection to a claim or document of any kind is required to be



delivered to the Escrow Agent and any other person or entity, the Escrow Agent shall forward such notice, claim or other document within three (3) Business Days after the date on which it was received by the Escrow Agent to the parties hereto, and such notice shall be subject to the provisions of this Section 7(a). For purposes of this Escrow Agreement, a “**Business Day**” shall be deemed to be a day from Monday through Friday of each week.

b. Captions. The captions in this Escrow Agreement are for convenience only and shall not be considered a part of, or affect, the construction or interpretation of any provision of this Escrow Agreement.

c. Counterparts. This Escrow Agreement may be executed in counterparts, each of which shall be deemed an original and all of which, when taken together, shall be deemed to be one Agreement. This Escrow Agreement, to the extent signed and delivered by means of a facsimile machine or via electronic mail of a .pdf or .tif or similar file format, shall be treated in all manners and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

d. Amendments. The provisions of this Escrow Agreement may be waived, altered, amended or supplemented, in whole or in part, only by a writing signed by the Escrow Agent and each of the Other Parties.

e. Assignability. Subject to Section 4(a), no party may, without the prior written consent of each other party, assign this Escrow Agreement in whole or in part. Subject to the foregoing, this Escrow Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of the parties hereto.

f. Governing Law; Jurisdiction. This Escrow Agreement shall be construed in accordance with, and governed in all respects by, the laws of the Commonwealth of Massachusetts, without regard to conflicts of law principles. Process and pleadings mailed to a party at the address provided in Section 7(a) above shall be deemed properly served and accepted for all purposes.

g. Warranty. Each party hereto hereby represents and warrants that (i) this Escrow Agreement has been duly authorized, executed and delivered on its behalf and constitutes its legal, valid and binding obligation, and (ii) the execution, delivery and performance of this Escrow Agreement by such party do not, and will not, violate applicable law or regulation.

h. Severability. The parties hereto hereby agree that: (i) the provisions of this Escrow Agreement shall be severable in the event that for any reason whatsoever any of the provisions hereof are invalid, void or otherwise unenforceable; (ii) such invalid, void or otherwise unenforceable provisions shall be automatically replaced by other provisions which are as similar as possible in terms to such invalid, void or otherwise unenforceable provisions but are valid and enforceable; and (iii) the remaining provisions shall remain enforceable to the fullest extent permitted by law.

i. Force Majeure. Notwithstanding any other provision of this Escrow Agreement, the Escrow Agent shall not be obligated to perform hereunder and shall not incur any liability for the nonperformance or breach of any obligation hereunder to the extent that the Escrow Agent is delayed in performing, unable to perform or breaches such obligation because of acts of God, war,

terrorism, fire, floods, strikes, electrical outages, equipment or transmission failures, or other causes reasonably beyond its control.

j. **JURISDICTION AND VENUE; WAIVER OF JURY TRIAL.** THE PARTIES HERETO IRREVOCABLY AGREE THAT ALL ACTIONS OR PROCEEDINGS IN ANY WAY, MANNER OR RESPECT, ARISING OUT OF OR FROM OR RELATED TO THIS ESCROW AGREEMENT, SHALL BE LITIGATED ONLY IN COURTS HAVING SITUS WITHIN BOSTON, MASSACHUSETTS. EACH PARTY HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED THEREIN AND WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO TRANSFER THE VENUE OF ANY SUCH LITIGATION.

EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS ESCROW AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS ESCROW AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS ESCROW AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY AND (IV) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS ESCROW AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

k. **Compliance with Court Orders.** In the event that any property deposited under this Escrow Agreement shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the property deposited under this Escrow Agreement, the Escrow Agent is hereby expressly authorized, in its sole discretion, to obey and comply with all writs, orders or decrees so entered or issued, which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction, and in the event that the Escrow Agent obeys or complies with any such writ, order or decree it shall not be liable to any of the parties hereto or to any other person, entity, firm or corporation, by reason of such compliance notwithstanding such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

l. **Indemnity.** The Other Parties shall, jointly and severally, indemnify, defend and save harmless the Escrow Agent and its affiliates and their respective successors, assigns, directors, officers, managers, attorneys, accountants, experts, agents and employees (the "Indemnitees") from and against any and all losses, damages, claims, liabilities, penalties, judgments, settlements, actions, suits, proceedings, litigation, investigations, costs or expenses (including, without limitation, the reasonable fees and expenses of either in-house or outside



counsel, and experts and their staffs and all expense of document location, duplication and shipment) (collectively "Losses") arising out of or in connection with (a) the Escrow Agent's execution and performance of this Escrow Agreement, tax reporting or withholding, the enforcement of any rights or remedies under or in connection with this Escrow Agreement, or as may arise by reason of any act, omission or error of the Indemnatee, except in the case of any Indemnatee to the extent that such Losses are finally adjudicated by a court of competent jurisdiction to have been primarily caused by the gross negligence or willful misconduct of such Indemnatee, or (b) its following any instructions or other directions, whether joint or singular, from the Other Parties in accordance with the terms herein. The Other Parties acknowledge that the foregoing indemnities shall survive the resignation, replacement or removal of the Escrow Agent or the termination of this Escrow Agreement. The Other Parties hereby grant the Escrow Agent a lien on, right of set-off against and security interest in, the Escrow Amount for the payment of any claim for indemnification, expenses and amounts due hereunder. In furtherance of the foregoing, the Escrow Agent is expressly authorized and directed, but shall not be obligated, to charge against and withdraw from the Escrow Amount for its own account or for the account of an Indemnatee any amounts due to the Escrow Agent or to an Indemnatee under this Section 7(1). The obligations contained in this Section 7(1) shall survive the termination of this Escrow Agreement and the resignation, replacement or removal of the Escrow Agent.

m. Entire Agreement. This Escrow Agreement embodies the entire agreement and understanding of the parties hereto with respect to the transactions contemplated hereby and supersedes all other prior commitments, arrangements or understandings, both oral and written, among the parties with respect thereto. There are no agreements, covenants, representations or warranties with respect to the transactions contemplated hereby other than those expressly set forth herein.

*[Signature Page Follows.]*

IN WITNESS WHEREOF, each of the parties has executed this Escrow Agreement as of the date first above written.

**ESCROW AGENT:**

Murphy & King, P.C., as Escrow Agent

By: [Signature]  
Name: Robert E. Richards Jr.  
Its: Shareholder

**SELLER REPRESENTATIVE:**

By: [Signature]  
John D. Hudson

**BUYER**

SH Finance Company, LLC

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

**IN WITNESS WHEREOF**, each of the parties has executed this Escrow Agreement as of the date first above written.

**ESCROW AGENT:**

Murphy & King, P.C., as Escrow Agent

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

Name: \_\_\_\_\_

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

**SELLER REPRESENTATIVE:**

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

John D. Hudson

**BUYER:**

SH Finance Company, LLC

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

Name: \_\_\_\_\_

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

**EXHIBIT C**

**Assignment and Release**

ASSIGNMENT AND RELEASE

This Assignment and Release (this "Agreement") is dated as of May \_\_, 2018, and is executed by the undersigned party or parties (the "Lender").

Whereas, Lender is a party to that Debt Purchase Agreement among Lender, certain other lenders to Ermont, Inc. ("Ermont"), John D. Hudson ("Hudson"), as Seller's Representative, and SH Finance Company, LLC, a Delaware limited liability company ("Buyer"), dated as of even date herewith (the "Purchase Agreement"), whereby Lender has agreed to assign and transfer to Buyer all of Lender's right, title and interest in and to one or more promissory notes owned by Lender as described in the Purchase Agreement (the "Notes"), in exchange for payment of the Purchase Price described in the Purchase Agreement (all capitalized terms that are used but not defined in this Agreement shall have the meanings ascribed to such terms in the Purchase Agreement);

Whereas, Lender is a party to that certain agreement among Lender, Ermont and Hudson identified as one of a "Recreational Dispensary Agreement", "For-Profit Dispensary Agreement" or "Management Company and For-Profit Dispensary Agreement" (each, a "For-Profit Agreement") and that certain Non-Compete Agreement between Lender and Hudson (the "Non-Compete");

Whereas, the payment of the Purchase Price to Lender is, among other things, subject to the delivery to Buyer of the original Notes and execution and delivery of this Agreement to Buyer at Closing and, if the original Notes have been lost by Lender or otherwise destroyed, making delivery thereof by Lender to Buyer impossible, Lender will agree to indemnify Buyer with respect to certain matters related to the lost or destroyed Notes as described in this Agreement.

NOW THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender agrees as follows:

1. Assignment of Notes. Lender, in exchange for payment of the Purchase Price, does hereby bargain, grant, sell, convey, assign, transfer and deliver to Buyer and its successors and assigns all of Lender's right, title and interest in and to the Notes, pursuant to the terms and provisions of the Purchase Agreement.

2. Certificate of Lender. Lender adopts and affirms the representations and warranties contained in Article II and Article III of the Purchase Agreement, are true, correct and complete in all material respects regarding Ermont, Lender and Lender's Notes as of the Closing as though made at and as of the Closing (except as to any representation or warranty which specifically relates to an earlier date), *provided, however*, all claims or rights of action arising under Article II and Article III of the Purchase Agreement or this certificate shall be subject to the terms and limitations of the Purchase Agreement.

3. Non-Foreign Certificate. Lender hereby certifies to Buyer the following: (a) Lender is not a foreign person, foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Treasury Regulations), (b) Lender's taxpayer identification number and address are as listed on the signature page to this Agreement, (c) Lender understands that this certification may be disclosed to the Internal Revenue Service by Buyer and that any false statement contained in this Section could be punished by fine, imprisonment, or both and (e) under penalties of perjury Lender declares that Lender has examined this Section and to the best of Lender's knowledge and belief it is true, correct and complete.

4. Release. In consideration for payment of the Purchase Price and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender on Lender's behalf and on behalf of all of Lender's subsidiaries, affiliates, subdivisions, officers, directors, agents, principals, members, managers, guarantors, employees, servants, partners, associates, trustees, independent contractors, owners, representatives, personal representatives, heirs, executors, administrators, beneficiaries, predecessors, successors or assigns, past and present (collectively with the Lender, the "Lender Parties"), does hereby remise, release and forever discharge Ermont and Hudson and all of their respective subsidiaries, affiliates, subdivisions, officers, directors, agents, principals, members, managers, guarantors, employees, servants, partners, associates, trustees, independent contractors, owners, subsidiaries, affiliates, representatives, heirs, executors, administrators, beneficiaries, successors or assigns, past and present (hereinafter all collectively the "Ermont Parties"), from all claims, rights, options, debts, demands, actions, causes of action, suits, contracts, agreements, promises, omissions, damages and liabilities of every kind, nature and description whatsoever, both in law and at equity, which against the Ermont Parties, the Lender Parties now have, ever had, or will ever have on account of such matters allegedly sustained or incurred by Lender Parties from the beginning of the world to the present date or which have yet to be sustained or incurred by Lender Parties, including, without limitation, those matters arising under or associated with the For-Profit Agreements and the Non-Compete Agreement. It is expressly understood and agreed that the terms of this Section shall not release the respective rights of Lender or obligations of Ermont under the Notes or the respective rights and obligations of Lender or Hudson hereunder or under the Purchase Agreement. For avoidance of doubt, Lender shall have no right to participate in any Recreational or For-Profit business that Ermont shall engage in.

5. Lost Note Agreement. If the original of Lender's Note has been lost or destroyed, Lender hereby certifies: (a) Lender is the true, lawful, present and sole owner of the Notes, (b) Lender has not transferred, sold, assigned or in any way been divested of the sole ownership of, or sole rights under, the Notes, (c) Lender has reason to believe that the original Notes have been lost, destroyed or misplaced, (d) Lender has caused a diligent search to be made of Lender's records and has not located the original Notes. Lender agrees to indemnify, defend and hold harmless the Buyer against all loss or damage (including, without limitation, reasonable attorneys' fees and costs) associated with claims that may be made against Buyer or Ermont by any holder of the original Notes.

6. Miscellaneous. Lender acknowledges and agrees that it enters into this Agreement entirely of Lender's own free will and that Lender executes this Agreement with a full and comprehensive understanding of the terms herein and the claims which are or may have been available to Lender. Lender acknowledges that it has been represented or has had the opportunity to be represented by counsel in connection with the review and execution of this Agreement. The terms of this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to its conflicts of laws provisions, and whose courts shall have exclusive jurisdiction over all matters related to this Agreement. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, personal representatives, successors and assigns.

[Signatures follow on next page]

EXECUTION VERSION

Executed as a sealed instrument as of the date written above.

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

Name: \_\_\_\_\_

Entity (if applicable): \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Taxpayer Identification No. \_\_\_\_\_

Additional lenders (as applicable):

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

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Taxpayer Identification No. \_\_\_\_\_

**EXHIBIT D**

**Zolly Assignment Agreement**



ASSIGNMENT AGREEMENT

BY AND BETWEEN

ZOLLY, LLC,  
As Assignor

and

CULTIVO, LLC,  
As Assignee

With the Consent of  
ERMONT, INC.

Dated as of May \_\_\_, 2018

ASSIGNMENT AGREEMENT, dated as of May \_\_, 2018 (this "Agreement"), by and between Cultivo, LLC, a Delaware limited liability company (the "Assignee") and Zolly, LLC, a Massachusetts limited liability company ("Zolly") and Ermont, Inc. ("Ermont") for the limited purpose of consenting to the assignment of the Services Agreement (as defined below) contemplated hereby.

WHEREAS, Zolly is party to a certain Consulting And Cultivation Services Agreement with Adam Gendreau and G&G Box Builders LLC ("Consultant"), dated October 13, 2015 as amended by agreement dated April 19, 2018 (the "Consulting Agreement", a copy of which is attached hereto as Exhibit A), pursuant to which Zolly retained the Consultant to perform certain Services for and provide Intellectual Property of Consultant to Zolly;

WHEREAS, Zolly is party to a Services Agreement with Ermont dated as of December 20, 2015 (the "Services Agreement");

WHEREAS, Zolly wishes to assign, and Assignee wishes to assume, all of Zolly's rights and obligations under the Services Agreement and the intellectual property to which Zolly has rights under the Consultant Agreement to use in connection with Services Agreement (the "Intellectual Property Rights").

NOW, THEREFORE, in consideration of the foregoing and of the representations, warranties, covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

#### I. ASSIGNMENT AND ASSUMPTION.

1.1 Assignment and Assumption. Upon the terms and subject to the conditions of this Agreement, at the Closing provided for in Section 1.2 hereof (the "Closing"), Zolly shall (i) assign to Assignee, and Assignee shall assume, all of Zolly's rights, title, interest, in and obligations under the Services Agreement arising from and after the Closing (for clarity, excluding the current accounts receivable due to Zolly thereunder from Ermont) and (ii) sub-license or transfer to Assignee on a royalty-free, transferable, perpetual basis all of the Intellectual Property Rights, in exchange for a payment from Assignee to Zolly of \$2,750,000 (the "Purchase Price").

1.2 Closing. The Closing of the transactions contemplated by this Agreement shall take place remotely, on the date hereof or such other date as mutually agreed to by the parties (the "Closing Date"), which is intended to be simultaneous with the acquisition by SH Finance Company, LLC's acquisition of certain debt issued by Ermont, pursuant to that Debt Purchase and Sale Agreement dated the date hereof (the "Ermont Debt Purchase Agreement"). At the Closing, Assignee shall pay to Zolly the Purchase Price by wire transfer of immediately available funds to an account or accounts designated in writing by Zolly to the Assignee at least two business days prior to the Closing, and Zolly shall deliver the following to Assignee, all of which shall be in form and substance reasonably satisfactory to Assignee:

(i) assignment agreements or other instruments of transfer or conveyance of the Services Agreement, duly executed in the form attached hereto as Exhibit B, and an assignment or other instruments of transfer or conveyance to evidence the transfer of the Intellectual Property Rights to Buyer;

(ii) a certificate of non-foreign status certifying that the Contemplated Transactions are exempt from withholding under Section 1445 of the Code and Treas. Reg. Section 1.445-2(b);

(iii) a certificate of the Manager of Zolly, dated as of the Closing Date, certifying (A) the resolutions duly adopted by the Board of Managers and/or its members (as required by law and its Operating Agreement, authorizing and approving the execution, delivery and performance of this Agreement and (B) that such resolutions have not been rescinded or modified and remain in full force and effect as of the Closing; and

(iv) a certificate of good standing for Zolly from the Secretary of State of the Commonwealth of Massachusetts as of a date no more than 30 days prior to the Closing Date.

## II. REPRESENTATIONS AND WARRANTIES OF ZOLLY.

Zolly represents and warrants to the Assignee as follows:

2.1 Organization; Authority. Zolly is duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts. Zolly has all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by Zolly of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of Zolly including, without limitation, consent of its members. This Agreement has been duly executed and delivered by Zolly and constitutes valid and binding obligations of Zolly, enforceable against Zolly in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, or as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

2.2 No Violation; Consents and Approvals. The execution and delivery by Zolly of this Agreement does not, and the consummation of the transactions contemplated hereby and compliance with the terms hereof will not (a) conflict with, or result in any violation of or default (or an event which, with notice or lapse of time or both, would constitute a default) under, the organizational documents, if any, of Zolly or any subsidiary thereof, (b) violate any judgment, order, injunction or decree (an "Order"), or statute, law, ordinance, rule or regulation ("Applicable Law"), applicable to Zolly, or (c) give rise to any right of termination, cancellation or acceleration under, or result in the creation of any Lien upon any of the interests under, any note, bond, mortgage, indenture, license, agreement, capital lease or other instrument or obligation ("Contracts") to which Zolly is a party or by which its assets may be bound. No consent, approval, order or authorization of, or registration, declaration or filing with ("Governmental Approval"), any court, administrative agency or commission or other governmental entity, authority or instrumentality, domestic or foreign ("Governmental Authority"), nor any consent, approval, order or authorization of any other third party is required to be obtained or made by or with respect to either Zolly in connection with the execution and delivery of this Agreement or the consummation by Zolly of the transactions contemplated hereby.

2.3 Services Agreement. The Services Agreement is in full force and effect and has not been modified or terminated in any respect. The amount set forth in Section 6.1 below as the amount to be paid to Zolly at the Closing is the total of all amounts earned, accrued, due or payable or paid to Zolly under the Services Agreement through the date of the Closing. Ermont is not indebted to Zolly for any other amounts. Zolly owns the Services Agreement free and clear of any claim, lien or encumbrance. Zolly has not entered into any commitment (whether or not in writing) which may, in any material respect, prevent the transactions contemplated by this Agreement.

2.4 Consulting Agreement. The Consulting Agreement is in full force and effect and has not been otherwise modified or terminated in any way. Zolly is not indebted to the Consultant for any amounts and neither Assignee nor Ermont shall be indebted to Consultant at or after the Closing. Zolly owns the Consulting Agreement free and clear of any claim, lien or encumbrance.

2.5 Intellectual Property.

(i) Schedule 2.5 identifies all Intellectual Property Rights used by Zolly in performance of the Services Agreement. Such Schedule specifies which of such Intellectual Property Rights are owned by Zolly and which are licensed.

(ii) Except as disclosed in Schedule 2.5:

(A) No Intellectual Property Rights are owned outright by Zolly on an exclusive, irrevocable basis, free and clear of any Liens;

(B) Zolly has not granted any Person other than Ermont the right to use any of the Intellectual Property Rights;

(C) all of Zolly's rights in and to the Intellectual Property Rights are transferable to Assignee as set forth in the Consulting Agreement, and immediately subsequent to the Closing, the Intellectual Property Rights will be owned by or available for use by Assignee on a perpetual royalty-free, transferable basis in accordance with the terms and conditions set forth in the Consulting Agreement;

(E) no Legal Proceeding is pending or, to Zolly's Knowledge, threatened against Zolly which involves any Intellectual Property Right and no claim by any third party contesting the validity, enforceability, use or ownership of any of the Intellectual Property Rights has been made, is currently outstanding or, to Zolly's Knowledge, is threatened, and there are no grounds for same;

(F) to Zolly's Knowledge, Zolly is not subject to any judgment, order, writ, injunction, judgment, or decree (collectively "Orders") of any Governmental Entity, and it has not entered into any Contract which restricts, limits or impairs its use of any Intellectual Property Rights; and

(G) to Zolly's Knowledge, Zolly's performance of the Services Agreement does not infringe, misappropriate or otherwise conflict with, the Intellectual Property

Rights of any third party. Zolly is not aware of any facts that indicate a likelihood of any of the foregoing and Zolly has not received any notices regarding any of the foregoing (including, without limitation, any demands or offers to license any Intellectual Property Rights from any third party).

(H) for the purposes hereof, "Intellectual Property" shall mean marks, brand names, certification marks, trade dress, assumed names, trade names, logos and other indications of origin, sponsorship or affiliation, together with the goodwill associated therewith (whether the foregoing are registered or unregistered); registrations thereof in any jurisdiction and applications to register (a) any and all inventions, developments, improvements, discoveries, know how, concepts and ideas, whether patentable or not; (b) any and all patents, patent applications (including reissues, continuations, divisions, continuations-in-part and extensions) and patent disclosures; (c) any and all non-public information, trade secrets and proprietary or confidential information and rights in any jurisdiction to limit the use of disclosure thereof by any person; (d) any and all writings and other works, whether copyrighted, copyrightable or not in any jurisdiction, such works including computer programs and software (including source code, object code, data and data bases); (e) any and all agreements, licenses, immunities, covenants not to sue and the like relating to any of the foregoing; and (f) any and all claims or causes of action arising out of or relating to any infringement or misappropriation of any of the following.

2.6 Brokers. No broker, finder or financial advisor or other person is entitled to any brokerage fees, commissions, finders' fees or financial advisory fees in connection with the transactions contemplated hereby by reason of any action taken by Zolly or any of its partners, officers, employees, representatives or agents.

