

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

**FORM 8-K**

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

November 30, 2021

Date of Report (Date of earliest event reported)

**BODY AND MIND INC.**

(Exact name of registrant as specified in its charter)

<u>Nevada</u> (State or other jurisdiction of incorporation)	<u>000-55940</u> (Commission File Number)	<u>98-1319227</u> (IRS Employer Identification No.)
<u>750 – 1095 West Pender Street</u> <u>Vancouver, British Columbia, Canada</u> (Address of principal executive offices)		<u>V6E 2M6</u> (Zip Code)

(800) 361-6312

Registrant's telephone number, including area code

Not applicable.

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
N/A	N/A	N/A

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (Section 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (Section 240.12b-2 of this chapter).

Emerging growth company

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

## SECTION 1 – REGISTRANT’S BUSINESS AND OPERATIONS

### Item 1.01 Entry into a Material Definitive Agreement

On November 30, 2021, Body and Mind Inc. (the “**Company**” or “**BaM**”), through its wholly owned subsidiary, DEP Nevada, Inc., a Nevada corporation (“**DEP**”) entered into two membership interest purchase agreements with Canopy Monterey Bay, LLC (“**Canopy**”) and the membership interest owners (the “**Sellers**”) of Canopy to acquire an aggregate of 100% of Canopy, which owns a retail dispensary in the limited license jurisdiction of Seaside, California, called “The Reef.”

#### Membership Interest Purchase Agreement #1

On November 30, 2021, DEP entered into a membership interest purchase agreement (the “**MIPA #1**”) to purchase eighty percent (80%) of the issued and outstanding membership interests (the “**Purchased Interests**”) of Canopy from Cary Stiebel (the “**Continuing Owner**”), Jana Stiebel, Jayme Rivard, Adrian Dermicek, and Laurie Johnson (collectively, the “**Sellers**”).

As consideration for DEP’s purchase of the Purchased Interests, DEP will pay to Sellers a total purchase price of Four Million Eight Hundred Thousand Dollars (\$4,800,000.00) comprising of: (i) Two Million Five Hundred Thousand Dollars (\$2,500,000.00) to be paid in cash (the “**Cash Purchase Price**”); and (ii) Two Million Three Hundred Thousand Dollars (\$2,300,000.00) to be paid via a secured promissory note (“**Note Purchase Price**”).

Pursuant to MIPA #1, DEP is obligated to transfer the Cash Purchase Price to Secured Trust Escrow (the “**Escrow Agent**”) and following such transfer, the Sellers are to assign the Purchased Interests to DEP on either the first or the sixteenth day of the first calendar month following DEP’s transfer of the Cash Purchase Price to the Escrow Agent. As a closing condition, DEP is also required to deliver to Sellers a secured promissory note for the Note Purchase Price. MIPA #1 specifically states that the Cash Purchase Price is not to be released from the Escrow Agent to the Sellers until the date following DEP receiving approval from the local and state regulators that DEP owns the Purchased Interests and the completion of any required audited annual financial statements and unaudited interim financial statements of Canopy prepared in accordance with US GAAP.

Contemporaneous with the execution of MIPA #1, DEP also entered into a second membership interest purchase agreement to purchase, subject to all approvals required by applicable laws and regulations, the remaining twenty percent (20%) of the issued and outstanding membership interests of Canopy from the Continuing Owner (“**MIPA #2**”). In MIPA #1, the parties agree that the target working capital for Canopy on the date that DEP is assigned the Purchased Interests shall be Zero Dollars (\$0.00). The Sellers are obligated to deliver a statement of financial position for Canopy that provides, among other things, Canopy’s current working capital. DEP has up to one (1) year from the delivery of such statement to provide an adjusted statement based on DEP’s further financial due diligence. The Sellers will then have an opportunity to dispute and if no agreement is reached, a neutral third-party will determine the actual working capital of Canopy as of the date the Purchased Interests are assigned to DEP. The purchase price in MIPA #2 is subject to adjustments based on the actual working capital as determined by the calculations made pursuant to MIPA #1.

The foregoing description of the Membership Interest Purchase Agreement #1 does not purport to be complete and is qualified in its entirety by the Membership Interest Purchase Agreement #1, which is filed as Exhibit 10.1 hereto and is incorporated by reference herein.

Secured Promissory Note

On November 30, 2021, DEP entered into secured promissory note (the "**Promissory Note**") promising to pay the Note Purchase Price (\$2,300,000.00) to the Sellers. The Promissory Note was delivered as partial consideration for DEP's agreement to purchase the Purchased Interests (80% of the issued and outstanding membership interests of Canopy) from the Sellers.