### III. REPRESENTATIONS AND WARRANTIES OF ASSIGNEE.

The Assignee hereby represents and warrants to Zolly as follows:

3.1 Organization; Authority. The Assignee is Massachusetts limited liability company, duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and has all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by the Assignee of this Agreement and the consummation of the transactions contemplated hereby has been duly authorized by all necessary action on the part of the Assignee. This Agreement has been duly executed and delivered by the Assignee and constitutes valid and binding obligations of the Assignee, enforceable against the Assignee in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, or as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.2 No Violation; Consents and Approvals. The execution and delivery by the Assignee of this Agreement do not, and the consummation of the transactions contemplated hereby and compliance with the terms hereof will not (a) conflict with, or result in any violation of or default under, any provision of the organizational documents of the Assignee, (b) violate any Order or Applicable Laws applicable to the Assignee or the property or assets of the Assignee or (c) give rise to any right of termination, cancellation or acceleration under, or conflict with, or result in any

violation of or default under any Contracts to which the Assignee is a party or by which the Assignee or its assets may be bound, which conflict, violation or default would prevent the Assignee from consummating the transaction. No Governmental Approval from a Governmental Authority or any consent, approval, order or authorization of any other third party is required to be obtained or made by or with respect to the Assignee or its affiliates in connection with the execution and delivery of this Agreement by the Assignee, or the consummation by the Assignee of the transactions contemplated hereby.

#### IV. POST-CLOSING COVENANTS.

4.1 Non-Competition. Zolly acknowledges and agrees that Assignee would be irreparably damaged if Zolly were to provide services to any other persons or entities selling or providing consulting services to other persons or entities that sell cannabis in Massachusetts (the "Business"), and that any such competition by Zolly would result in a significant loss of the benefit of the Transaction to Assignee. Zolly further acknowledges and agrees that the covenants and agreements set forth in this Article are a material inducement to Assignee to enter into this Agreement and to perform its obligations hereunder. Therefore, Zolly agrees that from the date hereof until the sixth month anniversary of the Closing Date (the "Restricted Period"), Zolly shall not directly or indirectly engage in, or have any interest or participation in any joint venture partner, beneficiary under a trust, investor, consultants, independent contractor or otherwise) that engages in, any business activities competitive with the Business within a 20 mile radius of Quincy, Massachusetts.

4.2 Non-Solicitation. Zolly agrees that it shall not directly or indirectly, induce or attempt to induce any employee or consultant of Zolly or Ermont to discontinue providing services to Ermont for a period of six months from Closing.

4.3 Severability. If, at the time of enforcement of the covenants contained in this Article, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the Parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed and directed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by Law.

4.4 Taxes. Zolly will be responsible for the preparation and filing of all Tax Returns of Zolly for all Tax periods prior to the Closing and will be responsible for and shall promptly pay when due all Taxes due or levied with respect to Zolly's use or ownership of the Intellectual Property or performance of the Services Agreement on or prior to the Closing Date.

4.4 Confidential Information. Zolly shall not, directly or indirectly, disclose to any Person (other than authorized officers, managers, directors and employees of Buyer) or use or otherwise exploit for its or his own benefit or for the benefit of any other Person (other than Buyer), any Confidential Information. For purposes of this Section, "Confidential Information" means all information concerning Ermont or the services provided to Ermont under the Services Agreement, provided that Confidential Information shall not include: (i) such information that is known to the public, (ii) such information that hereafter becomes generally known to the public through no fault of Zolly or its Representatives or (iii) information as to which counsel advises that disclosure is

compelled under applicable Law but only to the extent counsel advises disclosure is required. For the avoidance of doubt, this Agreement and the Debt Purchase Agreement and their respective terms (including the pendency of the potential Transaction) shall constitute Confidential Information.

## V. INDEMNIFICATION.

5.1 Indemnification by Zolly. Zolly shall indemnify and hold harmless Assignee and its directors, officers, managers, owners, employees, agents and other representatives (collectively, the “Assignee Indemnified Parties”), from and against any and all loss, liability, damages, claim or expenses (including, without limitation, legal fees) paid, sustained or incurred by any of the Assignee Indemnified Parties that are based on or arise or result from (a) any breach of, or inaccuracy in, any of the representations or warranties of Zolly set forth in this Agreement if such damages or loss exceed, in the aggregate, \$20,000; or (b) any breach of, or failure to perform or comply with, any covenant or other agreement of Zolly set forth in this Agreement.

5.2 Indemnification by Assignee. Assignee shall indemnify and hold harmless Zolly and its managers, members, officers, employees, agents and other representatives (collectively, the “Zolly Indemnified Parties”), from and against any and all loss, liability, damages, claims or expenses (including, without limitation, legal fees) paid, sustained or incurred by any of the Zolly Indemnified Parties that are based on or arise or result from:

(a) any breach of, or inaccuracy in, any of the representations or warranties of Assignee set forth in this Agreement; or

(b) any breach of, or failure to perform or comply with, any covenant or other agreement of Assignee set forth in this Agreement.

5.3 Notices; Right of Parties to Defend. Promptly after the assertion of any claim by a third party that may give rise to a claim for indemnification from an indemnifying party (“Indemnifying Party”) under this Article X, an indemnified party (“Indemnified Party”) shall notify the Indemnifying Party in writing of such claim. Any failure to provide such notice shall not be a bar to a claim for indemnification hereunder unless the Indemnifying Party’s defense of any such claim to indemnification is materially prejudiced thereby. The Indemnifying Party shall have the right in the case of a third party claim only to assume in a timely manner the control and defense of any such claim; provided that the Indemnified Party may participate in the defense of such third party claim subject to the Indemnifying Party’s reasonable direction and at the Indemnified Party’s sole cost and expense, unless the use of counsel selected by the Indemnifying Party presents a conflict of interest, or the Indemnifying Party fails or refuses to assume the defense of any such third party claim in a timely manner, in which case the Indemnified Party may upon notice to the Indemnified Party engage its own separate counsel to assume such defense, and the fees, disbursements and related charges of such counsel shall be the sole cost and expense of the Indemnifying Party. The party contesting any such claim shall be furnished all reasonable assistance in connection therewith by the other party and be given full access to all information relevant thereto. In no event shall any such claim be settled without the Indemnifying Party’s consent, which consent shall not be unreasonably withheld or delayed.



#### 5.4 Direct Claims.

(a) An Indemnified Party shall notify the Indemnifying Party in writing of any direct claim for indemnification hereunder within 30 days of becoming aware, and having substantiated to its satisfaction, of such a claim or claims. Any failure to provide such notice shall not be a bar to a claim for indemnification hereunder unless the Indemnifying Party's defense of any such claim to indemnification is materially prejudiced thereby. The Indemnifying Party shall have 60 days from receipt of notice of the direct claim within which to make such investigation of the direct claim as the Indemnifying Party considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the direct claim, together with all such other information as the Indemnifying Party may reasonably request. If both parties agree at or before the expiration of such 60 day period (or any mutually agreed upon extension thereof) to the validity and amount of such direct claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the direct claim.

(b) For purposes of this Section 5.4, Assignee shall be deemed to have "Become Aware" of such a claim when a senior officer of Assignee actually knows both (i) the facts of such a claim, and (ii) the availability of a remedy hereunder.

5.5 Affect on Purchase Price. Any indemnification payments under this Article V shall constitute a reduction or increase to the Purchase Price, as the case may be; provided that for the avoidance of doubt, any such reduction shall not reduce Zolly's indemnification obligations under this Article X.

5.6 Additional Limitations. Neither Zolly nor any of its Affiliates shall have any liability for any inaccuracy in or breach of any representation or warranty contained herein if the Assignee or any of its officers, employees, attorneys or other representatives or advisors had actual knowledge on or before the Closing Date of that such representation or warranty was inaccurate or breached. Except for remedies that cannot be waived as a matter of Law and injunctive and provisional relief, if the Closing occurs, this Article V shall be the sole and exclusive remedy for breach of, or inaccuracy in, any representation, warranty, or covenant contained herein, or otherwise in respect of the transactions contemplated hereby.

#### VI. MISCELLANEOUS.

##### 6.1 Mutual Releases.

(a) Effective as at the Closing, Zolly does hereby and forever and irrevocably and unconditionally waive, release and discharge Ermont, Assignee and the officers, directors, employees, agents, and representatives of each (the "Ermont Parties") from and against any and all claims, demands, disputes, proceedings, rights, actions and causes of action, orders, obligations, debts and liabilities, arbitration or suit of any kind, whether direct, derivative, individual, representative, or in any other capacity, both in law and at equity (a "Claim"), that Zolly has ever had or may have that was made or could have been made or raised pursuant to or in connection with any event that occurred prior to the Closing except for sum of \$2,047,500 which is to be paid by Ermont simultaneously with the Closing hereof.



(b) Effective as at the Closing, each of Ermont and the Assignee does hereby and forever and irrevocably and unconditionally waive, release and discharge Zolly and its managers, members, officers, directors, employees, agents, and representatives (the "Zolly Parties") from and against any and all Claims that it has, ever had or may have that were made or could have been made or raised pursuant to or in connection with any event that occurred prior to the date hereof other than those arising under this Agreement.

6.2 Other Agreements. Zolly and Ermont hereby agree that any arrangements or agreements (whether written or oral) that are between Zolly, on the one hand, and Ermont on the other hand, other than the Services Agreement, are terminated, effective as of the consummation of the Closing.

6.3 Further Assurances. From time to time after the Closing Date, at the request of the other party hereto and at the expense of the party so requesting, the parties hereto shall execute and deliver to such requesting party such documents and take such other action as such requesting party may reasonably request in order to consummate the transactions contemplated hereby.

6.4 Notices. All notices, requests, demands, waivers and communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered (i) by hand (including by reputable overnight courier), (ii) by mail (certified or registered mail, return receipt requested) or (iii) by email followed by overnight courier:

(a) If to Zolly, to:

Zolly, LLC  
Attn: Zachary Harvey  
11 Jefferson Street, Unit 3  
Boston, MA 02116

with a copy to:

Prince Lobel Tye LLP  
One International Place  
Boston MA 02110  
Attn.: John F Bradley, Esq.  
Email: JBradley@PrinceLobel.com

(b) If to Assignee, to:

c/o Sea Hunter Holdings, LLC  
Attn: Alexander Coleman  
515 No. Flagler Drive, Suite 1700  
West Palm Beach, FL 33401  
561-779-3260  
[acoleman@shthera.com](mailto:acoleman@shthera.com)

with a copy to:  
Forman & Shapiro LLP  
1345 Avenue of the Americas, 11<sup>th</sup> Floor  
New York, NY 10105  
Email: [forman@formanshapiro.com](mailto:forman@formanshapiro.com)  
Attention: Robert W. Forman, Esq.

or to such other person or address as any party shall specify by notice in writing to the other party. All such notices, requests, demands, waivers and communications shall be deemed to have been given (i) on the date on which so hand-delivered, (ii) on the third business day following the date on which so mailed and (iii) on the date on which emailed and confirmed, except for a notice of change of address, which shall be effective only upon receipt thereof.

6.6 Amendment, Modification and Waiver. This Agreement may be amended, modified or supplemented at any time by written agreement of the parties hereto. Any failure of Zolly to comply with any term or provision of this Agreement may be waived by the Assignee, and any failure of the Assignee to comply with any term or provision of this Agreement may be waived by Zolly, at any time by an instrument in writing signed by or on behalf of such other parties, but such waiver shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure to comply.

6.7 Entire Agreement. This Agreement and the exhibits, schedules and other documents referred to herein which form a part hereof contain the entire understanding of the parties hereto with respect to the subject matter hereof. This Agreement supersedes all prior agreements and understandings, oral and written, with respect to its subject matter.

6.8 Publicity. The parties hereto shall not issue any report, statement or press release or otherwise make any public statement with respect to this Agreement and the transactions contemplated hereby without prior consultation with and approval of the other parties, except as may be required by law.

6.9 Severability. Should any provision of this Agreement for any reason be declared invalid or unenforceable, such decision shall not affect the validity or enforceability of any of the other provisions of this Agreement, which other provisions shall remain in full force and effect and the application of such invalid or unenforceable provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall be valid and be enforced to the fullest extent permitted by law.

6.10 Binding Effect; Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, successors and permitted assigns, but except as contemplated herein, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, directly or indirectly, by any party without the prior written consent of the other parties hereto.

6.11 No Third-Party Beneficiaries. This Agreement is not intended and shall not be deemed to confer upon or give any person except the parties hereto and their respective

successors and permitted assigns any remedy, claim, liability, reimbursement, cause of action or other right under or by reason of this Agreement, except that the Ermont Parties and the Zolly Parties shall be third party beneficiaries of the releases in section 6.1.

6.12 Fees and Expenses. Whether or not the transactions contemplated hereby are consummated pursuant hereto, each party hereto shall pay all fees and expenses incurred by it or on its behalf in connection with this Agreement, and the consummation of the transactions contemplated hereby.

6.13 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.14 Interpretation. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

6.15 Forum; Service of Process; Legal Fees. Any legal suit, action or proceeding brought by any party arising out of or based upon this Agreement shall only be instituted in a court of competent jurisdiction in the Commonwealth of Massachusetts, and each party hereby expressly and irrevocably submits to the exclusive jurisdiction such court(s), and further waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the jurisdiction of such courts in any such suit, action or proceeding. In any such proceeding, the prevailing party shall be entitled to an award of its reasonable attorneys' fees and costs incurred in such proceeding.

6.16 Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Massachusetts, excluding choice of law principles that would require the application of the laws of a jurisdiction other than the Commonwealth of Massachusetts.

6.17 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THE PARTIES HERETO ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THE PARTIES HERETO FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS OR HIS, AS THE CASE MAY BE, LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION

WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

6.18 Survival of Representations and Warranties. The parties hereby agree that the representations and warranties contained herein shall survive for 120 days after the Closing.

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

CULTIVO LLC

By: \_\_\_\_\_  
Name:  
Title:

ZOLLY, LLC

By: \_\_\_\_\_  
Name:  
Title:

CONSENT

The Undersigned hereby confirms that the Services Agreement is in full force and effect and consents to the Assignment of the Services Agreement from Zolly to Assignee, and joins in and accepts Sections 6.1(b) and 6.2 of the foregoing.

ERMONT, INC.

By: \_\_\_\_\_  
John Hudson, Chief Executive Officer

## CONSULTING AGREEMENT

THIS CONSULTING <sup>23<sup>rd</sup></sup> AND CULTIVATION SERVICES AGREEMENT ("Agreement"), effective as of this <sup>23<sup>rd</sup></sup> ~~13<sup>th</sup>~~ day of ~~September~~ <sup>October</sup>, 2015 ("Effective Date") by and between Adam Gendreau of G&G Box Builders LLC, with an address of 192 Hyde Park Ave, Boston, MA 02130, ("Consultant"), and Zolly, LLC, a Massachusetts Limited Liability Company with an address of 11 Jefferson St., Unit 3, Boston, MA 02116 ("Owner"), (each being referred to individually as a "Party" and collectively as the "Parties").

WHEREAS, Owner is a Limited Liability Company that provides consulting and intellectual property to one or more Registered Marijuana Dispensaries ("RMDs") registered by the Massachusetts Department of Public Health ("DPH") in the Commonwealth of Massachusetts (hereinafter, the "Business").

WHEREAS, Consultant has expertise in creating extractions and infused products and seeks to engaged in the business of providing management and consulting services relative to (i) supercritical CO2 extraction; (ii) strain selection; (iii) operations, including on-site cultivation consulting to produce extracts with consistent dosages, operations, administration, harvesting, oversight, and other related services to registered marijuana facilities; and (iv) has created good-will among patients in the Commonwealth with a product known as Wizard Tears (hereinafter, the "Consulting Services").

WHEREAS, Owner wishes to retain certain Services of Consultant, and Consultant wishes to provide such Services to Owner pursuant to the terms of this Agreement; and

NOW, THEREFORE, for good and valuable consideration, and the mutual promises and covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

### 1. Engagement and Services.

- 1.1. Engagement of Consultant. Owner hereby retains Consultant, subject to the terms of this Agreement, to supervise, direct and assist in the management and operation of the Business relevant to producing infused products (the "Services"), and the Consultant hereby undertakes and agrees to perform such services and to comply with all of the provisions of this Agreement, upon all of the terms and conditions hereinafter set forth. In the performance of this Agreement, Consultant shall act solely as an independent contractor. This Agreement shall not be interpreted or construed as making Consultant a partner of, joint venturer with, or agent of Owner. **Notwithstanding anything to the contrary in this Agreement, Owner shall maintain executive and exclusive control and possession of, and shall be solely responsible for the management of its business, including contracts with any RMDs.**
- 1.2. General Duties, Scope of Work. Consultant shall provide training and intellectual property to Owner for the Operation of the Business based on the detailed scope of work (the "Scope of Work") attached hereto as **Exhibit A** and incorporated by this reference.
- 1.3. The Consultant shall provide the Services to at 216 Ricciuti Dr., Quincy, MA 02169, the facility for Ermont, Inc. a RMD that has contracted with Owner for various management and consulting services (and any other location agreed upon by the parties in writing), which currently consists, or is anticipated to consist, of approximately 13,500 sq. feet of cultivation floor space, approximately 1,500 sq. feet of retail and educational floor space, and approximately 2,000 sq. feet of manufacturing floor space (the "Owner's Facility"). This Agreement shall apply only to facilities operated by RMDs that have contracted with Owner, and Owner wishes to utilize

Consultant's services to satisfy those contract. Unless otherwise provided for hereunder, the provision of services by Consultant for any new facility or additional space shall be subject to negotiation and modification of the agreement between the Parties.

**1.4. Best Efforts.** The Consultant covenants and agrees that during the Term of this Agreement, it shall faithfully perform its duties and responsibilities, use its best efforts to supervise and direct the management and operation of the Business in an efficient manner and in accordance with the standards set forth by Owner, and consult with Owner to keep Owner advised as to all matters concerning the Business.

**2. Compensation and Expenses. Consulting Fee.** In consideration of the Services to be provided by Consultant throughout the Term of this Agreement, Consultant shall be paid as follows:

Initial Training Payment: \$5,000.00 payable at the time of execution of this Agreement.

Second Training Payment: \$10,000.00 payable on November 15, 2015.

Year 1: \$120,000.00 paid in equal monthly installments commencing on February 1, 2016.

Year 2: \$150,000.00 paid in equal monthly installments commencing on February 1, 2017.

Year 3: \$180,000.00 paid in equal monthly installments commencing on February 1, 2018.

**3. Obligations of Owner.**

**3.1.** Owner in conjunction with Owner's clients shall comply with all Regulations regarding marijuana cultivation, manufacturing, distribution and sales, including, but not limited to maintaining the validity of all requisite licenses.

**3.2.** Owner shall enter into all contracts with its clients and shall be responsible for decisions made on behalf of Owner's clients. Notwithstanding the foregoing, Consultant shall advise owner of ideal strains and crop rotations for the production of marijuana infused products ("MIPs") and Owner shall endeavor to select or recommend strains and crop rotations that comport with Consultant's recommendations and that will optimize the cultivation conditions and harvest yields. Owner will provide prompt written notice to Consultant of any desired changes in marijuana plant strains or harvest orders.

**3.3.** Owner shall ensure Consultant's access to facilities of RMDs that Owner has contracted with at all times necessary for Consultant to perform the Services as permitted by the Regulations.

**3.4.** Owner and Owner's RMD client shall be solely responsible for all reporting to, and communications with, all government agencies and representatives.

**3.5.** Owner shall work with Consultant and Owner's client to provide Consultant with a DPH issued Dispensary Agent registration card.

**4. Obligations of Consultant.**

**4.1.** Consultant agrees to exercise professionalism, skill and expertise in performing the Services and the tasks required to complete the Services in a diligent, timely and workman-like manner.

**4.2.** Consultant shall comply with the Chapter 369 of the Commonwealth of Massachusetts Acts of 2012 ("the Act") and 105 CMR 725.000 *et seq.* ("the Regs") and any other applicable regulations regarding marijuana businesses in Massachusetts and shall maintain the validity of all licenses as may be required by law. Consultant shall at all times be required to furnish Owner with verification of all relevant licenses or approvals.



- 4.3. Consultant shall only allow its employees and subcontractors that are properly licensed pursuant to the Massachusetts Marijuana Code to perform Services in Owner's client's facilities.
- 4.4. Consultant shall maintain workers compensation and unemployment insurance for Consultant employees in such amounts as required by law. Consultant shall be required to furnish Owner with verification of workers compensation and unemployment insurance upon request.
- 4.5. Consultant shall maintain control over and supervise its employees and subcontractors in the performance of the Services.
- 4.6. Consultant shall ensure that any third-party access that may be granted to Owner's Facility by Consultant shall be in strict compliance with the Act and the Regs and that Owner shall be responsible for the third party at all times while in Owner's client's facilities.
- 4.7. The Consultant shall provide immediate notice and copy to Owner of any material communications with governmental agencies and representatives.

## **5. Intellectual Property**

- 5.1. Intellectual Property. Consultant shall provide all training necessary to carry out the Business to Owner's client's employees, and shall provide all Intellectual Property to Owner to carry out the Business. While Consultant retains exclusive rights to and ownership of all common law and statutory legal and equitable rights, including, but not limited to, all intellectual property rights, in all Incorporated Property, including all of Consultant's work product, know-how, trade secrets, statutory and common law copyrights, and other Consultant materials provided to Owner, disclosed to Owner, or otherwise used in connection with or furtherance of the Services and/or this Agreement. (hereinafter, the "**Consultant IP**"), so long as Owner is not in material breach of this Agreement, Consultant hereby grants an irrevocable license to Owner to use said Consultant IP to carry out the Business with respect to Owner's Client Ermont, Inc. so that Ermont, Inc. through its contract with Owner may provide MIPs to patients and caregivers in the Commonwealth of Massachusetts following the termination of this Agreement.
- 5.2. Inventions. Owner acknowledges that nothing created by Consultant is on a "work for hire" basis, and, therefore, Consultant and its successors retain Consultant's entire right, title and interest, in Consultant IP and any invention, creation, work or idea, whether or not patentable or copyrightable, made of conceived wholly or in part by Consultant since the commencement of Consultant's engagement by the Owner and during the course of this Agreement (collectively, an "**Invention**"). Notwithstanding the foregoing, Consultant hereby grants an irrevocable license to Owner to use said Invention to carry out the Business with respect to Owner's Client Ermont, Inc. so that Ermont, Inc. through its contract with Owner may provide MIPs to patients and caregivers in the Commonwealth of Massachusetts following the termination of this Agreement. Such rights retained by the Consultant include but are not limited to, any trademarks, copyrights and rights to all derivative works created therefrom, moral rights, patent rights and trade secrets.
- 5.3. Limitation. This section 5 does not apply to the actual marijuana products created by Ermont, Inc. in which Ermont, Inc. shall have an unlimited and irrevocable licensed to sell and market those specific products.