The Promissory Note was signed on November 30, but does not become effective by its terms unless and until the state regulators and local regulators approve DEP as the owner of the Purchased Interests (the date such approval is received being the "**Effective Date**"). In the event the MIPA #1 for DEP to purchase the Purchased Interests is terminated for any reason, the Promissory Note automatically terminates.

Pursuant to the Promissory Note, interest will accrue on the principal amount at the rate of ten percent (10%) compounded annually. DEP will be obligated to make monthly interest only payments for the initial six (6) months following the Effective Date. Following the initial six (6) months, no payments shall be due until the maturity date, which is the date that is five (5) years following the Effective Date.

Following the transfer of the Purchased Interests to DEP, Canopy will sign a joinder to this Promissory Note and further enter into a security agreement granting a security interest to the Sellers in all of Canopy's assets to secure DEP's fulfillment of its obligations under the Promissory Note.

The foregoing description of the Secured Promissory Note does not purport to be complete and is qualified in its entirety by the Secured Promissory Note, which is filed as Exhibit 10.2 hereto and is incorporated by reference herein.

Security Agreement

On November 30, 2021, Canopy Monterey Bay, LLC (the "**Grantor**") entered into a security agreement granting a security interest in all of Grantor's personal property, general intangibles, accounts receivable, real property, insurance proceeds, deposits and documents, investment property, instruments and letter of credit rights, proceeds and products, permits, licenses and entitlements. The secured interest granted pursuant to this security agreement is for the purposes of securing the obligations of DEP pursuant to the Promissory Note promising to pay the Note Purchase Price (\$2,300,000.00) to the Sellers.

The foregoing description of the Security Agreement does not purport to be complete and is qualified in its entirety by the Security Agreement, which is filed as Exhibit 10.3 hereto and is incorporated by reference herein.

Escrow Agreement

On November 30, 2021, DEP, Canopy, the Sellers and Secured Trust Escrow, Inc. entered into the Holding Escrow Instructions (the “**Escrow Agreement**”) in order to establish an escrow account to facilitate the sale of the Purchased Interests in Canopy between DEP and the Sellers. Pursuant to the Escrow Agreement, \$2,490,000 of the Cash Purchase Price is to be paid through escrow. The Escrow Agent shall disburse the funds as directed by the parties pursuant to written instructions. Escrow Agent shall receive specific instructions as to the release of funds, including but not limited to the amount of the funds to be released and detailed recipient information. Upon receipt of such request to release funds, the Escrow Agent shall prepare an amendment and/or authorization to release funds to be signed by the parties. The Escrow Agent shall only release funds when such amendment and/or authorization to release funds is executed by the parties.

The Escrow Agent shall receive, as compensation for services a fee in the amount of \$6,000. Escrow fees shall be deducted out of the initial deposit into escrow and pre-paid by DEP. At closing, the escrow fees shall be split equally between DEP and the Sellers. In the event of cancellation of the escrow, DEP shall pay a \$3,000 escrow fee and all other escrow funds shall be distributed as instructed to the Escrow Agent and under the terms of the Escrow Agreement.

The foregoing description of the Holding Escrow Instructions does not purport to be complete and is qualified in its entirety by the Holding Escrow Instructions, which is filed as Exhibit 10.4 hereto and is incorporated by reference herein.

Landlord Consent to Change of Control of Tenant

On November 30, 2021, the Company and Canopy (“**Tenant**”) entered into an agreement with Ann Marie Bevins and Carol Gay Lavin, the Successor Co-Trustees of the Peter Ralph Lavin Trust U/A DTD August 7, 2006, as amended (the “**Landlord**”) whereby the Landlord is providing certain consent to the Company’s subsidiary, DEP purchasing the Purchased Interests of Tenant in two (2) transactions.

Pursuant to a lease agreement between the Tenant and the Landlord dated July 1, 2018 (the “**Lease**”), the Tenant is required to obtain the Landlord’s consent for a change of control transaction. DEP’s purchase of the Purchased Interests qualifies as a change of control transaction under the Lease.

Pursuant to the Consent, the Landlord has agreed to provide its consent to both transactions whereby DEP is acquiring one hundred percent (100%) of the Tenant, subject to the following obligations: (1) Tenant must pay the Landlord a transfer fee equal to Two Hundred Ninety Thousand Dollars (\$290,000.00); (2) Tenant must pay the Landlord Two Hundred Twenty-Nine and 60/100 Dollars (\$229.60) in liquidated damages; (3) Tenant must reimburse Landlord for legal fees associated with the change of control transaction with such amount not to exceed Six Thousand Five Hundred Dollars (\$6,500.00); and (4) a renewal of the current guaranty of the lease is delivered to the Landlord. The Consent became effective following the assignment of the Purchased Interests to DEP.

The foregoing description of the Landlord Consent to Change of Control of Tenant does not purport to be complete and is qualified in its entirety by the Landlord Consent to Change of Control of Tenant, which is filed as Exhibit 10.5 hereto and is incorporated by reference herein.

Lease and Second Amendment

On November 30, 2021, Canopy (the “**Tenant**”) entered into a Second Amendment to Lease agreement with the Landlord whereby the Tenant and the Landlord agreed to modify certain terms related to the existing lease between the Tenant and the Landlord dated July 1, 2018, as amended on July 19, 2021 (the “**Lease**”).

**The Lease**

The Lease provides for a 5-year term that includes three (3), 5-year extension periods (each, an “**Option Term**”) (collectively, the “**Lease Term**”). The monthly rent under the Lease for the first four (4) months is Zero Dollars (\$0.00) per month; for months five through twelve (12), the monthly rent is Six Thousand One Hundred Ninety Dollars (\$6,190.00) per month; and for months thirteen (13) through twenty four (24), the monthly rent is Seven Thousand Two Hundred Dollars (\$7,200.00) per month.

The monthly rent is subject to an annual increase of three percent (3%) per year, but in no event less than the amount of the increase in the Consumer Price Index, as of the first day of July every year during the term of the lease (the “**Adjustment Date**”), in each fiscal year (July 1 through June 30) of the Lease Term, which Lease Term shall include the Option Term and any extensions of Lease that may hereinafter be granted, beginning in the year as follows: July 1, 2020 and on the first of July in each fiscal year (July 1 through June 30) of any extensions of Lease Term thereafter, the monthly rental shall be increased at least Three percent (3%), but in no case less than the amount calculated by multiplying the amount of the then monthly rental, and as thereafter adjusted from time to time in accordance with the provisions of Article 5.2 of the Lease, by a fraction of which the denominator is the cost of living for the calendar month February, seventeen (17) months previous to the Adjustment Date, as reflected in the Consumer Price Index, or, at Landlord’s option, the same Index for the United States as a whole (as determined by the United States Department of Labor, Bureau of Labor Statistics, or any successor Index), and the numerator is the cost of living as reflected in the same Index for the calendar month of February, five (5) months previous to each such Adjustment Date. The annual rent in any fiscal year (July 1 through June 30) will not be less than one hundred three percent (103%) of the annual rent for the then immediately preceding fiscal year.

The monthly rent for the first year of each Option Term shall be the fair market value monthly rent for the premises as determined by the Landlord as of the effective date of the Tenant’s exercise of an Option Term. In the event there is a dispute between the Landlord and the Tenant regarding the monthly rent for the first year of an Option Term as of the date of Tenant’s exercise of an Option Term, and the Landlord and Tenant cannot mutually agree on a monthly rent for an Option Term ninety (90) days before the expiration of this Lease, third-party appraisers will set the Option Term monthly rent.

In addition to monthly rent, the Tenant is required to pay certain maintenance fees based on Tenant's gross sales for each year during the term of the Lease. These fees are modified and replaced in the Second Amendment.

**The Second Amendment to Lease**

The Second Amendment modifies the monthly rent fees such that the monthly rent fee for December 1, 2021 through June 30, 2022 will be \$9,000.00 per month. On July 1, 2022, the monthly rent will be subject to the normal annual increases set forth in the Lease.

The maintenance fees in the Lease are superseded and replaced with the a new monthly maintenance fee equal to One and One Half Percent (1.5%) of the Tenant's gross sales, which shall be computed each calendar month and, on or before the fifteenth (15th) day of the calendar month immediately following the close of such period, the Tenant shall pay to the Landlord the maintenance fee for the immediately preceding calendar month.

The Second Amendment includes a waiver and release of all claims against the Landlord up to and including the date of the second amendment.

**Membership Interest Purchase Agreement #2**

On November 30, 2021, DEP entered into a membership interest purchase agreement ("**MIPA #2**") to purchase the remaining twenty percent (20%) of the issued and outstanding membership interests (the "**Remaining Purchased Interests**") of Canopy from the Continuing Owner.