#### 5.4. Confidentiality.

5.4.1. "Confidential Information" shall mean and include any and all information of the following types: a) information relating to production methods, recipes, inventions, patent, trademark and copyright applications, improvements, know-how, specifications, processes, transactions, and transaction procedures; b) business or financial information; financial statements, projections, business plans, or strategic or marketing plans, market studies, or analyses cost and pricing data; c) bills, customer and vendor lists, ideas, terms, conditions, provisions, or obligations of any contracts or agreements to which Owner is a party or to which any of its assets are subject, or the identity of any Person who is a party to any contract or agreement with Owner; d) procedural or operational manuals, employee manuals, training manuals, or programs; e) site selections or review reports, site selection criteria, demographic analyses of or regarding any locations of Owner's facilities, the terms of any lease for any such facility, or any summary thereof; f) the identity of any employee of Owner, and the compensation, benefits, or terms of employment of any such employee; and g) such other information of or regarding Owner that Owner actually maintains as confidential or proprietary; provided, however, that such information shall be deemed confidential only to the extent that it (a) has not been previously disclosed to the public, or (b) is not ascertainable from public or published information or trade sources, or (c) is not subsequently publicly disclosed (other than by a violation of this Agreement). Any Information that is marked or otherwise identified as "Confidential Information" at the time of Disclosure shall be presumed to be Confidential Information for the purposes of this Agreement.

5.4.2. "Disclose" or "Disclosure" shall mean and include any delivery, transmittal, presentation, or representation of Information, by any Person to any other Person.

5.4.3. "Person" shall mean and include any individual or natural person, corporation, trust, proprietorship, partnership, limited partnership, joint venture, limited liability company, limited liability partnership, or any other entity.

5.4.4. Consultant agrees to retain and maintain in strict confidence, and to require its agents, employees, independent contractors, and advisors to retain in confidence, any and all Confidential Information of Owner and owners clients. Consultant agrees that, without the prior express written consent of Owner, Consultant shall not, either directly or indirectly, individually or in concert with others: (1) Disclose any such Confidential Information to any other Person; (2) use any such Confidential Information for the benefit of any Person other than Owner and Owner's clients; or (3) permit any Confidential Information to be Disclosed to or used by any Person other than Owner and Owner's clients. Consultant expressly agrees and acknowledges that the obligations of Consultant pursuant to this section 5.3 shall continue, notwithstanding the expiration of this Agreement, the completion of the Consulting Services, and/or any termination of this Agreement by either Consultant or Owner, so long as Consultant, or any agent, employee, independent contractor, or advisor of Consultant, has any knowledge, possession, or control of, or access to, any Confidential Information of Owner. Upon the completion of the Consulting Services, or any other termination or expiration of this Agreement, for any reason, Consultant shall, if required to do so by Owner, promptly return to Owner (without retaining copies, in any medium) any and all Confidential Information of Owner in the possession or control of Consultant.

5.4.5. Notwithstanding anything contained herein to the contrary, a receiving party may disclose Confidential Information or Consultant IP pursuant to a statutory and/or governmental

regulation or requirement, subpoena or other legal or administrative process ("Legal Disclosure"). In the event of Legal Disclosure, the receiving party shall: (i) use reasonable efforts to provide the disclosing party with prior written notice, to the extent permitted by applicable law; and (ii) reasonably and legally cooperate with the disclosing party in its attempts to seek a protective order or to otherwise limit or restrict disclosure of its Proprietary Information. In the event the disclosing Party is unable to obtain a protective order or to otherwise limit or restrict disclosure of its Proprietary Information, the receiving party may disclose Proprietary Information, but only to the extent legally required.

## **6. Representations and Warranties.**

**6.1. By Owner.** Owner represents and warrants that: (i) its clients have and will continue to maintain at all times all licenses required to cultivate, manufacture, sell and distribute marijuana pursuant to state laws and regulations; (ii) its clients have and will continue to conform to all applicable local, state and federal laws and regulations (excepting federal laws that conflict with state marijuana laws).

**6.2. By Consultant.** Consultant represents and warrants that it: (i) is engaged in an independent business and has full right and power to enter into and perform this Agreement without the consent of any third party, except for the applicable state-level regulatory agency; and (ii) shall only allow Consultant employees or subcontractors that are properly registered pursuant to the Regulations to enter Owner's facilities to perform the Services.

## **7. Indemnification.**

**7.1. By Owner.** Owner hereby agrees to defend, indemnify and hold Consultant, its directors, officers, employees, agents and affiliates harmless from and against any loss, claim, action, damage, expense or liability, including amounts paid in settlement or compromise of any such claim, action or demand (including defense costs and attorneys' fees) resulting from any third-party claim or suit arising out of or relating to: (i) any product, good, or service sold or provided by Owner or (ii) Owner's breach of this Agreement; provided, however, that the foregoing indemnity obligations shall not apply where such claim is the result of the willful misconduct or grossly negligent act of Consultant and there shall be apportionment in accordance with responsibility when such obligation derives in part from the acts or omissions of Owner.

**7.2. By Consultant.** Consultant hereby agrees to defend, indemnify and hold Owner, its directors, officers, employees, agents and affiliates harmless from and against any loss, claim, action, damage, expense or liability, including amounts paid in settlement or compromise of any such claim, action or demand (including defense costs and attorneys' fees) resulting from any third-party claim or suit arising out of or relating to: (i) Consultant's material breach of this Agreement; or (ii) any claim that any process or product supplied by Consultant infringes any patent, copyright, trade secret or other right of any third party; provided, however, that the foregoing indemnity obligation shall not apply where such claim is solely the result of the willful misconduct or negligent act of Owner and there shall be apportionment in accordance with responsibility when such obligation derives in part from acts of Consultant.

**7.3. Procedures.** In the event that a third-party claim is made or third-party suit is filed for which either Party intends to seek indemnification from the other Party pursuant to this section, the Party seeking indemnification (the "Indemnitee") shall promptly notify the other Party (the "Indemnitor") of said claim or suit. The Indemnitor shall have the right to control, through counsel of its choosing, the defense of such third-party claim or suit, but may compromise or

settle the same only with the consent of the Indemnitee, which consent shall not be unreasonably withheld. The Indemnitee shall cooperate fully with the Indemnitor and its counsel in the defense of any such claim or suit and shall make available to the Indemnitor any books, records or other documents necessary or appropriate for such defense. The Indemnitee shall have the right to participate, at the Indemnitee's expense, in the defense of any such claim or suit through counsel chosen by the Indemnitee. If the Indemnitor fails or refuses to conduct such defense, or the Indemnitee has been advised by counsel that it may have defenses available to it which are different from or in addition to those available to the Indemnitor, or that the Indemnitee's interests are adverse to the Indemnitor's interests, then the Indemnitee may defend against the action(s) at the Indemnitor's expense.

8. **Exclusivity.** Consultant is prohibited from consulting with, obtaining employment with, providing services to, providing intellectual property to, or in any way assisting any other provider of marijuana who cultivates or distributes marijuana within a twenty-five (25) mile radius of 216 Ricciuti Dr., Quincy, MA. Consultant shall pay to Owner, \$500,000.00 as Liquidated Damages for a breach of this exclusivity section. Consultant acknowledges that the actual damages likely to result from breach of this Section 8 are difficult to estimate on the date of this agreement and would be difficult for Owner to prove. The parties intend that Consultant's payment of the Liquidated Damages Amount would serve to compensate Owner for any breach by Consultant of its obligations under this Section 8, and they do not intend for it to serve as punishment for any such breach by Consultant. Notwithstanding the foregoing, this Paragraph does not prohibit Consultant from providing services to Natural Healthcare Incorporated within a twenty-five (25) mile radius of 216 Ricciuti Dr., Quincy, MA, as long as Robert W. Lally Jr. is a member of the Board of Directors for Natural Healthcare Incorporated.

9. **Term and Termination.**

- 9.1. Unless earlier terminated as provided for in this section, the term of this Agreement shall commence upon the Effective Date and continue for three (3) years (the "Initial Term") and may renew upon agreement of the Parties for two (2) additional three (3) year terms (the "Renewal Term"). The Initial Term together with any and all Renewal Term is referred herein collectively as the "Term."
- 9.2. Either Party may terminate this Agreement (i) in the event of a material breach by the other Party that remains uncured for a period of fifteen (15) days, or (ii) at any time upon mutual written consent.
- 9.3. Either Party may terminate this Agreement if the other party violates any provision of law that would prohibit that Party from performing its obligations under this Agreement.

10. **Relationship of Parties.**

- 10.1. **No Partnership.** It is not the intention of the parties to create, nor shall this Agreement be construed as creating a partnership, joint venture, agency relationship, employee-employer relationship or association, or render the parties liable as partners, co-venturers, agents, principals, employers or employees.
- 10.2. **Consultant Status.** This Agreement establishes between Consultant and Owner an independent contractor relationship and all the terms and conditions of this Agreement shall be interpreted in light of that relationship. Consultant may engage the services of such employees, subcontractors, partners or agents, as Consultant deems necessary to perform the Services (collectively, the "Personnel"). The Personnel are not and shall not be employees of Owner, and Consultant shall

be wholly responsible for the professional performance of the Services by the Personnel such that the results are satisfactory to Owner. Any such Personnel must become Registered Agents Ermont, Inc. and be authorized by the DPH to perform said services. Except where expressly agreed upon in writing by an authorized representative of Owner, Consultant shall not have, nor shall Consultant represent to any person or entity that Consultant has, authority to enter into any agreement or obligation on behalf of or in the name of Owner.

- 11. Notices.** Any notices required or permitted hereunder shall be in writing and shall be personally delivered or sent by mail, Federal Express or similar courier service, all of which shall be effective upon receipt. Notices sent by mail or courier shall be addressed as follows:

If to Consultant:

Adam Gendreau  
G&G Box Builders LLC  
192 Hyde Park Ave  
Boston, MA 02130

If to Owner:

Zachary Harvey  
Zolly, LLC  
11 Jefferson St., Unit 3  
Boston, MA 02116

With a copy to:

Valerio Romano, Esq.  
VGR Law Firm, PC  
109 State St., Suite 404  
Boston, MA 02109

**12. Miscellaneous.**

**12.1. No Assignment.** Other than as explicitly provided for in this Agreement, this Agreement may not be assigned by either Party without the other's prior written consent, and any such attempted assignment shall be void and of no effect. Owner shall not be required to seek or obtain the consent of Consultant in connection with any assignment by Owner: (i) to a parent, subsidiary, or affiliate; or (ii) in connection with a merger, acquisition, reorganization, sale or consolidation.

**12.2. Severability.** Should any one or more of the provisions contained in this Agreement, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed and enforced as if such invalid, illegal or unenforceable provision had never been contained herein.

**12.3. Waiver of Breach.** A waiver by either Party of a breach of any provision of this Agreement by the other Party shall not operate or be construed as a waiver of any subsequent breach by the other Party.

**12.4. Governing Law.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Massachusetts, without regard to the principals of conflicts of law thereof. The Parties expressly waive any defense to enforcement based upon nonconformance with federal law.

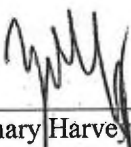


- 12.5. Dispute Resolution.** The Parties agree that any dispute as may arise hereunder shall be attempted to be resolved by conduct in the following order: (i) the parties shall attempt to resolve the dispute through good faith attempts at communication between the parties; (ii) non-binding mediation by a mediator mutually acceptable to the parties; and then (iii) binding arbitration before the American Arbitration Association. The matter shall be heard by a single judge selected by the American Arbitration Association (the "**Arbitrator**"), and there shall be no discovery unless otherwise expressly agreed to by the Parties. Said arbitration shall be conducted in Norfolk County, Massachusetts under the rules of the American Arbitration Association. The award of the Arbitrator shall be final and binding upon the Parties, subject only to such rights of appeal as are provided by the said Act. The costs of the arbitration proceeding, including the fees of the Arbitrator, shall be borne equally by the disputants; notwithstanding, the prevailing Party shall be entitled to reimbursement of all legal costs and fees from the non-prevailing Party, provided that the Arbitrator shall determine allocations for such purposes in the event of a split determination.
- 12.6. Entire Agreement.** This Agreement, inclusive of Exhibits, contains the full and complete understanding of the parties with respect to its subject matter and supersedes all prior representations and understanding, whether oral or written. This Agreement may only be modified by the mutual written consent of the parties.
- 12.7. Remedies.** Owner and Consultant agree that Consultant will be entitled to the grant of equitable remedies in order to enforce this Agreement, including, without limitation, an expedited court issued affirmative injunction prohibiting the breach of any of the materials provisions contained herein without the need to post any bond.
- 12.8. Attorneys' Fees.** If any dispute arises between the parties with respect to this Agreement, and there follows a proceeding to resolve such dispute, the prevailing Party in such proceeding shall be entitled to receive its reasonable attorney's fees, expert witness fees and out-of-pocket costs incurred in connection with any such proceeding at any level, in addition to any other relief it may be awarded.
- 12.9. Conformance of Agreement to Regulatory Conditions and Approval.** The Parties acknowledge and agree that the terms of this Agreement are subject to the approval of the applicable state or local licensing authority ("**Authorities**") and shall negotiate in good faith to conform with any guidance provided by the Authorities relating to this Agreement.
- 12.10. Time.** Time is of the essence for this Agreement and each provision contained in this Agreement. Any extension of time granted for the performance of any obligation under this Agreement will not be considered an extension of time for the performance of any other obligation under this Agreement.
- 12.11. Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, personal representatives, successors and assigns.
- 12.12. Advice of Counsel.** Each Party acknowledges that, in executing this Agreement, it has had the opportunity to seek the advice of independent legal counsel and has read and understood all of the terms and provisions of this Agreement. This Agreement shall not be construed against any Party by reason of the drafting or preparation hereof.
- 12.13. Counterparts.** The parties may execute this Agreement in any number of counterparts, each of which will be deemed an original.

12.14. **Marijuana Disclosure.** The Parties acknowledge and agree that Owners' activities and the Services are strictly limited to the confines of the laws of the Commonwealth of Massachusetts and understand that all activities related to medical and/or retail marijuana are currently illegal under the laws of the United States of America.

IN WITNESS WHEREOF the parties have executed this Agreement effective as of the date first set forth above.

**FOR OWNER ZOLLY, LLC:**

  
\_\_\_\_\_  
Zachary Harvey  
Managing Member

**FOR CONSULTANT:**

  
\_\_\_\_\_  
Adam Gendreau  
G&G Box Builders LLC

## **EXHIBIT A**

### **STATEMENT OF WORK**

#### **Preliminary Consulting Services**

- Consultant will work cooperatively with Owner to support its business purpose to provide management and consulting services to RMDs in the Commonwealth of Massachusetts:
  - o Develop infused product options for sale at Owner's client's RMDs;
  - o Propose strains for cultivation operations of Owner's clients.

#### **Consulting & Cultivation Services**

- Consulting services shall include the development and implementation of protocols related to:
  - o Provide intellectual property for the operations of supercritical CO2 extraction equipment;
  - o Train Owner's client's RMD employees/dispensary agents to create MIPs for sale at those RMDs;
  - o Consultant will continually monitor industry best practices to identify and develop new innovations and best practices. It will assist Owner in implementing these innovations and best practices in order to keep Owner's clients at the cutting edge of the cannabis industry.
  - o Work directly with Master Grower to evaluate and determine MIP specific strains and growing procedures for these strains, if any.
  - o Training and oversight of all extraction personnel.
  - o Perform internal testing to ensure proper dosing protocols.
  - o Perform data analysis on experimental extraction runs.
  - o Ongoing compliance, training and quality assurance.

#### **Description of MIPs that will be Created and Owner's/RMD's Employees will be Trained to Produce**

- Concentrate and MIPs shall be produced at the following standards:
  - o Cannabinoids up to 98.6% purity to avoid patient consumption of any non-beneficial plant waxes, lipids or potentially harmful residual solvents that remain in other concentrates; Concentrate to test at 0.00ppm of any solvent or co-solvent;
  - o Pharmaceutical grade precision in dosing;
  - o Concentrate products and MIPs will cater to the needs of patients with specific ailments: i.e. THC-only products for pain relief, CBD-only products for inflammation and anxiety relief, CBN-only products for insomnia relief, etc.

#### **Description of Services Zolly will Provide to Ermont, Inc – Consultant will Assist in Provision of these Services**

- ZOLLY shall provide to ERMONT the benefit of its members', employees' and contractors' experience and expertise. Any member, employee or contractor of ZOLLY that will work at the ERMONT facility must first register with the DPH as Registered Agents of ERMONT. Thereafter,

ZOLLY shall assist in processing, manufacturing and preparing Alternative Products from the variety of marijuana strains that will be grown at ERMONT's cultivation facility located 216 Ricciuti Dr., Quincy, MA 02169 ("Cultivation Facility"). A description of the Services to be provided is as follows:

- Strain Selection: ZOLLY shall make suggestions as to which strains shall be produced. The strains will include indicas, sativas and hybrids and will be grown for the purpose of alleviating multiple medical systems pursuant to the Regs. It is currently anticipated that these strains will include, but will not be limited to: Afgooey (Indica 70%/Sativa 30% used for pain/stress/insomnia), Arjan's Haze (Indica 20%/Sativa 80% used for chronic Pain), Cannatonic (High CBD strain used for stress, depression, inflammation, muscle spasms), Harlequin (High CBD used for strain pain, anxiety), Sour Tsunami (High CBD strain used for pain and inflammation), Fire OG (Indica 60%/Sativa 40% used for depression/stress/insomnia), Grand Daddy Purple Indica Dominant used for pain/stress/insomnia/appetite loss/muscle spasms), Blue Dream (Sativa Dominant used for pain/depression/nausea), White Widow (Indica 50%/Sativa 50% used for pain/depression/stress), Jack Herrer (Sativa Dominant used for stress/depression/pain/fatigue), Super Lemon Haze (Sativa Dominant used for stress/depression/pain), Headband (Indica Dominant used for stress/depression/pain/insomnia/anxiety/migraines) and Strawberry Cough (Sativa dominant used for anxiety/stress).
- Provision of Intellectual Property. While the processing, manufacturing and preparation will take place at ERMONT's 625 sq. ft. lab space located at 216 Ricciuti Dr., Quincy, MA 02169 ("MIPS Facility"), pursuant to Section 2 below, ZOLLY will provide ERMONT employees with the intellectual property to process, manufacture and prepare Alternative Products using ERMONT lab equipment.
- Training. ZOLLY members will conduct initial and ongoing training to ERMONT employees so that ERMONT employees have the know-how to produce high quality products for patients. As part of these Services, ZOLLY will provide skilled scientists to train agents of ERMONT to operate an oils extraction system, and trained chefs who will train ERMONT to incorporate organically grown medical grade cannabis into ERMONT's products.
- Alternative Product Selection. ZOLLY will assist ERMONT in the selection of products containing marijuana to be produced as an alternative to smoking or vaporizing the flowers. ZOLLY's members, employees and contractors have the knowledge to select alternative/infused products that will appeal to medical use of marijuana patients, and relieve the symptoms suffered by patients who have a variety of debilitating conditions. The Alternative Products will include a variety of edibles including, but not limited to, gluten free indica, sativa or hybrid infused fudge taffy, gluten free and vegan sour gummy candies in a variety of flavors, gluten free chocolate cocoa, gluten free and vegan cinnamon, peppermint and wintergreen flavored mints, chocolate-pretzel-coconut-caramel candy bars, gluten free caramels, gluten free and vegan candy drops in a variety of flavors, gluten free brownies, gluten free peanut butter crisps, and mint filled chocolate wafers, provided such products are permitted by the Regs. It is currently anticipated that the Alternative Products will also include powdered drink mixes in a variety of flavors, provided such products are permitted by the Regs. Alternative Products shall also include waxes, oils, topicals (e.g., sun screen, body lotions and ointments) and vaporizer pen cartridges.



- Creation of Products with Consistent Doses. ERMONT believes that consistent dosing with quality medicine is the key to having a successful infused products line and to helping patients with non-flower alternatives. ERMONT's agents will learn from ZOLLY's members, employees or contractors have the knowhow to produce extracts with Cannabinoids up to 98.6% purity to avoid patient consumption of any non-beneficial plant waxes, lipids or potentially harmful residual solvents that remain in other concentrates. ZOLLY has the knowhow to produce concentrates that test at 0.00ppm of any solvent or co-solvent; and provide pharmaceutical grade precision in dosing. Concentrate products and MIPs will cater to the needs of patients with specific ailments: i.e. THC-only products for pain relief, CBD-only products for inflammation and anxiety relief, CBN-only products for insomnia relief, etc.
- Lab Testing. ZOLLY will train agents of ERMONT to provide analytical testing on cannabinoid profiling and terpene profiling, and conduct microbiological screenings for mold, pesticides and fungi in accordance with the Regs. Lab testing and training described in this Agreement will be in addition to independent laboratory testing as required by 105 CMR 725.105(C)(2).
- Equipment and Facility Selection and Design. ZOLLY will review equipment specifications to be certain that the equipment selected by ERMONT is adequate to create the infused/alternative products that ZOLLY will suggest for patients of the Commonwealth. ZOLLY will assist in procurement of equipment so that ERMONT will obtain the best equipment at the lowest price. ZOLLY will assist with delivery and installation of equipment. ZOLLY will optimize the equipment. ZOLLY will consult with ERMONT on decisions made by ERMONT's team for the selection of the extraction and cultivation equipment so that ERMONT benefits from ZOLLY's industry experience in the selection, acquiring, installation and operation of the equipment.
- Equipment Maintenance. ZOLLY will maintain ERMONT's equipment and train ERMONT's employees to maintain the extraction equipment so that it runs at optimal levels.
- Consulting. ZOLLY shall provide ERMONT the benefit of its successful and experienced business professionals in managing and operating its Alternative Products business, bakery and laboratory through ongoing consulting services. ZOLLY will consult on sales, general operations, growth strategies, industry monitoring for innovations and best practices, quality control and marketing in connection with Alternative Products.
- Compliance. All Services and Intellectual Property to be provided by ZOLLY will comply with the Regs and all other applicable laws of the Commonwealth of Massachusetts.
- Performance Standard. ZOLLY agrees to meet or exceed the customary standards of care and professionalism expected in the industry and in its areas of expertise in performing all Services under this Agreement.

## AMENDMENT TO CONSULTING AGREEMENT

19<sup>th</sup> THIS AMENDMENT TO CONSULTING AGREEMENT ("Amendment"), is effective as of this day of April, 2018 ("Effective Date") by and between both Adam Gendreau and G&G Box Builders LLC, with an address of 192 Hyde Park Ave, Boston, MA 02130, (collectively, "Consultant") and Zolly, LLC, a Massachusetts Limited Liability Company with an address of 11 Jefferson St., Unit 3, Boston, MA 02116 ("Owner"), (each being referred to individually as a "Party" and collectively as the "Parties").

WHEREAS, Owner is a Limited Liability Company that provides consulting, intellectual property and management services to one or more Registered Marijuana Dispensaries ("RMDs") registered by the Massachusetts Department of Public Health ("DPH") in the Commonwealth of Massachusetts (hereinafter, the "Business") including to Ermont, Inc. ("Ermont").

WHEREAS, the Parties executed and delivered to each other a certain Consulting And Cultivation Services Agreement dated October 13, 2015 (the "Consulting Agreement"), pursuant to which Owner retained the Consultant to perform certain Services for and provide Intellectual Property of Consultant to Owner, and Consultant agreed to provide such Services for and intellectual property to Owner. Terms capitalized herein but not otherwise defined shall have the meaning given those terms in the Consulting Agreement.

WHEREAS, the Parties have now agreed to amend the terms of the Consulting Agreement as provided below;

NOW, THEREFORE, for good and valuable consideration, and the mutual promises and covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the Parties agree that the terms of the Consulting Agreement shall be amended as follows:

1. **Engagement and Services.** The Parties agree that effective immediately consultant is relieved of and shall no longer provide any Services to Owner.
2. **Compensation.** In consideration of \$60,000 in hand paid this day, the receipt and sufficiency of which are hereby acknowledged by Consultant, Consultant agrees that Owner is released and has satisfied all obligations under the Consulting Agreement, including, without limitation, those described in Section 3 of the Consulting Agreement and the obligation for payment of compensation and any other amounts payable to Consultant, except for the payments described in Section 5.2 of this Amendment.
3. **Compliance with Law.** Consultant confirms that it and its employees and subcontractors have at all times complied with the Chapter 369 of the Commonwealth of Massachusetts Acts of 2012 and 105 CMR 725.000 *et seq.* and any other applicable regulations regarding marijuana businesses in Massachusetts and has maintained all licenses as may be required by law.
5. **Intellectual Property.** NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH BELOW, NOTHING IN THIS AGREEMENT GRANTS OR SHALL BE INTERPRETED AS GRANTING OWNER OR ERMONT, INC. ("ERMONT") WITH ANY RIGHTS TO PRODUCTS DESIGNATED AS OR MARKETING UNDER THE NAME "VYB".

- 5.1. **Intellectual Property.** The Parties agree that effective immediately Consultant is relieved of all obligations to provide any training Owner's client's employees. Consultant hereby grants Owner, its successors and assigns a nonexclusive, perpetual, irrevocable, royalty-free, transferable license to use and sublicense for any purpose all Consultant IP provided or delivered to Owner in any form during the term of the Consulting Agreement and all derivatives thereof. For the avoidance of doubt, Consultant IP includes, without limitation, all intellectual property provided by Consultant pursuant to the Consulting Agreement (specifically excluding any products

marketed as "VYB") and used by Owner in connection with the performance by Owner of services for Ermont. Consultant acknowledges that Owner intends to transfer such rights to Ermont Management Company, LLC or an affiliate thereof.

**5.2 Inventions.** The Parties acknowledge and agree that, except for the license of the Consultant IP recited in Section 5.1, Consultant and its successors retain Consultant's entire right, title and interest in any invention, creation, or, whether or not patentable copyrightable, made or conceived wholly or in part by Consultant (specifically excluding any products marketed as "VYB") since the commencement of Consultant's engagement by the Owner and during the course of the Consulting Agreement (collectively "Inventions"). Consultant hereby grants an irrevocable license to Owner to use the Inventions (specifically excluding any products marketed as "VYB") to carry out the business with respect to Owner's clients including Ermont and to sublicense them to any assignee of Owner or Ermont so that Ermont may produce and provide products to its customers. Such rights retained by the Consultant include but are not limited to, any trademarks, copyrights and rights to all derivative works created therefrom, moral rights, patent rights and trade secrets.

**5.3 Ermont Products.** Consultant hereby disclaims any rights to marijuana products created or sold by Owner or Ermont (specifically excluding any products marketed as "VYB"), whether now existing or hereafter created.

**5.4. Confidentiality.** Consultant acknowledges and agrees that the terms of Section 5.4 of the Consulting Agreement relating to the Confidential Information of Owner are incorporated herein by reference and remain in full force and effect unaffected by this Amendment.

**6. Representations and Warranties.** The representations and warranties contained in Section 6 of the Consulting Agreement are deleted and have no further force or effect as of the Effective Date.

**7. Indemnification.** Owner and Consultant acknowledge and agree that the terms of Section 7 of the Consulting Agreement relating to the Indemnification of each by the other are incorporated herein by reference and remain in full force and effect unaffected by this Amendment.

**8. Exclusivity.** Owner and Consultant acknowledge and agree that the terms of Section 8 of the Consulting Agreement regarding limitations and exclusivity of Consultant's services are deleted and have no further force or effect as of the Effective Date.

**9. Term and Termination.** Except as explicitly set forth herein, the Consulting Agreement is terminated as of the Effective Date.

**10. Notices.** Any notices required or permitted hereunder shall be in writing and shall be personally delivered or sent by mail, Federal Express or similar courier service, all of which shall be effective upon receipt. Notices sent by mail or courier shall be addressed as follows:

If to Consultant:

Adam Gendreau and G&G Box Builders LLC  
192 Hyde Park Ave  
Boston, MA 02130

If to Owner:

Zolly, LLC  
11 Jefferson St., Unit 3  
Boston, MA 02116

**11. Miscellaneous.**

**11.1. Assignment.** Either Party may transfer or assign this Amendment without the other's consent. For Clarification but not in limitation of the foregoing, Owner shall not be required to seek or obtain

the consent of Consultant in connection with any assignment by Owner: (i) to a parent, subsidiary, or affiliate; or (ii) in connection with a merger, acquisition, reorganization, sale or consolidation of Owner or its assets.

**11.2. Severability.** Should any one or more of the provisions contained in this Amendment, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Amendment, and this Amendment shall be construed and enforced as if such invalid, illegal or unenforceable provision had never been contained herein.

**11.3. Governing Law.** This Amendment shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Massachusetts, without regard to the principals of conflicts of law thereof. The Parties expressly waive any defense to enforcement based upon nonconformance with federal law.

**11.4. Entire Agreement.** This Amendment contains the full and complete understanding of the parties with respect to its subject matter and supersedes all prior representations and understanding, whether oral or written. This Amendment may only be modified by the mutual written consent of the parties.

**11.5 Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the parties and their respective heirs, personal representatives, successors and assigns.

**11.6. Advice of Counsel.** Each Party acknowledges that, in executing this Amendment, it has had the opportunity to seek the advice of independent legal counsel and has read and understood all of the terms and provisions of this Amendment. This Amendment shall not be construed against any Party by reason of the drafting or preparation hereof.

**11.7 Further Assurance.** The Parties hereto hereby agree to cooperate with each other and to take such other action and execute such additional documents as may be necessary or desirable in order to confirm, consummate and implement the rights and obligations of the Parties contemplated by this Amendment.

**11.8 Counterparts.** This Amendment may be executed in multiple counterparts which may be delivered electronically and together shall be considered one instrument.

**12. Release.** Each of the Parties, for himself, itself and their respective affiliates, managers, members, heirs, officers, directors, employees, successors, assigns, advisors and personal representatives (collectively, "Associates") hereby remises, releases, absolves, acquits and forever discharges the other and its Associates, from any and all actions, causes of actions, suits, accounts, debts, claims, demands, controversies, and liabilities of every nature, both at law and in equity, whether known or unknown, apparent or not apparent, past or present, which the undersigned now has, has had, or could have had against one or more of the other or its Associates up to the date of this Amendment; PROVIDED HOWEVER THAT no such release shall apply to any undertaking or agreement contained in this Amendment to be performed on or after the date hereof. For purposes of the Release given by Consultant, Ermont shall be considered an Associate of Owner.

13. NDAs.

(a) Consultant represents and agrees with Zolly that it has not executed any non-disclosure agreement or any other agreement restricting the activity or communications of Zolly, any manager, member or employee of Zolly or of Ermont or any employee of Ermont.

(b) VYB Holdings, LLC ("VYB"), joining in this Agreement solely for the purpose of this Section 13(b), for good and valuable consideration represents and agrees with Zolly that VYB has not executed any non-disclosure agreement or any other agreement restricting the activity or communications of Zolly or any manager, member or employee of Zolly.

IN WITNESS WHEREOF the parties have executed this Amendment effective as of the date first set forth above.

**FOR OWNER: ZOLLY, LLC:**

BY: \_\_\_\_\_

Zachary Harvey, its Manager

**FOR CONSULTANT:  
G&G Box Builders LLC**

BY: \_\_\_\_\_

Adam Gendreau, its Manager

And

VYB Holdings, LLC (as to Section 13(b) only):

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

Adam Gendreau, Manager/ Managing Member

\_\_\_\_\_  
Adam Gendreau, individually

## ASSIGNMENT

This Agreement (the "Assignment"), dated as of May \_\_, 2018, is made between Cultivo, LLC, a Delaware limited liability company ("Assignee") and Zolly, LLC, a Massachusetts limited liability company ("Zolly") pursuant to an Assignment Agreement between Assignee and Zolly of even date (the "Agreement"). Capitalized terms used but not defined herein shall have the meanings given those terms in the Agreement.

WHEREAS, under the terms of the Agreement, Zolly has agreed to convey, transfer and assign to Assignee certain assets of Zolly;

NOW THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration (specifically including the consideration set forth in the Agreement), the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment of Service Agreement. Zolly hereby conveys, transfers and assigns to Assignee, and Assignee hereby accepts and shall assume, all of Zolly's rights, title, interest, in and obligations under the Services Agreement arising from and after the date hereof.
2. Assignment of IP. Zolly hereby conveys, transfers and assigns to Assignee, and Assignee hereby accepts, all of Zolly's right, title and interest in and to the Intellectual Property Rights.
3. Terms of the Assignment Agreement. The parties hereto acknowledge and agree that this Assignment is entered into pursuant to the Agreement, to which reference is made for a further statement of the rights and obligations of Zolly and the Assignee. The representations, warranties, covenants, agreements and indemnities contained in the Agreement shall not be superseded hereby but shall remain in full force and effect to the full extent provided therein. In the event of any conflict or inconsistency between the terms of the Agreement and the terms hereof, the terms of the Agreement shall govern.
4. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement.
5. Governing Law. This Assignment and any claim, controversy, dispute or cause of action (whether in contract, tort or otherwise) based upon, arising out of or relating to this Assignment and the transactions contemplated hereby shall be governed by, and construed in accordance with, the laws of the United States and the Commonwealth of Massachusetts, without giving effect to any choice or conflict of law provision or rule (whether of the Commonwealth of Massachusetts or any other jurisdiction).

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

CULTIVO LLC

ZOLLY, LLC

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

Name:

Title:

\_\_\_\_\_

Name:

Title:

**EXHIBIT E**

**Sixth Amendment to Lease**

## SIXTH AMENDMENT TO LEASE AGREEMENT

This SIXTH AMENDMENT TO LEASE AGREEMENT is entered into as of May \_\_\_, 2018.

WHEREAS, on January 24, 2014, ELDEB, LLC, a Massachusetts limited liability company, having a business address of c/o Universal Management, LLC, 181 Wells Avenue, Newton, MA 02459 (the "Landlord") and ERMONT, INC., a Massachusetts Chapter 180 Nonprofit Corporation with an address of 216 Ricciuti Drive, Quincy, MA 02169 (the "Tenant") entered into a Lease Agreement (the "Lease") for the building located at, and with the mailing address of, 216 Ricciuti Drive, Quincy, Massachusetts (the "Building").

WHEREAS, the Lease was amended by a certain First Amendment to Lease Agreement dated March 3, 2014, a Second Amendment to Lease Agreements dated April 29, 2014, a Third Amendment to Lease dated May 20, 2014, a Fourth Amendment to Lease dated April 30, 2015, and a Fifth Amendment to Lease dated June 27, 2016.

WHEREAS, the Landlord and Tenant desire to further amend the Lease.

WHEREAS, on January 24, 2014, Landlord and John D. Hudson ("Hudson") executed that certain Guaranty, guarantying obligations under the Lease (the "Guaranty")

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

1. Use. Section 2 is hereby amended to provide that in addition to the use set forth in the Lease, the Premises may be used for the cultivation, growth, processing, handling, transporting and sale (at wholesale or retail) of marijuana or cannabis and marijuana or cannabis related or infused products for Adult Use as permitted under applicable Massachusetts Law including, without limitation, 935 CMR 500.

2. Option to Extend Term. The Landlord and Tenant hereby agree that the Term of the Lease is hereby extended through the First Extended Termination Date (as defined in Section XLVII of the Lease. Rent during the first year of the First Extended Term shall be 3% greater than the Rent payable in the 10<sup>th</sup> year of the Term and shall increase by 3% per year over the prior year's rent during each year of the First Extended Term.

3. No Other Amendments. Other than as set forth above, the Lease as previously amended shall remain in full force and effect.

4. Amendment of Guaranty. Landlord hereby releases Hudson from all obligations arising under or related to the Guaranty and the Lease and, as of the date hereof, Sea Hunter Therapeutics, LLC replaces Hudson as Guarantor (as the same is defined in the Lease) for all purposes under the Guaranty for claims arising after the date hereof. Hudson is intended to be a third party beneficiary of this paragraph.



IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year first above written.

Landlord:  
ELDEB, LLC

By: \_\_\_\_\_  
Hereunto duly authorized

Tenant:  
ERMONT, INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Hereunto duly authorized

Replacement Guarantor:

SEA HUNTER THERAPEUTICS, LLC.

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

**SCHEDULE 1.2 (a)**

Closing Payables Amount

## **Ermont Closing Payables as of 12:01 am on May 31, 2018**

Zolly Payable	2,047,500
Host Agreement - Jan - May 30 2018*	118,221
4 Front	50,000
Sipe Termination and Genetic Material Agreement	120,000
Backdoor Leasing	288,016
IRS tax payment**	96,000
City of Quincy tax on machinery***	43,400
Murphy & King	170,000
Prince Lobel	60,478
Bridge West	27,250
Seller Representative's Reserve	127,000
<b>Total</b>	<b><u>3,147,865</u></b>

\* Days in May are estimated based on April actual

\*\* Based on Q1 estimates adjusted through May 30

\*\*\* The approval of Ermont's request for Manufacturing Corporation Classification was originally filed in January 2016. After no response was received, a second request was filed in January 2017. Approval from the DOR was received in January 2018. Asset listings were not filed with the City of Quincy since we did not know Ermont's corporation classification. We are currently in process of filing 2015 and 2016. 2017 does not need to be filed due to Ermont's Manufacturing Corporation Classification.

**SCHEDULE 1(a)**

**Pre-paid Expenses**

**Ermont Prepaid Expenses through Close as of 12:01 am on May 31, 2018\***

216 Ricciuti Rent	\$	1,009
216 Ricciuti CAM	\$	436
216 Ricciuti Security Deposit (last month plus \$35k)	\$	72,490
Health Insurance	\$	538
Dental/Life/ STD Insurance	\$	747
Business Insurance Renewals (as of 5/5/18)	\$	27,484
Workers Compensation	\$	1,561
Northstar Capital Lease	\$	583
DPH License Renewal 2017 (thru 6/27/18)	\$	3,836
<b>Total</b>	<b>\$</b>	<b>108,683</b>

\* Prepaid Expenses are defined as any spend incurred by "old" Ermont which benefits "new" Ermont

## **SCHEDULE 1.5**

### **Estimated Working Capital Accounting Methodology**

**Ermont Estimated Net Working Capital as of 12:01 am on May 31, 2018**

**Current Assets**

Cash on hand	\$ 150,000
Debit card receivable	\$ 85,979
Prepaid Expenses	\$ 108,683
<b>Total</b>	<b>\$ 344,662</b>

**Current Liabilities**

Accounts Payable	\$ 7,283
Accrued Expenses*	\$ 177,030
<b>Total</b>	<b>\$ 184,313</b>

**Estimated Net Working Capital**

	\$ 160,349
Working Capital threshold	\$ 150,000
Working Capital Excess/Deficit	\$ 10,349

\* Portion of accrued expenses as of 12:01 am on May 31, 2018

**Portion of Ermont Accrued Expenses for period through May 30, 2018\***

**May 30,  
2018**

<b>Expense</b>	
Police detail	\$ 1,161
Security monitoring	\$ 9,629
Generator	\$ 3,267
Payroll to be paid 6/1/2018 (pay period 5/14/2018 to 5/27/2018)	\$ 89,168
Payroll to be paid 6/15/2018 (pay period 5/28/2018 to 6/10/2018)	\$ 19,107
Bank charges	\$ 11,651
Electricity (5/19/2018 to 5/28/2018)	\$ 12,814
Gas	\$ 2,233
DPH License Renewal (6/27/2018 to 6/27/2019)**	\$ -
Laboratory testing	\$ 28,000
<b>Total</b>	<b>\$ 177,030</b>

\* Accrued as of 5/30/2018 for which invoices will not be available prior to close

\*\* The DPH License Renewal fee is \$50,000 for the period 6/27/18 to 6/27/19.

Ermont has been granted a later due date which is 6/1/2018.



**From:** [Alex Coleman](#) on behalf of [Alex Coleman <acoleman@shthera.com>](#)  
**To:** [Steven J Hoffman](#)  
**Subject:** Draft MOU  
**Date:** Saturday, December 1, 2018 2:47:10 AM  
**Attachments:** [MOU Sea Hunter\\_TILT Draft.docx](#)  
[ATT00002.bin](#)

---

Steve-

Apologies as this is exactly a week late. Please see the draft MOU. It would be great to get any comments or observations you might have, as Tito has started to engage with remarkably talented and qualified people ideally suited for us to provide financial and operational support to. We have also retained a local lawyer, Laury Lucien, to provide legal support to new applicants and I'm sure would love the opportunity to discuss this with you at some point.

All the best

Alex

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (“**MOU**”) is made September \_\_\_\_, 2018 by and between Sea Hunter Therapeutics, LLC, a Delaware limited liability company (“**Sea Hunter**”) and [CORPORATE NAME, JURISDICTION AND TYPE OF ENTITY] (“**NewCo**”). Sea Hunter and NewCo may be referred to in the MOU individually as a “**Party**” or collectively as the “**Parties.**”

### RECITALS

WHEREAS, Sea Hunter is currently seeking to partner with entities that have obtained or will obtain licenses to operate adult-use marijuana cultivation, processing, and retailing businesses in the Commonwealth of Massachusetts (the “**Marijuana Establishments**”);

WHEREAS, Sea Hunter, through its wholly-owned subsidiary, Commonwealth Alternative Care, Inc. (“**CAC**”), produces final marijuana products for sale to Registered Qualifying Patients, in accordance with Chapter 369 of the Acts of 2012 and 105 CMR 725.000 *et. seq.*;

WHEREAS, Sea Hunter, through its wholly-owned subsidiary, SH Realty Holdings (“**SH Realty**”), seeks to acquire and owns real property in the Commonwealth of Massachusetts which may leased to Marijuana Establishments;

WHEREAS, Sea Hunter, through its wholly-owned subsidiary, Cultivo, LLC (“**Cultivo**”) provides consulting services to Marijuana Establishments relating to, without limitation, application for state licensure to operate and buildout of operations;

WHEREAS, Sea Hunter currently has an interest in a partnering with adult-use marijuana retailing businesses, including those certified as Economic Empowerment Applicants, as a marijuana product vendor;

WHEREAS, NewCo intends to apply for licenses to operate adult-use marijuana retailing businesses in the Commonwealth of Massachusetts;

WHEREAS, NewCo desires the assistance of Sea Hunter and its subsidiaries in connection with (a) procuring marijuana and marijuana products in order to maintain a substantial stock of products for retail sales (the “**Marijuana Business**”), (b) leasing real property for its Marijuana Business, and (c) obtaining the necessary licenses required to operate NewCo’s Marijuana Business;

WHEREAS, Sea Hunter desires to loan to NewCo, and NewCo desires to borrow from Sea Hunter, capital sufficient to finance the buildout of the Marijuana Business and for general working capital purposes; and

WHEREAS, the Parties desire to enter into a mutually beneficial arrangement in connection with their respective business pursuits;

NOW THEREFORE, in consideration of the mutual promises contained in this MOU, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties agree as follows:

## AGREEMENT

1. Purpose. This MOU sets forth the basic terms of a business relationship between the Parties as to be further set forth in definitive agreements between the Parties effectuating the terms of this MOU (each, a “**Definitive Agreement**” and, collectively, the “**Definitive Agreements**”). This MOU is intended to be binding on the Parties in all respects, until terminated.
2. Obligations of the Parties.
  - a. License Application/Site Selection/Compliance. Sea Hunter will provide operational support to assist the principals of NewCo with (i) Marijuana Establishment Application and License Fees unless waived for Social Equity Program or Economic Empowerment applicants (the “License Procurement Cost”), (ii) site selection and property acquisition costs and (iii) ongoing compliance and operating costs associated with maintaining a qualifying adult use retail license under 935 CMR 500.101 as directed by the Cannabis Control Commission.
  - b. Secured Loan Facility. Sea Hunter, through its wholly owned subsidiary SH Finance, LLC (“**SH Finance**”), shall provide a secured loan facility for up to [·] UNITED STATES DOLLARS (\$[·] USD) at fourteen percent (14%) interest per annum (the “**Loan**”), for which the loaned capital will be used for costs associated with obtaining all necessary licenses and permits, building-out the Marijuana Business, compensating employees and other operating costs as well as the purchase of real estate if necessary. Interest on the Loan will begin accruing from the date of disbursement. NewCo may, at its sole discretion (unless an event of default has occurred), request disbursement under the Loan and may prepay outstanding principal and interest on the Loan, without penalty, at any time. All outstanding principal and interest under the Loan will be due to SH Finance on the five (5) year anniversary of the execution of the Definitive Agreement governing the Loan (the “**Maturity Date**”), subject to extension options reasonably satisfactory to the Parties. Prior to the Maturity Date, while any interest and principal under the Loan remain outstanding, NewCo shall annually prepay to SH Finance an amount equal to seventy percent (70%) of any excess cash flows as of the fiscal year end of NewCo (the “**Cash Flow Sweep**”), with reference to, among other things, NewCo’s annual EBITDA, tax payments and cash expenditures. Any amounts paid under such Cash Flow Sweep shall be credited against outstanding payments of principal and interest under the Loan. The Definitive Agreement governing the terms of the Loan shall have customary provisions relating to, among other things, events of default (which events of default shall also include any material breach of Supply and Services Agreement discussed in Sections 2(e) and 2(f) hereof), representations and warranties, and covenants prohibiting NewCo from incurring additional debt or issuing equity (subject to customary exceptions). The Loan Agreement shall also

provide SH Finance with depository control rights to NewCo's account in the event of any default by NewCo.

- c. Lease. Sea Hunter shall effect the entry by SH Realty, as lessor, into a lease agreement with NewCo, as lessee, for five (5) one-year terms, with an option for one-year renewals thereafter upon mutual agreement of the Parties. The Definitive Agreement for such lease shall provide that the monthly lease payments due to SH Realty shall be no less than (i) (A) the monthly amounts paid by SH Realty in mortgage payments on such property or, (B) if SH Realty does not have a mortgage on the property, the proportional monthly share of the total purchase price paid for by SH Realty for such property amortized over 20 years plus (ii) 14% of such amount. The Definitive Agreement for such lease shall also have commercially reasonable terms relating to, among other things, lease payments, covenants, renegotiation of rental payments owed (including in the case of changes to applicable law that would lower the market rental rate of such real property), and termination provisions, to be determined with reference to lease terms customary for cannabis establishments engaged in similar business activities in the Commonwealth of Massachusetts for the thirty (30) day period immediately preceding the entry into such lease agreement.
- d. Interest and Rent Relief. To the extent Sea Hunter, or a subsidiary or parent thereof, is granted access to debt capital due to a change in the US federal cannabis laws which would commensurately reduce its cost of borrowing, a similar rate reduction shall be applied NewCo's cost of borrowing or lease costs.
- e. CAC Product. Sea Hunter shall effect the entry by CAC into a supply agreement with NewCo for NewCo to purchase at least eighty five-percent (85%) of its marijuana product inventory from CAC (the "**CAC Product**"). NewCo shall be required to provide a monthly inventory report to CAC for CAC's review. To the extent that the inventory report indicates that products other than CAC Product were purchased in the preceding month in excess of 15% of NewCo's required inventory, NewCo shall provide to CAC a payment in addition to prior payments rendered for such monthly supply of CAC Product in an amount that, taken together with such prior payment, would equal eighty five percent (85%) of NewCo's inventory. The Definitive Agreement between CAC and NewCo relating to the supply of CAC Product shall be negotiated on an arms-length basis. The CAC Product supplied to NewCo shall be purchased by NewCo at the fair market value, as determined by the average of analogous wholesale product prices and with reference to private wholesale contracts and publicly available information for the thirty (30) day period preceding pricing. Such Definitive Agreement shall have customary provisions relating to, among other things, term, duration, product quality standards, intellectual property and indemnification.
- f. Support & Services. In exchange for key services provided to NewCo by CAC, there shall be a Stock Keeping Unit (SKU) fee equal to \$3.00 per every marijuana product unit sold at NewCo's retail establishment. Such terms shall be contained in a Supply & Services Agreement. Any services which require additional costs

will be selected at the sole discretion of NewCo, as outlined in 2(h) of this MOU. For the avoidance of doubt, NewCo has the right, but not the obligation, to utilize all branding currently used by Sea Hunter, for store names, buildouts and store formats, uniforms and merchandising at no additional cost.

- g. Right of First Refusal. Should Newco, at any time, receive a bona fide offer (the “**Offer**”) to sell an equity interest in Newco which would constitute a change of control, whether in a single transaction or a series of transactions, Sea Hunter shall have a right of first refusal (“**ROFR**”), on a continuous basis, exercisable in its sole discretion, to purchase at a price with similar terms and conditions of the Offer, all of the outstanding equity of NewCo. This ROFR is only exercisable at such time that the Marijuana Regulations are revised to remove the Ownership Limits and otherwise in conformity with applicable law and regulatory approval. For purposes of this MOU, “**Marijuana Regulations**” means 935 CMR 500.050. For purposes of this MOU, “**Ownership Limit**” means the limitation, pursuant to the Marijuana Regulations, for licensed holders to hold no more than three (3) licenses for each of Marijuana cultivation, manufacturing, distribution, testing and retail (including controlling interests in such licenses).
  - h. Other Arrangements. In its sole discretion, NewCo may elect to engage Sea Hunter or its designated subsidiaries to provide specific support services to NewCo at its retail establishment including, without limitation, the provision of a kiosk and related software solutions at such establishment. If NewCo elects to utilize such services, it will enter into a consulting agreement with Cultivo for any such services, for (i) if a 3<sup>rd</sup> party service, at cost, or (ii) if a service of Sea Hunter, at the cost of Cultivo’s services, as determined by the standard hourly rate of Cultivo employees engaged in performance of the services, multiplied by the hours worked on any NewCo matters, with such costs to be billed out to and paid by NewCo on a monthly basis, plus 20%.
- 3. Further Assurances. The Parties shall procure, deliver and execute any Definitive Agreements reasonably necessary to achieve the purposes of this MOU.
  - 4. Limitations. Nothing in this MOU shall be construed to create any exclusivity obligations for either Party. Nothing in this MOU shall be construed to create a contractual relationship between the Parties beyond the express purpose stated in this MOU.
  - 5. Term. This MOU shall be in effect until the execution of the Definitive Agreements. Notwithstanding the foregoing, in the event that any state or local permit or license for the siting of the Marijuana Establishments is denied by the applicable state or local licensing or permitting authority and (a) such denial is upheld by a final, non-appealable ruling or (b) any potential appeal is otherwise abandoned by mutual agreement of the Parties, then this MOU shall terminate unless otherwise agreed to in writing by the Parties.

6. Good Faith. The Parties shall work in good faith to prepare and enter into the Definitive Agreements within sixty (60) days of the execution of this MOU, which period may be extended by mutual agreement of the Parties.
7. Regulatory Review. The Parties agree that the terms of this MOU and the Definitive Agreements shall comply with all applicable state and local regulations applicable to the Parties' respective operations. In the event that any term of this MOU or any of the Definitive Agreements is determined to be in conflict with applicable regulations, the Parties shall work in good faith to reform this MOU and the Definitive Agreements to comply with applicable regulations, provided that any such reformation shall maintain the original intent of the Parties to the extent permissible.
8. Relationship of Parties. Nothing contained in this MOU shall be construed as constituting either Party as the franchisor, franchisee, partner, broker, joint-venture or agent of the other. Each Party is an independent contractor and neither has nor shall have any power, right or authorization to bind the other or to assume or create any obligations or responsibilities, express or implied, on behalf of the other or in the other's name. Nothing contained in this MOU shall be construed as granting status to either Party as being a controlling person of the other Party, nor shall anything in this MOU be construed as granting either Party a position to control the decision-making of the other Party, both in accordance with the Marijuana Regulations.
9. Confidentiality. The Parties agree that the information set forth herein, as well as any information shared between the Parties in connection with this MOU and the preparation of the Definitive Agreements, is intended to be private and confidential between the Parties and shall not be disclosed to third parties without the written consent of the other Party; provided, however, that the terms of this MOU may be disclosed in confidence to regulatory authorities and legal counsel for purposes incidental to this MOU. The provisions of this paragraph shall survive the termination of this MOU.
10. Equitable Relief; Indemnity. The Parties agree that, in the event that NewCo breaches or threatens to breach the obligations set forth in Paragraphs 8 and 9, monetary damages may be an inadequate remedy. Therefore, in the event of a breach or threatened breach by NewCo or its agents of such provisions, Sea Hunter shall be entitled to seek injunctive or other equitable relief against such breach to enforce the provisions of this MOU. The equitable remedies afforded to Sea Hunter by this paragraph shall be in addition to any and all other remedies at law available to Sea Hunter for any violation, breach or threatened breach of this MOU. NewCo agrees: (i) to waive, and to cause its representatives to waive, any bond requirement in connection with such remedy; and (ii) to indemnify, defend, and hold Sea Hunter harmless from any and all actions, claims, lawsuits, losses, damages, costs, fines, fees (including without limitation attorney's fees), and other expenses arising from any breach of this MOU. In connection with this indemnification and defense obligation, Sea Hunter shall be entitled to select and engage legal counsel of its choosing.

11. Governing Law. This MOU shall be governed and interpreted exclusively under the laws of the Commonwealth of Massachusetts notwithstanding any conflicts or choice of laws principles.
12. Severability. If any provision of this MOU is held by a court or government agency of competent jurisdiction to be illegal, invalid or otherwise incapable of being enforced, the remaining provisions of this MOU shall remain in full force and effect.
13. Modification. This MOU may be modified only by written agreement signed by both Parties.
14. Notice. Any notices provided pursuant to this MOU shall be made to each Party at the respective email addresses listed in the signature block of this MOU.
15. Counterparts. This MOU may be executed in any number of counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

By signing this MOU each Party acknowledges that it has read, understands and intends to be bound by the terms of this MOU. Each Party has consulted with, or has had ample time and elected not to consult with, independent counsel regarding the terms of this MOU.

[Signature page follows]

**Sea Hunter Therapeutics, LLC**

---

Signature

---

Printed Name

---

Title

---

Email Address

**NewCO**

---

Signature

---

Printed Name

---

Title

---

Email Address



**From:** [Hoffman, Steven J \(CNB\)](#) on behalf of [Hoffman, Steven J \(CNB\) <steven.j.hoffman@state.ma.us>](#)  
**To:** [Vanessa Otero](#); [Alex Coleman](#)  
**Subject:** Introduction  
**Date:** Saturday, December 1, 2018 2:25:20 AM  
**Attachments:** [image002.png](#)  
[image003.png](#)

---

Alex and Vanessa,

I have mentioned your names to each other and promised to connect the two of you.

Vanessa is the COO of Partners for Community, a group in Springfield that does an amazing job of helping inner-city residents get started in business. Alex's company is considering a program that would provide financing, training and support to new entrepreneurs seeking to get into the legal cannabis industry.

I hope that the two of you have a very productive conversation.

Let me know if I can help in any way.

Steve



**Steven J. Hoffman**  
**Chairman**

Cannabis Control Commission  
101 Federal Street, 13<sup>th</sup> Floor  
Boston, MA 02110

O: (617) 701-8400 | C: (857) 275-7158  
[www.MassCannabisControl.com](http://www.MassCannabisControl.com)

**From:** [Alexander Coleman](#) on behalf of [Alexander Coleman <acoleman@shthera.com>](#)  
**To:** [Hall, Annemarie \(CNB\)](#)  
**Subject:** Re: Draft MOU  
**Date:** Saturday, December 1, 2018 2:35:29 AM

---

(917)969-4834  
Thanks

On Sep 12, 2018, at 10:02, Hall, Annemarie (CNB) <[annemarie.hall@state.ma.us](mailto:annemarie.hall@state.ma.us)> wrote:

**Good Morning Mr. Coleman,**

**Chairman Hoffman looks forward to your 10:00AM phone call tomorrow, is the mobile number below the best number to reach you on at that time?**

**Best,  
Annemarie Hall**

---

**From:** SHT Admin <[admin@shthera.com](mailto:admin@shthera.com)>  
**Sent:** Wednesday, September 12, 2018 7:02 AM  
**To:** Alexander Coleman <[acoleman@shthera.com](mailto:acoleman@shthera.com)>  
**Cc:** Hoffman, Steven J. (CNB) <[steven.j.hoffman@mass.gov](mailto:steven.j.hoffman@mass.gov)>  
**Subject:** Re: Draft MOU

Hi Steven,

Sorry for the delay. Could we set this call for Thursday, 9/13 at 10am ET?

I look forward to hearing from you,

**SEA HUNTER THERAPEUTICS**

Martina Barry  
Office Manager / Executive Assistant  
[mbarry@shthera.com](mailto:mbarry@shthera.com)  
Mobile (561) 350-8081

On Mon, Sep 10, 2018 at 6:52 PM, Alexander Coleman <[acoleman@shthera.com](mailto:acoleman@shthera.com)> wrote:

Ok - I will have something set up as at the mercy of an fairly inefficient Canadian system - will look forward to speaking then

On Sep 10, 2018, at 15:32, Hoffman, Steven J (CNB) <[steven.j.hoffman@state.ma.us](mailto:steven.j.hoffman@state.ma.us)> wrote:

Alex,

End of day on Wednesday – 3:30 or 4 – or Thursday morning – 10 or 10:30.

Let me know what's best for you.

Steve

**Steven J. Hoffman**  
Chairman  
Cannabis Control Commission  
[101 Federal Street](#), 13<sup>th</sup> Floor  
Boston, Massachusetts 02110  
Direct Dial: 617-701-8401  
[steven.j.hoffman@state.ma.us](mailto:steven.j.hoffman@state.ma.us)  
Visit our Website: <https://mass-cannabis-control.com/>

*This e-mail and its contents may contain confidential or privileged material and are intended solely for the use of the individual/company to whom it is addressed. Any unauthorized retransmission, dissemination or unintended use of this message or its contents is strictly prohibited and may be the subject of legal action. If you have received this e-mail in error, please notify me immediately.*

---

**From:** Alex Coleman <[acoleman@shthera.com](mailto:acoleman@shthera.com)>  
**Sent:** Friday, September 7, 2018 3:52 PM  
**To:** Hoffman, Steven J. (CNB) <[steven.j.hoffman@mass.gov](mailto:steven.j.hoffman@mass.gov)>  
**Subject:** Re: Draft MOU

Just send me a note when you want to catch up. I am going from Vancouver to Montreal from Monday to Friday so can organize a time when you are available

Alex

On Sep 7, 2018, at 1:23 PM, Hoffman, Steven J (CNB) <[steven.j.hoffman@state.ma.us](mailto:steven.j.hoffman@state.ma.us)> wrote:

Thanks, Alex.

I will look at this over the weekend and give you a call early next week? What does your calendar look like?

Steve

**Steven J. Hoffman**

Chairman

Cannabis Control Commission

[101 Federal Street](#), 13<sup>th</sup> Floor

Boston, Massachusetts 02110

Direct Dial: 617-701-8401

[steven.j.hoffman@state.ma.us](mailto:steven.j.hoffman@state.ma.us)

Visit our Website: <https://mass-cannabis-control.com/>

*This e-mail and its contents may contain confidential or privileged material and are intended solely for the use of the individual/company to whom it is addressed. Any unauthorized retransmission, dissemination or unintended use of this message or its contents is strictly prohibited and may be the subject of legal action. If you have received this e-mail in error, please notify me immediately.*

---

**From:** Alex Coleman <[acoleman@shthera.com](mailto:acoleman@shthera.com)>

**Sent:** Friday, September 7, 2018 12:47 PM

**To:** Hoffman, Steven J. (CNB)

<[steven.j.hoffman@mass.gov](mailto:steven.j.hoffman@mass.gov)>


**Subject:** Draft MOU

Steve-

Apologies as this is exactly a week late. Please see the draft MOU. It would be great to get any comments or observations you might have, as Tito has started to engage with remarkably talented and qualified people ideally suited for us to provide financial and operational support to. We have also retained a local lawyer, Laury Lucien, to provide legal support to new applicants and I'm sure would love the opportunity to discuss this with you at some point.

All the best

Alex

**From:** Alex Coleman acoleman@tiltholdings.com   
**Subject:** Breakfast et al  
**Date:** December 12, 2018 at 6:07 PM  
**To:** Steven J Hoffman (CNB) steven.j.hoffman@state.ma.us

---

AC

Steve

It was great to see you the other day. Such an interesting evolution for both our respective positions - I'm am not sure which one is more challenging. Also wanted to apologize as likely should have given you a heads up on the additional breakfast invitees, but both Kevin McCluskey and Lars Vaule were very interested in meeting as well

As discussed, I have attached the alcohol report and cannabis. While the press likes to focus on the negative, there is a lot of positive when the product is made broadly available

I trust you have a terrific holiday (and well deserved) with your family and will look forward to catching up in the New Year

Alex



Alcohol &  
Cannabis.pdf

Alexander P Coleman  
Chairman and CEO

[acoleman@tiltholdings.com](mailto:acoleman@tiltholdings.com)  
Tiltholdings.com  
Mobile (917) 969-4834  
Office (561) 282-6377



## **Helping Settle the Marijuana and Alcohol Debate: Evidence from Scanner Data**

Michele Baggio, Alberto Chong, and Sungoh Kwon \*

### **Abstract**

We use data on purchases of alcoholic beverages in grocery, convenience, drug, or mass distribution stores in US counties for 2006-2015 to study the link between medical marijuana laws and alcohol consumption and focus on settling the debate between the substitutability or complementarity between marijuana and alcohol. To do this we exploit the differences in the timing of the of marijuana laws among states and find that these two substances are substitutes. Counties located in MML states reduced monthly alcohol sales by 15 percent. Our findings are robust to border counties analysis, a placebo effective dates for MMLs in the treated states, and falsification tests using sales of pens and pencils.

---

\* Baggio: University of Connecticut, Storrs; Chong: Georgia State University, Atlanta and Universidad del Pacifico, Lima; Kwon: University of Connecticut, Storrs. We are very grateful to David Simon and Stephen Ross for careful comments and suggestions and to Camila Morales and Tareena Musaddiq for excellent research assistance. The standard disclaimer applies. Scanner data calculated (or derived) based on data from The Nielsen Company (US), LLC and marketing databases provided by the Kilts Center for Marketing Data Center at The University of Chicago Booth School of Business.” Information about the data and access are available at <http://research.chicagobooth.edu/nielsen/>.

## **1. Introduction**

Alcohol and marijuana are two of the most commonly abused substances in the world and as such there is significant interest in better understanding their links, if any. In particular, there is significant interest in better understanding the impact of marijuana laws on alcohol consumption from broad interdisciplinary perspectives as well as from policymaking circles. It is not surprising that a relatively large literature on the link between the two has grown considerably in recent years. In fact, two particularities have arisen related to the evidence published so far. First, there is no clear evidence on the type of link between these substances. This is nicely summarized in a recent paper by Subbaraman (2016) who reviews 39 studies from different disciplines and finds that sixteen support substitution, ten support complementarity, and twelve support neither while one supports both, including a host of nuances depending on age, race, and even gender. Second, unsurprisingly, each academic discipline studying this issue has applied priors that have resulted in an unwarranted perception on the link between alcohol and marijuana. In psychology for instance, there is perception that these two substances are complements especially at a younger age. Similarly, in criminology, there is a belief that alcohol and marijuana also complement each other. In economics, however, the overall impression, true or not, is that these two substances substitute each other, while in public health there is no strong perception on the true link. The objective of our research is to help settle this debate by taking a fresh look at the impact of medical marijuana laws (MMLs) on alcohol consumption. We believe that doing this is a particularly important endeavor given the on going advances in legislation in the United States and more recently other countries such as Uruguay, Canada, Italy, and Peru. The fact is that this mixed evidence and different discipline-related perceptions raise the need not only for a rigorous empirical approach in terms of the methodology, but also the use of alternative, more reliable data, in order to better inform policy making regarding both marijuana and alcohol consumption.

In this research we employ data on monthly purchases of alcoholic beverages in grocery, convenience, drug, or mass distribution stores in US counties for the period 2006-2015, which to our knowledge has not been previously used to study the link between marijuana laws and alcohol consumption. Our specific objective is to seek a causal relationship between the legalization of medical marijuana and alcohol purchases by exploiting differences in the timing of the change of marijuana laws among states. We address the question by comparing purchases of alcoholic beverages between counties located in states where MMLs have been implemented (MML states) to purchases in states where MMLs have not changed (no MML or always MML states), before

and after the change in MMLs. This allows us to eliminate the effects of confounding factors, e.g., exogenous consumption shocks that are not directly related to the policy, and unobservable systematic differences between counties. In this way, our analysis extends the existing literature by providing robust empirical evidence for the substitution between alcohol and marijuana.

Specifically, our paper contributes to the literature in three ways. First, we use retail scanner data on alcohol sales for more than two thousand US counties. While using data on alcohol sales do not strictly reflect the drinking behavior of population, they present several advantages. Since the data come from retailers, alcohol consumption does not suffer from underreporting issues of self-reported drinking behavior, commonly present with surveys. The retail scanner data also offers a wider coverage as it contains sales for all products across US counties, which allows us to better measure the extensive margin of alcoholic beverages consumed. In addition, these better data allow us to adopt a more robust difference-in-difference (DD) research design by estimating a reduced-form model conditioning on county and year-month fixed effects while also controlling for state-specific time trends. The latter allows for different trends of alcohol sales in each state and thus relax the parallel trend assumption that is required in the DD approach. Third, we consider in our analysis the heterogeneity in the MML provisions across states and estimate effects for different provisions within these laws. This breakdown allows us to identify the provisions that specifically contribute to the change in alcohol consumption. This is important from the public policy perspective since states decide on these provisions in the law making process.

We find that the legalization of medical marijuana reduces alcohol consumption. We find consistent evidence across different specifications and alcohol products (i.e. alcohol in general, beer and wine). States legalizing medical marijuana use experience significant decrease in the aggregate sales of alcohol, beer and wine. Moreover, the effects are not short lived, with significant reductions observed up to 24 months after the passage of the law. We also find significant impact of collective cultivation and patient registration aspects of the provision, both leading to reduction in sales of alcohol products. For robustness checks, we use a contiguous county approach using bordering counties as the unit of observation and find similar results. Lastly, we perform placebo and falsification tests (using sales of pens and pencils for the latter) that lend support to the robustness of our estimation. Event study analysis and using placebo dates for when legalization was effective support the causal interpretation of our findings.

The paper is organized as follows. The next section provides the general context and the state of the current empirical literature. Section 3 introduces the data. Section 4 presents the empirical



strategy and estimation method. In Section 5 we discuss results. In Section 6 we apply several robustness checks. Finally, the last section offers summarizes and concludes.

## **2. Some Context and Literature Review**

In the last two decades, growing evidence has lent support to the efficacy and safety of marijuana as medical therapy to alleviate symptoms and treat diseases (e.g., Amar, 2006; Campbell & Gowran, 2007; Krishnan et al., 2009; Pertwee, 2012). This growing body of clinical evidence on marijuana's medicinal value has propelled many states toward a more tolerant legal approach to medical marijuana. Though Federal and State governments agree on the importance of advancing clinical research about the positive and negative effects of marijuana, opinions differ on the distributional means of the drug. Starting from the mid-1990s, several states have taken legislative measures toward legalizing the sale and consumption of medicinal and recreational marijuana. In 1996, California and Oregon became the first states to allow the consumption of said drug for medical purposes. Since then, twenty-four other states and the District of Columbia have passed amendments to their constitutions in order to decriminalize consumption of medical marijuana. Legislative changes pertaining to the recreational consumption and sale thereof, have been much less prevalent; a third of these states allow it. With almost half of the states in U.S legalizing marijuana use, researchers are looking into the relationship of marijuana use with related outcomes such as consumption of alcohol and other substances (Wen et al., 2015), risky sexual behavior (Rees et al., 2001) and labor market outcomes (Ullman, 2016)<sup>1</sup>. There is consensus that the legalization of medical and non-medical marijuana has increased the rates of marijuana users (Cerdeira et al., 2012; Wen et al., 2015; Mason et al., 2015; Williams & Bretteville-Jensen, 2014). Furthermore, there is evidence of increase in marijuana related arrests and marijuana treatment admissions to rehabilitation facilities among male adults post the passing of these laws, which points toward an increase in illegal marijuana use and consumption (Chu, 2014).

As it was mentioned above, the evidence stands rather inconclusive in the link between marijuana and alcohol, with some studies estimating these two as substitutes, while others find a complementarity between the two. For instance, Wen et al. (2015) use a difference in difference approach in a two-way fixed effects model and find increased frequency of binge drinking as a

---

<sup>1</sup> Data from the National Survey on Drug Use and Health (2015) shows that the use of marijuana has increased over the last years in the U.S., with estimated 22.2 million current marijuana users aged 12 and older.

result of legalizing marijuana. Likewise, Yörük & Yörük (2011) exploit the cut-off of 21 years as the minimum legal drinking age through a regression discontinuity design on NLSY data, and find that legal access to alcohol increases consumption of both alcohol as well as use of marijuana, indicating that the two are complements. Pacula (1998), utilizing variation in state beer taxes, also concludes that alcohol and marijuana are complements.

With respect to substitution, Williams et al. (2004) find evidence of substitutability between marijuana and alcohol based on a bivariate Probit model that exploits the variation in alcohol control policies. Crost and Guerrero (2012, 2013) use a sharp discontinuity design to identify the effect of the legal minimum drinking age on alcohol and marijuana use and find the two to be substitutes; a finding that conflicts with Yörük and Yörük (2011). Likewise DiNardo and Lemieux (2001) find that increase in the minimum drinking age increases use of marijuana. Their structural estimation documents this evidence as being attributable to standard substitution effects. In addition, studies specifically exploiting medical marijuana laws also present mixed evidence. Yamada, et al. (1996), Chaloupka & Laixuthai (1997) and Saffer & Chaloupka (1999) find that marijuana decriminalization is associated with a decrease in alcohol consumption, suggesting that marijuana and alcohol are substitutes. Using data from *Brewers Almanac*, Anderson et al. (2013) show that the implementation of an MML decreases the state level per capita beer sales (in gallons) by about 5 percent.<sup>2</sup> In addition, they find significant decreases in alcohol consumption and binge drinking based on survey data from the *Behavioral Risk Factor Surveillance System*. Pacula et al. (2015) and Wen et al. (2015) also utilize self-reported alcohol use data to examine the relationship between MML and alcohol consumption. Using data from the *National Longitudinal Survey of Youth* and the *Youth Risk Behavior Survey*, Pacula et al. (2015) find little evidence of association between MML and alcohol use. Further, when considering different policy dimensions of MML, they find mixed evidence depending on specifications and data sets. Wen et al. (2015) on the other hand use the *National Survey on Drug Use and Health* and find that a MML is associated with an increase in the binge drinking among adults. However, they find no impact on alcohol consumption of adolescents and young adults.

### **3. Data**

#### **3.1 MML implementation indicator**

---

<sup>2</sup> Their estimate is statistically significant at the 5% level.

We use a dichotomous variable to denote the states that implemented medical marijuana laws. The variable takes value equal to 1 for each month from the effective date of the implementation, and a value of 0 otherwise. MML states are defined as treated states. The variable also takes value equal to 0 for states that did not have MMLs in our sample period 2006-2015.<sup>3</sup> Information on approved and effective dates of MMLs as well as the date at which different MMLs provisions were implemented come from previous literature (e.g., Choi et al., 2016; Sabia et al., 2017). Table 1 presents a list of effective-dates used to define the MMLs indicators used in our analysis. We observe 14 states that legalized medical marijuana in our sample period.

Following previous work (e.g., Pacula et al. 2015), we also consider four specific provisions of MMLs: (i) requiring patient registration, (ii) allowing prescription for non-specific pain, (iii) establishment of licensed dispensaries, and (iv) home and collective marijuana cultivation. Patient registration implies a stricter control on medical access and can thus reduce marijuana use in non-medical population. On the contrary, the establishment of dispensaries has a supply effect, which could increase marijuana use in general population. Allowing prescription for non-specific pain creates ambiguity in the conditions for which medical marijuana can be recommended, which could allow access to patients with less severe conditions or even to recreational users pretending to suffer from chronic pain. The provision allowing home or collective cultivation for multiple patients could increase supply and thus access. Table 1 presents the effective dates for when each state implemented the specific provision, if ever. It is noticeable that in several states not all provisions have been implemented, and in most states legal dispensaries were opened years after the main law was implemented.

### **3.2 Alcohol Sales**

Our identification strategy is based on the availability of data on alcoholic beverages purchases observed in the Nielsen Retail Scanner database in MML and no-MML states before and after MMLs became effective. The database contains purchases of products in all categories for grocery, convenience, drug, or mass distribution stores across the United States over the period between 2006 and 2015, including detailed product characteristics, price, and quantities for alcoholic beverages. Using the Scanner data presents several advantages with respect to previous literature.

---

<sup>3</sup> The control states also include the states that legalized medical marijuana before 2006, our first year of data, and those that did not have policy change by the end of 2015.

First, the data offer extensive spatial coverage of sales of thousands of products across the US including weekly sales for all alcoholic beverages for the 52 designated market areas located in the 48 contiguous states of the US. While data on alcohol sales does not strictly represent alcohol consumption, sales do not suffer from the underreporting issues typical of self-reported data collected with surveys. The Scanner database also offer a wider coverage of the sales of alcoholic beverages as it contains sales for all products (UPC code) across US counties, which allows us to better measure of the extensive margin of alcoholic beverages consumed.

Our analysis focuses on sales of aggregate Alcohol, Beer, and Wine. In our knowledge, only one paper that has looked at the relationship between MMLs and alcohol sales examines the effect on alcohol sales (Anderson et al., 2013). Overall, we have sales data for more than two thousand US counties. Table 2, Panel A, shows descriptive statistics for sales for Beer, Wine, and aggregate Alcohol for MML and no-MML states. Alcohol purchases in MML states are slightly higher than in no-MML states for alcohol in aggregate and beer, while average county sales for wine are similar for the two groups. Figure 1 shows average monthly county sales for aggregate alcohol (wine and beer) for MML and no-MML states for our sample period. The series indicate that alcohol sales were increasing until the mid 2009. Thereafter, sales no-MML states exhibited a downward trend, while for MML states sales stabilized around 500 thousand dollars (county average). The figure also shows the difference in average county sales between MML and no-MML states (treated minus control). Interestingly, the positive gap in sales between the treated and control is increasing over time up until late 2014, possibly indicating different trends in alcohol sales between treated and control states.

### **3.3 Covariates**

We control for a set of time-varying covariates that could potentially influence alcohol sales and be correlated with MMLs. We include annual county-level variables to capture variation in county economic conditions such as unemployment rate and median household income. We also add a set of demographic characteristics for the county, including total population, percentage of male and Hispanic population, and the share of population by age groups. Information on economic characteristics comes from Local Area Unemployment Statistics and Small Area Income and

Poverty Estimates. Information on demographic variables was gathered from the Census Bureau.<sup>4</sup> Summary statistics for economic and demographic variables are presented in Panel B of Table 2. It is important to notice that summary statistics for covariates in counties in treated and control states are almost all identical. The only notable difference is that treated states have larger counties, in terms of population, and has a higher household median income.

Because of previous concerns with the existence of contemporaneous policies (Wen et al., 2015), we also gathered relevant information on other marijuana policy changes. Specifically, there are states that became more lenient towards marijuana possession or legalized recreational marijuana use. To control for this, we construct dichotomous state-month indicators and, we also include annual state-level data on beer and cigarette tax rates to control for other policy changes during the study period that may be correlated with MMLs implementation. State cigarette and beer tax information every year are based on several sources: American Petroleum Institute, state revenue departments, Distilled Spirits Council of the U.S., Commerce Clearing House, and Tax Foundation. Summary statistics for these state-level covariates are presented in Panel C of Table 2.

#### 4. Empirical Methodology

Our main empirical strategy exploits spatial and time variation in the implementation of medical marijuana laws (MMLs) using a difference-in-differences approach to the evaluation of their causal effect on alcohol. Simply put, we compare monthly sales between counties located in states where MMLs have been implemented to sales in counties in states where MMLs have not been implemented in our sample period (2006-2015), before and after the change in MMLs. In other words, we assign states to treatment and control groups depending on the implementation (or not) and the timing of MMLs. We estimated the following model:

$$(1) \quad y_{ct} = \beta_0 + \beta_1 MML_{st} + \mathbf{X}_{1ct}\boldsymbol{\beta}_2 + \mathbf{X}_{2st}\boldsymbol{\beta}_3 + \gamma_c + \delta_t + \rho_s\tau + \eta_{ct},$$

where  $y_{ct}$  denotes the log of alcohol sales in county  $c$  on time period  $t$ ,  $MML$  is an indicator for whether in state  $s$  medical marijuana law is effective in time period  $t$ ,  $\mathbf{X}_{1ct}$  and  $\mathbf{X}_{2st}$  are full vectors

---

<sup>4</sup> Specifically from the Census U.S. Intercensal County Population Data and Intercensal Estimates of the Resident Population

of county-level and state-level covariates. The remaining terms,  $\gamma_c$  and  $\delta_t$ , represent county fixed effects and year-month fixed effects, respectively. Conditional on observable characteristics, and using fixed effects to eliminate the influence of unobservable characteristics, counties located in different states will be different only in alcohol sales because of difference in the implementation of the laws on marijuana use. The key coefficient of interest  $\beta_1$  represents the estimated effect of the legalization of medical marijuana on sales of alcoholic beverages. The identification of  $\beta_1$  relies on the assumption that trends in the outcome variable in counties in the control group are a reasonable counterfactual, i.e., that sales trends in the states that did not implement MMLs would have been the same in the absence of the treatment. Following the literature, (e.g., Almond et al., 2011; Anderson et al., 2013; Wen et al., 2015), we include state-specific time trends  $\rho_s t$  to control for systematic trend differences between treated and control states. This also controls for unobservable state-level factors evolving over time at a constant rate.

#### 4.1 Event Study

While we control for systematic trend differences in alcohol sales between states, there may still be a point that the identification of the treatment (the implementation of MMLs) effect comes from trends in sales that are correlated with the legalization. To investigate this concern and that there are no differential trends between treatment and control states we estimated the following equation:

$$(2) \quad y_{ct} = \beta_0 + \sum_{i=-19}^{25} \theta_i 1(\tau_{ct} = i) + \mathbf{X}_{1ct} \boldsymbol{\beta}_2 + \mathbf{X}_{2st} \boldsymbol{\beta}_3 + \gamma_c + \delta_t + \rho_s t + \eta_{ct},$$

where  $\tau_{ct}$  indicates the event month-year, which takes value equal to one when an observation is  $i$  months away from the month the legalization of medical marijuana became effective. The case ( $\tau = 0$ ) denotes the month-year of the policy change. For ( $\tau \leq -1$ ) MML states were untreated (alcohol sales before MMLs were effective). The coefficients  $\theta$ 's were estimated relative to one year before the policy change ( $\tau = -12$ ), the omitted coefficient.<sup>5</sup> Note that  $i$  equal to -19 or 25 denotes more than eighteen, or twenty four, months before or after, respectively, MMLs became effective. Following Almond et al. (2011) and Simon (2016), we balanced the event study by

---

<sup>5</sup> Event studies found in the literature on the effects of the legalization of medical marijuana typically assume the same reference period, i.e., one year before the policy change. As a robustness check, we conduct the even study where coefficients are measured relative to six months before the policy change finding the same patters.

including events that were at least eighteen full months in the pre-legalization phase and twenty-four full months in the post period. This eliminates the potential bias generated by demographic changes due to states entering and exiting during the event study period (Simon, 2016).

#### 4.2 Dynamics Effects of MML Implementation

Wolfers (2006) shows that when a policy change have different short-run and long-run effects using panel-specific time trends may capture the dynamic effects of the policy instead of just controlling for preexisting trend differences. This occurs when a single dummy is used to capture the effect of the policy. In the context of the legalization of medical marijuana several factors are likely to influence the diffusion of the use of marijuana over time and thus its effects on related substances. For instance, evolving social norms could create a more favorable support for marijuana consumption leading to more states legalizing not only medical, but also recreational consumption. Slow diffusion of information about patient's eligibility may result in a changing number of medical users or spillovers to non-patient population, as indicated by, e.g., Chu (2014) and Wen et al. (2015). But also the progressive rollout of the law itself may generate different effects over time. In fact, specific provision of the MMLs often do not come into effect at the same time as the main law, e.g., such as patient registration or the establishment of public dispensaries.

For this reason, we unpacked the treatment variable, MML, into a series of dummy variables indicating the months since MMLs became effective in a way to capture the full adjustment process following the implementation and thus investigate how the effect evolves over time. Specifically, we estimated equation:

$$(3) \quad y_{ct} = \beta_0 + \sum_0^{25} \pi_i 1(\tau_{ct} = i) + \mathbf{X}_{1ct} \boldsymbol{\beta}_2 + \mathbf{X}_{2st} \boldsymbol{\beta}_3 + \gamma_c + \delta_t + \rho_s t + \eta_{ct},$$

where  $\pi_i$  denotes the effect of MML from the date of the implementation,  $i=0$  to each following month until later than two years pass implementation,  $i=25$ . This specification allows us to identify the dynamic response to the policy change while the estimated state-specific time trends control for preexisting trends in alcohol sales. The same approach has been used previously to study the effect of MMLs and the role of alcohol on traffic fatalities (Anderson et al., 2013) and on the use of marijuana, alcohol, and related substances (Wen et al., 2015).

#### 4.3 Impact of Individual Policy Provisions

Not all MML states provide the same access to medical marijuana. In fact, medical marijuana laws include specific provisions regarding cultivation and distribution that legalizing states have implemented in different fashions, or not implemented at all. The importance of such heterogeneity in the policy implementation has been recognized in previous studies as it could affect acceptability and access to marijuana. Pacula et al. (2015) find that the specific dimension of these laws influence consumption in different ways. Patient registration has a negative effect on recreational use, while the legal establishment of dispensary increases positively affect recreational use. Wen et al. (2015) find that non-specific pain provision increases marijuana use and alcohol use in individuals aged 21 or above, while patient registration and the opening of dispensaries have no discernable effects. Others have found heterogeneous effects on body weight (Sabia et al, 2017) or tobacco use (Choi et al., 2017).

To examine the heterogeneous effect of MML laws we estimated a regression that includes a dichotomous variable for each of the specific policy provisions as well as one for the main law:

$$(4) \quad y_{ct} = \beta_0 + \beta_1 MML_{st} + \beta_2 Pain_{st} + \beta_3 Cultivation_{st} + \beta_4 Dispensary_{st} + \beta_5 Registration_{st} + \mathbf{X}_{1ct}\boldsymbol{\beta}_2 + \mathbf{X}_{2st}\boldsymbol{\beta}_3 + \gamma_c + \delta_t + \rho_{st} + \eta_{ct}$$

where  $\beta_i$ , with  $i=1, \dots, 5$ , denotes the effect of the main policy and its dimensions. Equation (4) was estimated first including one policy dimension at a time and finally in its complete specification.

## 5. Results

For the empirical analysis, we restrict our sample to a balanced panel of counties having sales for all months within the observed period, 2006-2015, and as for the Event Study we restrict the analysis to states with at least 18/24 months before/after MMLs were implemented. All regressions (1)-(4) are estimated for aggregate sales of alcoholic beverages, and the individual types: beer and wine.<sup>6</sup> Regressions were weighted using county-year population. Standard errors are clustered at the state level allowing for within state serial correlation in the errors terms while assuming these

---

<sup>6</sup> We also estimated the effects on spirits sales, but excluded them from the paper, as the Nielsen Scanner data on liquor stores comprise less than one percent of all stores. Still, we find comparable results to the other alcohol types. Results are available from the authors upon request.



are independent across states because unobserved factors may be correlated over time (Bertrand et al., 2004) and the treatment (legalization of medical marijuana) is applied at the state level.

### 5.1 Event Study

Figures 2 to 4 show the results for the event study indicating that there are no pre-existing trend differences in sales for aggregate alcohol, beer or wine. Indeed, we find that trends for alcohol sales in treated and control counties are flat, i.e., that estimated  $\theta$  are both in magnitude and statistically not different from zero in the years before MMLs implementation. This confirms that the counterfactual trend behavior of treatment and control groups are statistically the same and support the causal interpretation of the treatment effect (Angrist and Pischke 2008, Ch. 5).<sup>7</sup> The figures also show a clear negative impact of MMLs on alcohol sales after the policy change. After an initial decreasing trend in the first three months, the negative impact tends to stabilize to a permanent negative impact, although results for the latest periods are noisier. The figure for the impact on Wine sales also show a negative effect after the policy change, but also indicates a sort of a cyclicity in the effect.

### 5.2 Overall Effect

Table 3 shows the estimates of the main effect of access to medical marijuana and alcohol sales. The first panel reports results on the impact of MMLs on aggregate sales of alcohol; the second and third panels show estimates on sales of beer and wine, respectively. Estimates from Column 1 indicate that legalizing marijuana for medicinal purposes leads to a decrease in aggregate alcohol sales. In particular, counties located in MML states reduced monthly alcohol sales by 15 percent ( $e^{0.138} - 1 = 0.15$ ). Notably, this result is consistent across several empirical specifications. Adding controls for demographic variables, local economic conditions, and state policy controls on cigarette and beer taxes do not change the qualitative or quantitative point estimates significantly. The estimated standard errors are also remarkably stable. With respect to aggregate alcohol sales, we conclude there is evidence indicating that marijuana and alcohol are substitute goods.

Panels 2 and 3, respectively, present point estimates for the impact of MMLs on sales of beer and wine. We present these disaggregated impacts on specific alcoholic drinks as it provides

---

<sup>7</sup> It should be mentioned that event studies not controlling for trends yield analogous results albeit a bit noisier and with a slight downward trend in the late pre-period. We include trends in all estimates as we believe this is a cleaner design.

a disaggregate measure of the first results in which we combine all alcoholic beverage sales. The former is done by checking whether estimates for two different outcomes variables (i.e. beer and wine) yield estimates that are similar to the composite measure. Noting the impacts for beer and wine are qualitatively and quantitatively comparable, we conclude that the assumption of parallel trends between treatment and control counties holds true. This lends evidence in favor of a causal interpretation of the treatment effect. In terms of the point estimates, we find that legalization of medical marijuana had a negative effect on beer and wine sales by as much as 13.8 and 16.2 percent, respectively.

### **5.3 Timing of Impacts**

We proceed to examine the dynamic impact of MMLs on the sales of aggregate alcohol, as well as disaggregated by beer and wine, separately. Results are shown in Table 4. We do this in order to capture differences in the short-terms and long-term effects, which we expect to exist due to time variation in the implementation of specific provisions as well as delays in the diffusion of information about the availability and access to medical marijuana. The first observation to note is that there is consistency with the results presented above; MMLs lead to a reduction in alcohol sales (both in aggregate, and by component) at the time of the legislation being passed and all the months thereafter. Immediately after the effective date of MML implementation, counties in treatment states decreased alcohol sales by approximately 10 percent; commensurate changes are also estimated for beer and large for wine (more than 13 percent). In line with expectation, the immediate substitution effect is lower than the average as it takes time for the law to be fully in place as well as delays in information.

During the proceeding months, there is a rise in the decline of sales for both aggregate alcohol and specific beverages; the overall pattern follows that of the Figures from the event study. There seems to be some evidence of a cyclical component in the effect. Nevertheless, two years after MMLs have been enacted, aggregate alcohol sales in treatment states are not statistically different from the control group, but this is likely because of low statistical power due to a lower number of observations and the end of the sample that does not allow us to identify these effects.

### **5.4 Heterogeneity in Policy Provisions**

Not all states provide access to medical marijuana in the same way; some have implemented different provisions, or none at all, which allows for the estimation of the impact of specific

provisions on alcohol sales. Table 5 reports the heterogeneous effects by provision type, as well as a complete specification with the main policy and all provisions combined. As above, we investigate the heterogeneous effects on alcohol, beer, and wine sales.

Results from Table 5, columns (1) – (4), show the impact on each MML provision separately. Consistent with the main result of a substitution effect, each provision reduces alcohol sales in the aggregate as well as for beer and wine. However, these estimates are limited given that each provision rarely occurs in isolation; hence, the most relevant results are those from column (5) in which all provisions are accounted for in addition to the presence of MML. All analyses and interpretation hereafter refer to the full specification shown in Column (5). Results show that provisions on collective cultivation and open dispensaries cause a decrease in alcohol sales by 4.5 and 2.2 percent, respectively, albeit statistically insignificant. These findings are consistent with theory given that both of these provisions impact the supply of marijuana and increasing access to the general public. Hence, results indicate that provisions which increase access to marijuana lead to a decrease in alcohol sales; a substitution effect.

On the other hand, results show that provisions for patient registries and non-specific pain cause an increase in alcohol sales. Although this may be a counterintuitive finding, neither theory nor empirical evidence support a clear prediction of the result. Lack of consensus may be explained by the fact that the estimated impact corresponds to the *net* effect of the different mechanisms through which each provision affects marijuana and thereby alcohol consumption. For example, in the case of patient registries, this provision limit the demand for marijuana by creating additional costs to access. This in turn would lead to an increase in alcohol sales. On the other hand, there may be positive indirect impacts, given that access to marijuana becomes easier conditional on having registered. For example, registered individuals can become intermediaries through whom friends and family now have access to marijuana. This in turn would lead to an increase in overall marijuana consumption, and a decrease in alcohol sales. Overall, the effect estimated is the net impact which considers both of the aforementioned mechanisms. Results are expected to vary depending on which effect dominates.

## **6. Robustness Checks**

We conduct three robustness checks to examine the sensitivity of our results and main specification. First, we estimate the impact of MMLs on alcohol sales using the subsample of contiguous counties across MML and non-MML shared borders. Second, we implement a placebo

test using fake dates for the passing of MMLs. Third, we conduct a falsification test using sales of pens and pencils as the outcome variable.

First, we restrict our analysis to a sample consisting of all the contiguous county pairs sharing state border where one of the county belongs to a treated state (MML state) and the other to a control state (no-MML state). Among 2,191 counties for which we have data, we are left with roughly 300 county pairs. Figure 5 displays the location of these counties on a map of the United States. As observed by Dube et al. (2010), counties sharing the border with counties located in a treated state provide a better control group than other control county in the US because they can be expected to be relatively similar, in this case relative to alcohol sales trends, to adjacent treated counties. To examine the effect of MML laws across the border of county pairs we estimated the regression:

$$(5) \quad y_{cpt} = \beta_0 + \beta_1 MML_{st} + \mathbf{X}_{1ct} \boldsymbol{\beta}_2 + \mathbf{X}_{2st} \boldsymbol{\beta}_3 + \gamma_c + \phi_p + \delta_t + \rho_s t + \eta_{cpt},$$

where  $p$  denotes the county pair and  $\phi_p$  is the county-pair fixed effect. Because we consider county pairs, an individual county can have  $p$  replicates in our data set. This specification allows us to compare sales of alcoholic beverages between two counties that share a border where the policy differs across state border controlling also for systematic differences between counties. A similar approach was taken by Ponticelli and Alencar (2016) and Marinescu (2017). Because there are multiple observations for counties sharing borders with more than one other county standard errors are clustered at the county level.

Table 6 Panel A shows estimates from the contiguous counties sample. The first observation is that using this contiguous county sample leads to the same overall conclusion that there is a strong substitution effect between access to marijuana and alcohol sales. In particular, we estimate that counties in MML have lower monthly aggregate alcohol sales by 20 percent, with comparable results for beer and wine. This effect is much larger compared to the main full-sample results. This is an indication that the overall findings are a lower bound to the true substitution effect between marijuana and alcohol. We argue that these results provide a check to the main findings, given that bordering counties serve as better controls to the treatment counties. In such case, there is greater support for the assumptions of common trends and similarities across unobservables between treatment and control counties.

Second, we check that the effects we find are not spurious by estimating the main regression, equation (1), using placebo effective MMLs dates. Specifically, we test for the potential impact of placebo (fake) effective dates for MMLs in the treated states. Using a uniform distribution, for each MML state we draw randomly 1,000 dates in the time period that goes from 06/2007, to two years before the actual effective MML date. These time window is consistent with the main analysis in the sense that for each state we have sales data for at least 18 months prior to until 24 months after the policy change. The data observed for treated states from the actual effective date until the end of the sample period are dropped from the sample. The treatment indicator,  $MML_{st}$ , is defined according to the placebo dates. That is, it takes value equal to one starting from the placebo date for state  $s$ , zero otherwise. Then, we estimate the same specification as for equation (1) for each of the 1,000 placebo dates. This gives us a distribution of the treatment effects for the placebo treatment.

Lastly, an additional concern is that we could find similar impacts on the sales of other products that are unrelated to the consumption of marijuana. To test this, we use our main specification, equation (1), on sales of Pens and Pencils. We are unaware of reasons why marijuana and this group of products would be related.

Panels B and C show estimates for the date placebo test and falsification test, respectively. As expected, both of these regressions find no effect which provides support that the main results are not spurious correlations, but rather treatment effects. Across the alcohol groups, we find no effects of the placebo treatment. The estimated effects are close to zero and are statistically insignificant at any conventional level. The estimated coefficient of the placebo MML was negative and statistically significant at the 10% level only 14 times, 13 times, and 76 times out of 1,000 for aggregate Alcohol, Beer, and Wine, respectively. Similarly, we find no effect that MMLs affected sales of other goods unrelated to the law.

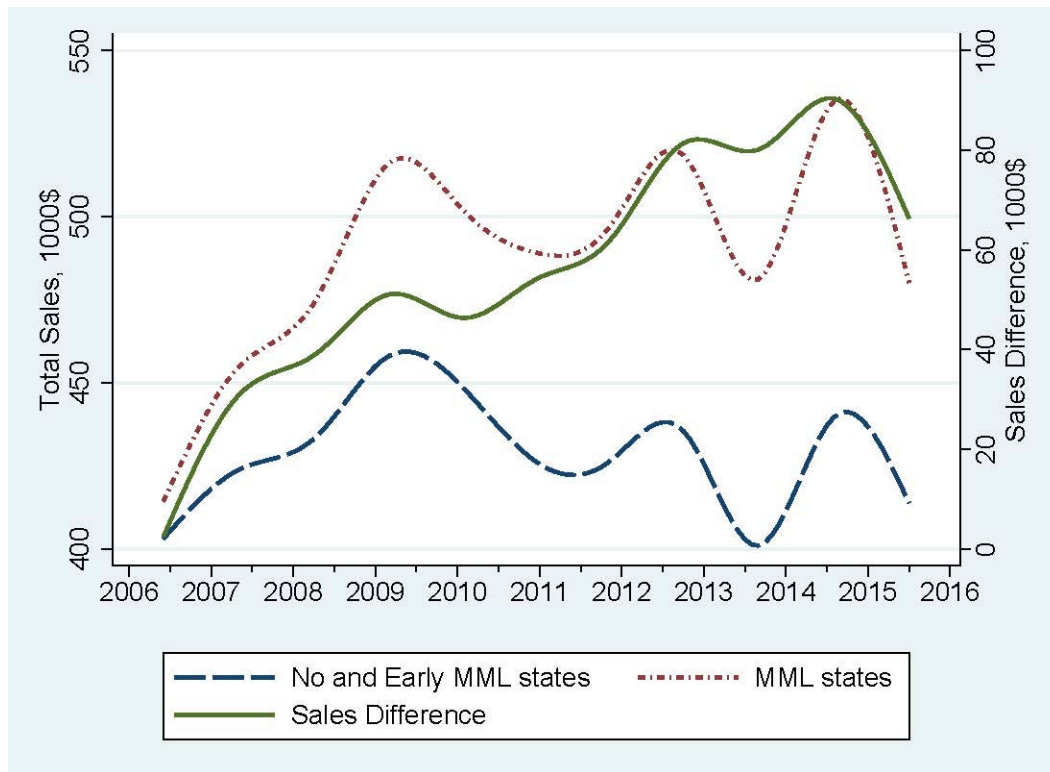
## 7. Summary and Conclusions

In this paper we study the link between medical marijuana laws on alcohol from a different perspective. We use data on purchases of alcoholic beverages in grocery, convenience, drug, or mass distribution stores in counties for 2006-2015 to study the link between marijuana laws and alcohol consumption and focus on settling the debate between the substitutability or complementarity between marijuana and alcohol. To do this we exploit the differences in the timing of the of marijuana laws among states and find that these two substances are substitutes.

We find that marijuana and alcohol are strong substitutes. Counties located in MML states reduced monthly alcohol sales by 15 percent, which is a consistent finding across several empirical specifications. When disaggregating by beer and wine we find that legalization of medical marijuana had a negative effect on corresponding sales by as much as 13.8 and 16.2 percent, respectively. Similarly, results in our preferred specification show that provisions on collective cultivation and open dispensaries cause a decrease in alcohol sales by 4.5 and 2.2 percent, respectively, albeit statistically insignificant. Remarkably, our findings are quite robust to a broad array of tests. When we focus our analysis to bordering counties we find that those in MML have lower monthly aggregate alcohol sales by 20 percent, with comparable results for beer and wine. Interestingly, this effect is much larger compared to the main full-sample results. In addition, when we test for the potential impact of placebo effective dates for MMLs in the treated states and employ a falsification test using sales of pens and pencils we find no effect, which provides support that the main results are not spurious correlations.

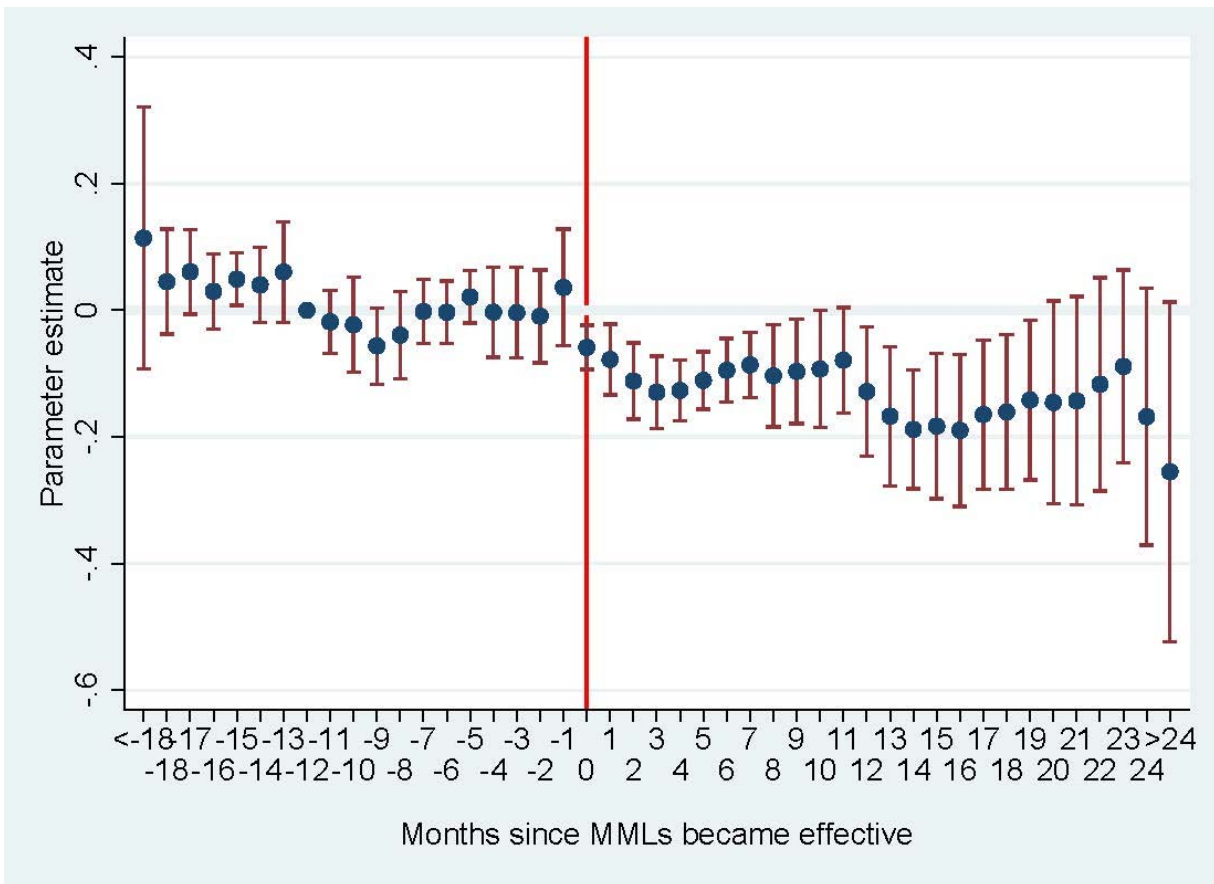
We believe that the implications of our findings may be a useful contribution to economic policy not only because they help settle the debate on the type of relationship between alcohol and marijuana, but more importantly, because they address concerns about the potential spillover effects of medical marijuana laws on use of other substances that might contribute to negative health and social outcomes as the relationship between these substances is an important public health issue. Whereas complementarity would indicate that legalizing marijuana may exacerbate the health and social consequences of alcohol consumption for instance, in the form increased traffic injuries and fatalities, substitutability, which is what we find, may help allay such concerns and help focus on the positive first order impacts of pursuing cannabis legalization.

**Figure 1 – Average Monthly Sales of Alcohol**



Note: Average monthly county level sales for aggregate Alcohol (Beer and Wine) in MML (treated), no-MML (control) states, and the difference in average sales between the two groups. The data series are smoothed using a median spline to improve readability.

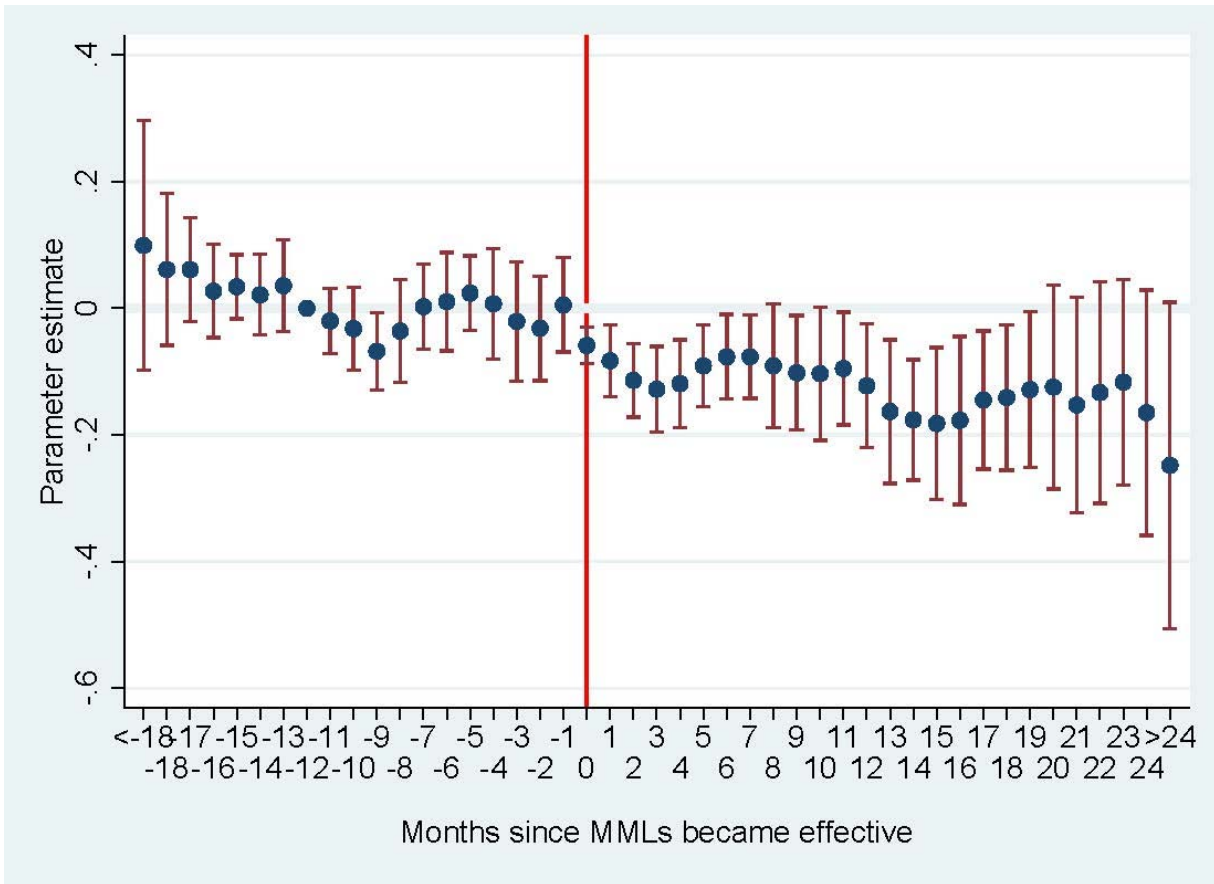
**Figure 2 – Event Study on Sales of Alcohol**



Note: Effects of Medical Marijuana Laws on alcohol sales (beer and wine) in US counties. The graph shows parameter estimates in the month before and after MML became effective from a regression that controls for county and year-month FEs, state-specific time trends, demographic, economic, and state policy variables. Whiskers indicate 95% confidence interval. Standard errors are clustered by state.

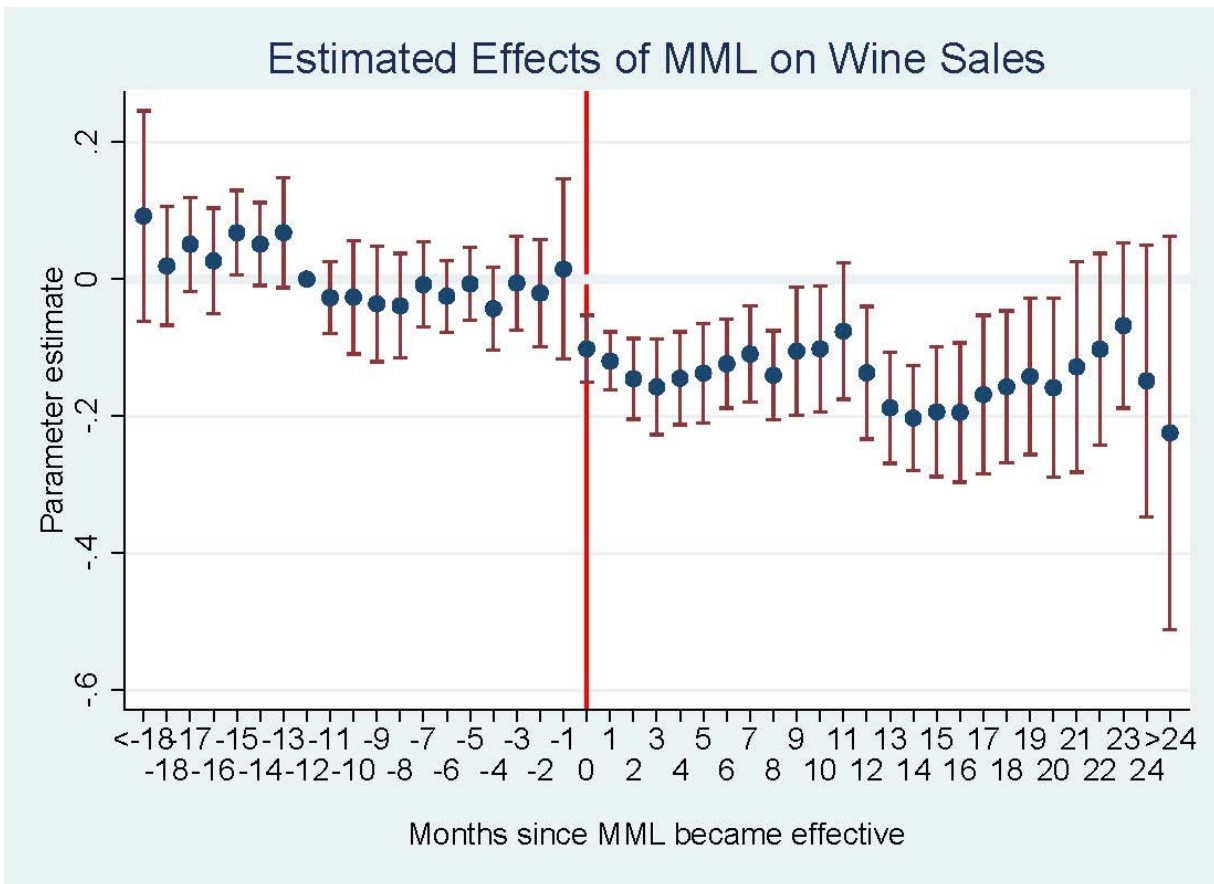


**Figure 3 – Event Study on Sales of Beer**



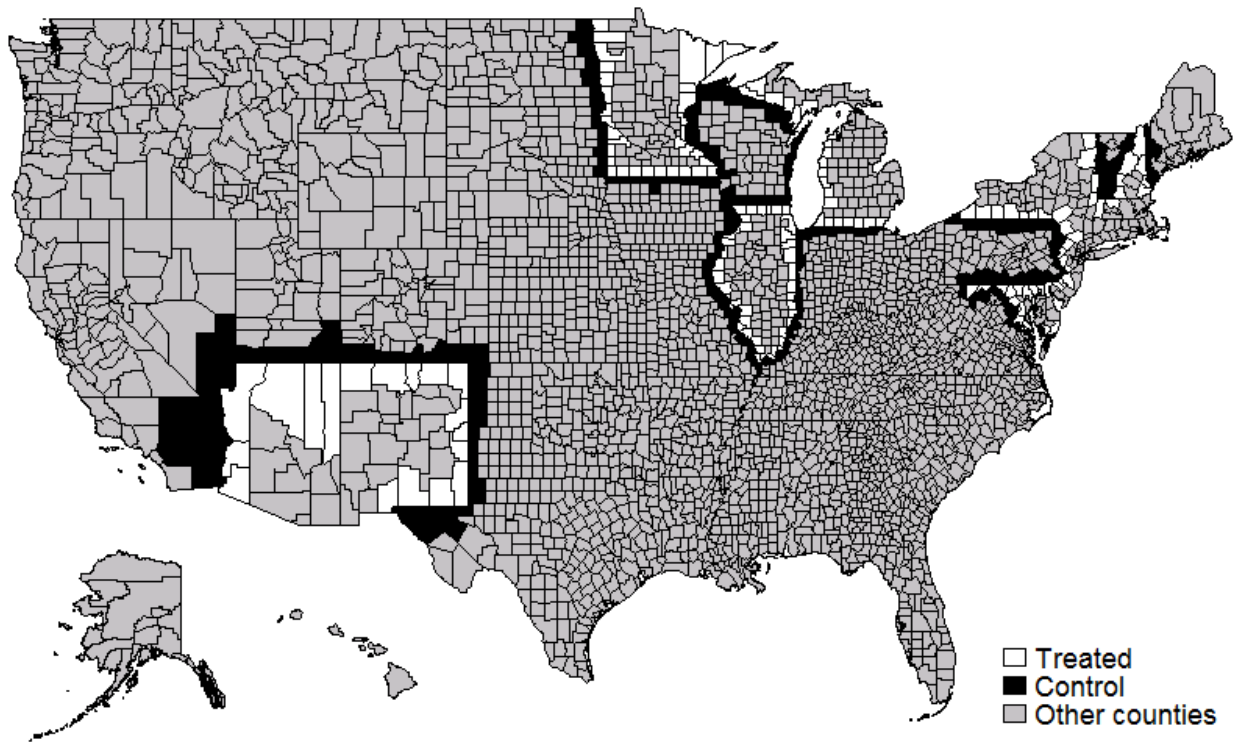
Note: Effects of Medical Marijuana Laws (MML) on Beer sales in US counties. The graph shows parameter estimates in the month before and after MML became effective from a regression that controls for county and year-month FEs, state-specific time trends, demographic, economic, and state policy variables. Whiskers indicate 95% confidence interval. Standard errors are clustered by state.

**Figure 4 – Event Study on Sales of Wine**



Note: Effects of Medical Marijuana Laws (MML) on sales of wine sales in US counties. The graph shows parameter estimates in the month before and after MML became effective from a regression that controls for county and year-month FEs, state-specific time trends, demographic, economic, and state policy variables. Whiskers indicate 95% confidence interval. Standard errors are clustered by state.

**Figure 5 – Cross-Border County Pairs Available for Border Analysis**



**Table 1 – Approved and Effective Dates of Medical Marijuana Laws and Provisions**

State	Approved date	Effective date	MML Provisions			
			Collective cultivation	Dispensary	Non-specific pain	Registry
Alaska	11/1998	03/1999	n/a	n/a	03/1999	03/1999
Arizona	11/2010	04/2011	04/2011	12/2012	04/2011	04/2011
Arkansas	11/2016	11/2016	n/a	n/a	11/2016	11/2016
California	11/1996	11/1996	11/1996	11/1996	11/1996	n/a
Colorado	11/2000	06/2001	06/2001	07/2005	06/2001	06/2001
Connecticut	05/2012	05/2012	n/a	08/2014	n/a	05/2012
Delaware	05/2011	07/2011	n/a	06/2015	07/2011	07/2011
Washington, D.C.	05/2010	07/2010	n/a	07/2013	n/a	07/2010
Florida	11/2016	01/2017	n/a	n/a	n/a	01/2017
Hawaii	06/2000	12/2000	n/a	n/a	12/2000	12/2000
Illinois	04/2013	01/2014	n/a	11/2015	n/a	01/2014
Maine	11/1999	12/1999	n/a	04/2011	n/a	12/2009
Maryland	04/2014	06/2014	n/a	n/a	06/2014	06/2014
Massachusetts	11/2012	01/2013	n/a	06/2015	n/a	01/2013
Michigan	11/2008	12/2008	12/2008	12/2009	12/2008	n/a
Minnesota	05/2014	05/2014	n/a	07/2015	n/a	05/2014
Montana	11/2004	11/2004	11/2004	04/2009	11/2004	n/a
Nevada	11/2000	10/2001	10/2001	08/2015	10/2001	10/2001
New Hampshire	05/2013	07/2013	n/a	04/2016	07/2013	07/2013
New Jersey	01/2010	10/2010	n/a	12/2012	10/2010	10/2010
New Mexico	03/2007	07/2007	n/a	06/2009	n/a	07/2007
New York	06/2014	07/2014	n/a	01/2016	n/a	07/2014
North Dakota	11/2016	12/2016	n/a	n/a	12/2016	12/2016
Oregon	11/1998	12/1998	12/1998	11/2009	12/1998	01/2007
Ohio	05/2016	08/2016	n/a	n/a	08/2016	08/2016
Pennsylvania	04/2016	05/2016	n/a	n/a	05/2016	05/2016
Rhode Island	06/2005	01/2006	01/2006	04/2013	01/2006	01/2006
Vermont	05/2004	07/2004	n/a	06/2013	07/2007	07/2004
Washington	11/1998	11/1998	07/2011	04/2009	11/1998	n/a

Note: Dates for effective Medical Marijuana Laws (MMLs) gathered from Choi et al. (2016), Sabia et al. (2017), and updated using information from <https://www.marijuanadoctors.com/>. For dispensaries, dates regard correspond to the actual opening of the first medical marijuana store.

**Table 2 – Descriptive Statistics**

	MML States			No and always MML states		
	N. Obs	Mean	SD	N. Obs	Mean	SD
<b>Panel A:</b>						
<b>Alcohol sales</b>						
Aggregate alcohol	40,162	496	1,858	188,480	441	1,678
Beer	40,152	304	1,036	188,175	242	871
Wine	32,593	238	946	158,143	237	903
<b>Panel B:</b>						
<b>County-level covariates</b>						
Unemployment rate	3,399	7.45	2.92	15,939	7.09	2.92
Median income	3,399	55	15	15,941	48	11
Total population	3,399	243	500	15,941	127	379
% Male	3,399	0.50	0.01	15,941	0.50	0.02
% Hispanic	3,399	0.09	0.13	15,941	0.08	0.12
% Population 0-19 years old	3,399	0.26	0.03	15,941	0.26	0.03
% Population 20-39 years old	3,399	0.24	0.04	15,941	0.25	0.04
% Population 40-64 years old	3,399	0.34	0.03	15,941	0.34	0.03
% Population 65- years old	3,399	0.16	0.04	15,941	0.16	0.04
<b>Panel C:</b>						
<b>State-level covariates</b>						
Beer tax (\$ Per Gallon)	140	0.21	0.12	350	0.30	0.25
Cigarette tax (\$ Per Pack)	140	2.07	0.87	350	0.96	0.64
Decriminalized	140	0.28	0.45	350	0.27	0.45
Legalized	140	0	0	350	0.02	0.13

Note: Calculated for US counties (2006-2015). Sales for alcoholic beverages, population, and median income are in thousands. All the monetary data are in 2015 dollars. Total number of counties in MML states is 381. Total number of counties in non-MML-states is 1810.

**Table 3 – Overall Effects of Medical Marijuana Laws on Sales of Alcohol, Beer, and Wine**

	(1)	(2)	(3)	(4)
<b>Alcohol</b>				
MML	-0.138** (0.053)	-0.133** (0.052)	-0.136** (0.054)	-0.140*** (0.051)
Number of observations	176,160	176,160	176,100	176,100
<b>Beer</b>				
MML	-0.130** (0.054)	-0.125** (0.054)	-0.129** (0.055)	-0.129** (0.050)
Number of observations	175,440	175,440	175,380	175,380
<b>Wine</b>				
MML	-0.140*** (0.039)	-0.143*** (0.037)	-0.143*** (0.037)	-0.150*** (0.039)
Number of observations	144,840	144,840	144,780	144,780
County FEs	X	X	X	X
Year-month FEs	X	X	X	X
State-specific trends	X	X	X	X
Demographic controls		X	X	X
Economic controls			X	X
State policy controls				X

Note: \*\*\* p<0.01, \*\* p<0.05, \* p<0.1. Regressions are weighted by population in county-year. Standard errors are clustered by state. The dependent variables are the log of alcohol sales, by alcohol group. Demographic controls include share of male population, share of Hispanic, share of population for the 0-19, 20-39, and 40-64 age group. Economic controls include unemployment rate and median household income. State policy controls include beer tax, cigarette tax, as well as indicators for decriminalized or legalized consumption of recreational marijuana.

**Table 4 – Dynamic Effects of Medical Marijuana Laws on Sales of Alcohol, Beer, and Wine**

	(1)		(2)		(3)	
	Alcohol	SE	Beer	SE	Wine	SE
Effective date for MML	-0.096**	(0.047)	-0.088*	(0.046)	-0.128***	(0.044)
1 month after	-0.114**	(0.047)	-0.111**	(0.047)	-0.145***	(0.033)
2 months after	-0.146***	(0.042)	-0.140***	(0.042)	-0.169***	(0.028)
3 months after	-0.162***	(0.043)	-0.153***	(0.047)	-0.180***	(0.027)
4 months after	-0.158***	(0.030)	-0.142***	(0.033)	-0.166***	(0.021)
5 months after	-0.141***	(0.035)	-0.114***	(0.034)	-0.158***	(0.028)
6 months after	-0.124***	(0.040)	-0.098***	(0.036)	-0.144***	(0.030)
7 months after	-0.115**	(0.044)	-0.097**	(0.040)	-0.129***	(0.042)
8 months after	-0.131**	(0.057)	-0.110*	(0.062)	-0.158***	(0.034)
9 months after	-0.122**	(0.058)	-0.120**	(0.059)	-0.122**	(0.054)
10 months after	-0.116*	(0.058)	-0.120*	(0.062)	-0.117**	(0.053)
11 months after	-0.102**	(0.044)	-0.110**	(0.045)	-0.091*	(0.047)
12 months after	-0.149**	(0.064)	-0.136**	(0.062)	-0.149**	(0.060)
13 months after	-0.186***	(0.067)	-0.175**	(0.067)	-0.200***	(0.051)
14 months after	-0.207***	(0.058)	-0.188***	(0.057)	-0.214***	(0.044)
15 months after	-0.200***	(0.063)	-0.192***	(0.065)	-0.203***	(0.045)
16 months after	-0.205***	(0.065)	-0.186***	(0.067)	-0.203***	(0.050)
17 months after	-0.179***	(0.063)	-0.153***	(0.055)	-0.176***	(0.056)
18 months after	-0.174**	(0.066)	-0.147**	(0.057)	-0.164***	(0.058)
19 months after	-0.154**	(0.070)	-0.134**	(0.063)	-0.148**	(0.065)
20 months after	-0.157*	(0.085)	-0.129	(0.084)	-0.163**	(0.070)
21 months after	-0.153*	(0.087)	-0.156*	(0.086)	-0.132	(0.086)
22 months after	-0.126	(0.085)	-0.136	(0.086)	-0.105	(0.077)
23 months after	-0.096	(0.074)	-0.118	(0.077)	-0.069	(0.063)
24 months after	-0.172	(0.105)	-0.163	(0.101)	-0.147	(0.107)
More than 24 months after	-0.236*	(0.126)	-0.225*	(0.120)	-0.203	(0.147)
Observations	176,100		175,380		144,780	

Note: \*\*\* p<0.01, \*\* p<0.05, \* p<0.1. The dependent variables are the log of alcohol sales, by alcohol group. Each regression controls for county and year-month FEs, state-specific time trends, demographic, economic, and state policy variables. Regressions are weighted by population in county-year. Standard errors are clustered by state. Demographic controls include share of male population, share of Hispanic, share of population for the 0-19, 20-39, and 40-64 age group. Economic controls include unemployment rate and median household income. State policy controls include beer tax, cigarette tax, as well as indicators for decriminalized or legalized consumption of recreational marijuana.

**Table 5 – Provisions of Medical Marijuana Laws on Sales of Alcohol, Beer, and Wine**

	(1)	(2)	(3)	(4)	(5)
<b>Alcohol</b>					
MML					-0.343*** (0.099)
Non-specific pain	-0.036 (0.036)				0.279*** (0.093)
Collective cultivation		-0.071* (0.036)			-0.044 (0.064)
Dispensary open			-0.040 (0.042)		-0.022 (0.045)
Patient registration				-0.121* (0.067)	0.090 (0.070)
Number of observations	176,100	176,100	176,100	176,100	176,100
<b>Beer</b>					
MML					-0.324*** (0.094)
Non-specific pain	-0.037 (0.034)				0.235** (0.093)
Collective cultivation		-0.057 (0.036)			-0.007 (0.057)
Dispensary open			-0.041 (0.039)		-0.025 (0.042)
Patient registration				-0.110* (0.065)	0.097* (0.054)
Number of observations	175,380	175,380	175,380	175,380	175,380
<b>Wine</b>					
MML					-0.299** (0.122)
Non-specific pain	-0.068 (0.041)				0.242* (0.140)
Collective cultivation		-0.091** (0.042)			-0.061 (0.119)
Dispensary open			-0.027 (0.068)		-0.006 (0.074)
Patient registration				-0.131** (0.057)	0.064 (0.104)
Number of observations	144,780	144,780	144,780	144,780	144,780

**Note:** \*\*\* p<0.01, \*\* p<0.05, \* p<0.1. The dependent variables are the log of alcohol sales, by alcohol group. Each regression controls for county and year-month FEs, state-specific time trends, demographic, economic, and state policy variables. Regressions are weighted by population in county-year. Standard errors are clustered by state. Demographic controls include share of male population, share of Hispanic, share of population for the 0-19, 20-39, and 40-64 age group. Economic controls include unemployment rate and median household income. State policy controls include beer tax, cigarette tax, as well as indicators for decriminalized or legalized consumption of recreational marijuana.



**Table 6 – Robustness Tests**


	<b>Alcohol</b>	<b>Beer</b>	<b>Wine</b>
<b>Panel A</b>			
<b>Robustness Check: Border counties</b>			
MML	-0.223** (0.099)	-0.187** (0.081)	-0.213** (0.086)
Number of county pairs	324	322	289
Number of observations	54,366	54,307	37,097
<b>Panel B</b>			
<b>Robustness Check: Placebo Dates</b>			
Average placebo MML estimate	-0.011	-0.008	0.004
Placebo coefficient < 0	619	617	482
Placebo coefficient < 0 and significant at 5% level	2	1	37
Placebo coefficient < 0 and significant at 10% level	14	13	76
Number of observations	211,523	209,038	172,202
<b>Panel C</b>			
<b>Robustness Check: Falsification Test</b>		<b>Pens and Pencils</b>	
MML		-0.003 (0.010)	
Number of observations		245,856	

Note: \*\*\* p<0.01, \*\* p<0.05, \* p<0.1. Estimated effect of Medical Marijuana Laws on aggregate alcohol sales and by alcohol type. The analysis is performed on a sample of *Border counties* and *Falsification tests*: The effect of MML was also estimated for Placebo (fake) dates, i.e., assigning random dates of the effectiveness of the policy to MML states with 1000 trials. Estimated effect of Medical Marijuana Laws (MML) on sales of Pens and Pencils. The dependent variables are the log of alcohol sales, by alcohol group. Each regression controls for county and year-month FEs, state-specific time trends, demographic, economic, and state policy variables. Regression for the border counties also includes county pair fixed effects. Regressions are weighted by population in county-year. Demographic controls include share of male population, share of Hispanic, share of population for the 0-19, 20-39, and 40-64 age group. Economic controls include unemployment rate and median household income. State policy controls include beer tax, cigarette tax, as well as indicators for decriminalized or legalized consumption of recreational marijuana.

## References

- Amar, M. B. (2006). Cannabinoids in medicine: A review of their therapeutic potential. *Journal of ethnopharmacology*, 105(1), 1-25.
- Anderson, D.M., Benjamin Hansen, and Daniel I. Rees. 2013. "Medical Marijuana Laws, Traffic Fatalities, and Alcohol Consumption." *The Journal of Law and Economics* 56 (2): 333-369.
- Campbell, V. A., & Gowran, A. (2007). Alzheimer's disease; taking the edge off with cannabinoids?. *British journal of pharmacology*, 152(5), 655-662.
- Cameron, A.C. and Miller, D.L., 2015. A practitioner's guide to cluster-robust inference. *Journal of Human Resources*, 50(2), pp.317-372.
- Chaloupka, Frank J. and Adit Laixuthai. 1997. "Do Youths Substitute Alcohol and Marijuana? Some Econometric Evidence." *Eastern Economic Journal* 23 (3): 253-276.
- Choi, A., Dave, D. and Sabia, J.J., 2017. Smoke Gets In Your Eyes: Medical Marijuana Laws and Tobacco Use (No. w22554). *National Bureau of Economic Research*.
- Crost, Benjamin and Santiago Guerrero. 2012. "The Effect of Alcohol Availability on Marijuana use: Evidence from the Minimum Legal Drinking Age." *Journal of Health Economics* 31 (1): 112-121.
- Crost, Benjamin and Daniel I. Rees. 2013. "The Minimum Legal Drinking Age and Marijuana use: New Estimates from the NLSY97." *Journal of Health Economics* 32 (2): 474-476.
- DiNardo, John and Thomas Lemieux. 2001. "Alcohol, Marijuana, and American Youth: The Unintended Consequences of Government Regulation." *Journal of Health Economics* 20 (6): 991-1010.
- Dube, A., Lester, T.W. and Reich, M., 2010. Minimum Wage Effects across State Borders: Estimates Using Contiguous Counties. *The Review of Economics and Statistics*, 92(4), pp.945-964.
- Krishnan, S., Cairns, R., & Howard, R. (2009). Cannabinoids for the treatment of dementia. *The Cochrane Library*.
- Marinescu, I., 2017. The general equilibrium impacts of unemployment insurance: Evidence from a large online job board. *Journal of Public Economics*, 150, pp.14-29.
- Pacula, Rosalie Liccardo. 1998. "Does Increasing the Beer Tax Reduce Marijuana Consumption?" *Journal of Health Economics* 17 (5): 557-585.
- Pacula, R.L., Powell, D., Heaton, P. and Sevigny, E.L., 2015. Assessing the effects of medical marijuana laws on marijuana use: the devil is in the details. *Journal of Policy Analysis and Management*, 34(1), pp.7-31.
- Pertwee, R. G. (2012). Targeting the endocannabinoid system with cannabinoid receptor agonists: pharmacological strategies and therapeutic possibilities. *Philosophical Transactions of the Royal Society of London B: Biological Sciences*, 367(1607), 3353-3363.
- Ponticelli, J. and Alencar, L.S., 2016. Court enforcement, bank loans, and firm investment: evidence from a bankruptcy reform in Brazil. *The Quarterly Journal of Economics*, 131(3), pp.1365-1413.
- Rees, D. I., Argys, L. M., & Averett, S. L. (2001). New evidence on the relationship between substance use and adolescent sexual behavior. *Journal of Health Economics*, 20(5), 835-845.
- Sabia, J.J., Swigert, J. and Young, T., 2017. The effect of medical marijuana laws on body weight. *Health economics*, 26(1), pp.6-34.
- Saffer, Henry and Frank Chaloupka. 1999. "The Demand for Illicit Drugs." *Economic Inquiry* 37 (3): 401-411.

- Subbaraman, Meenakshi S. (2016) "Substitution and Complementarity of Alcohol and Cannabis: A Review of the Literature", *Substance Use and Misuse*, 51, 11: 1399-1414.
- Ullman, D. F. (2017). The Effect of Medical Marijuana on Sickness Absence. *Health economics*, 26(10), 1322-1327.
- Wen, Hefei, Jason M. Hockenberry, and Janet R. Cummings. 2015. "The Effect of Medical Marijuana Laws on Adolescent and Adult use of Marijuana, Alcohol, and Other Substances." *Journal of Health Economics* 42: 64-80.
- Williams, J., Liccardo Pacula, R., Chaloupka, F. J., & Wechsler, H. (2004). Alcohol and marijuana use among college students: economic complements or substitutes?. *Health economics*, 13(9), 825-843.
- Wolfer, J. 2006. Did Unilateral Divorce Laws Raise Divorce Rates? A Reconciliation and New Results. *American Economic Review* 96 (5): 1802-1820.
- Yörük, Barış K. and Ceren Ertan Yörük. 2013. "The Impact of Minimum Legal Drinking Age Laws on Alcohol Consumption, Smoking, and Marijuana use Revisited." *Journal of Health Economics* 32 (2): 477-479
- . 2011. "The Impact of Minimum Legal Drinking Age Laws on Alcohol Consumption, Smoking, and Marijuana use: Evidence from a Regression Discontinuity Design using Exact Date of Birth." *Journal of Health Economics* 30 (4): 740-752.

**From:** Hoffman, Steven J (CNB) steven.j.hoffman@state.ma.us   
**Subject:** Checking In  
**Date:** December 1, 2018 at 1:04 AM  
**To:** Alex Coleman acoleman@shthera.com

---

SH

Alex,

Hope all is well. Haven't heard from you in a while so I thought that I'd check in to see how things were going.

Give me a call if you have a chance.

Steve



Steven J. Hoffman  
Chairman  
Cannabis Control Commission  
101 Federal Street, 13<sup>th</sup> Floor  
Boston, MA 02110  
O: (617) 701-8400 | C: (857) 275-7158  
[www.MassCannabisControl.com](http://www.MassCannabisControl.com)

**From:** Hoffman, Steven J (CNB) steven.j.hoffman@state.ma.us  
**Subject:** Re: Following-up  
**Date:** December 2, 2018 at 8:14 PM  
**To:** Alexander Coleman acoleman@shthera.com

---

SH

Thanks, Alex.

I would love to continue our discussion. December will be impossible but could we set up a time in early January. Will you be in Boston or should we set up a call?

Steve

Sent from my iPhone

On Dec 6, 2017, at 5:57 PM, Alexander Coleman <[acoleman@shthera.com](mailto:acoleman@shthera.com)> wrote:

Steve

It has been several weeks since we met you with Frank Perullo, so my apologies for not following up earlier. We have been crossing the country several times over, including attending the remarkable cannabis conference in Vegas, while take a brief break for Thanksgiving.

I wanted to thank you for your time and recognize the considerable task ahead of you. I also want to make sure we discuss our franchising intentions at some point, as I continue to think it coincides well with part of your initiatives that involve expanding the program to include lower income participants. I would also offer any of our personnel to assist with other matters, although I suspect you have a large number of inputs as it is.

If we do not speak beforehand, I trust you have a great and well deserved holiday, and will look forward to catching up in the New Year.

Best regards

Alex

SEA HUNTER THERAPEUTICS  
Alexander P Coleman  
Managing Partner  
Sea Hunter Therapeutics, LLC  
W: (212) 644-3502  
M: (917) 969-4834  
E: [acoleman@shthera.com](mailto:acoleman@shthera.com)