As consideration for DEP's purchase of the Remaining Purchased Interests, DEP will pay to the Continuing Owner a total purchase price of One Million Dollars (\$1,000,000.00) (the "**Purchase Price**") to be paid via either: (i) shares of the Company's common stock (the "**Consideration Shares**"); or (ii) in cash at DEP's sole option if such payment takes place within six (6) months following the date of MIPA #1 wherein DEP acquired eighty percent (80%) of the issued and outstanding membership interest of Canopy. In the event DEP elects or is required to pay the Purchase Price via Consideration Shares, the amount of Consideration Shares shall be determined based on the VWAP as of the date of execution of MIPA #1. In the event that, six (6) months following the execution date of MIPA #1, the value of the Consideration Shares have decreased such that total value of the Consideration Shares is less than ninety percent (90%) of its value, DEP agrees to cause the Company to issue an additional One Hundred Thousand Dollars (\$100,000.00) worth of shares of the Company's common stock (the "**Additional Shares**") to the Continuing Owner based on the VWAP calculated as of six (6) months following the closing of MIPA #1.

The Purchase Price is to be adjusted based on the actual working capital of Canopy as of the closing of MIPA #1.

Within seven (7) business days from the date that DEP receives notification from the city and state regulators that it is approved as the one hundred percent (100%) owner of Canopy and all adjustment calculations for determining the working capital are completed, DEP shall be obligated to pay to Continuing Owner the Purchase Price subject to applicable adjustments.

The foregoing description of the Membership Interest Purchase Agreement #2 does not purport to be complete and is qualified in its entirety by the Membership Interest Purchase Agreement #2, which is filed as Exhibit 10.6 hereto and is incorporated by reference herein.

## SECTION 2 – FINANCIAL INFORMATION

### Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The information set forth under Item 1.01 of this Current Report on Form 8-K with respect to the Membership Interest Purchase Agreement #1, the Secured Promissory Note and the Security Agreement is incorporated by reference into this Item 2.03.

## SECTION 3 – SECURITIES AND TRADING MARKETS

### Item 3.02 Unregistered Sales of Equity Securities

In connection with the Purchase Price to be paid under MIPA #2, DEP and the Company have determined that the Purchase Price will be paid in shares of the Company's common stock. The 10 day VWAP ending on November 30, 2021 was \$0.3665 per share which would result in the issuance of a total of 2,728,156 shares of the Company's common stock to be equivalent to \$1,000,000.00. The Company issued such Consideration Shares on December 3, 2021 and is holding such Consideration Shares in escrow pending the closing of MIPA #2 and in the event MIPA #2 does not close, the Consideration Shares will be cancelled and returned to treasury. The Company relied upon the exemption from the registration under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") provided by Rule 506(b) of Regulation D and/or Section 4(a)(2) of the U.S. Securities Act with respect to such issuance.

## SECTION 9 – FINANCIAL STATEMENTS AND EXHIBITS

### Item 9.01 Financial Statements and Exhibits

#### (d) Exhibits

<u>Exhibit</u>	<u>Description</u>
<a href="#">10.1</a>	<a href="#">Membership Interest Purchase Agreement between DEP Nevada, Inc., Canopy Monterey Bay, LLC, Cary Stiebel, Jana Stiebel, Jayme Rivard, Adrian Dermicek and Laurie Johnson, dated November 30, 2021</a>
<a href="#">10.2</a>	<a href="#">Secured Promissory Note in the amount of \$2,300,000 between DEP Nevada, Inc. and Cary Stiebel, Jana Stiebel, Jayme Rivard, Adrian Dermicek and Laurie Johnson, dated November 30, 2021</a>
<a href="#">10.3</a>	<a href="#">Security Agreement between Canopy Monterey Bay, LLC and Cary Stiebel, Jana Steibel, Jayme Rivard, Adrian Dermicek and Laurie Johnson, dated November 30, 2021</a>
<a href="#">10.4</a>	<a href="#">Holding Escrow Instructions between DEP Nevada, Inc., Canopy Monterey Bay, LLC, Cary Stiebel, Jana Stiebel, Jayme Rivard, Adrian Dermicek, Laurie Johnson and Secured Trust Escrow, Inc., dated November 30, 2021</a>
<a href="#">10.5</a>	<a href="#">Landlord Consent to Change of Tenant between Ann Marie Bevins and Carol Gay Lavin, the Successor Co-Trustees of the Peter Ralph Lavin Trust U/A DTD August 7, 2006, as amended, Canopy Monterey Bay, LLC and Body and Mind Inc., dated November 30, 2021</a>
<a href="#">10.6</a>	<a href="#">Membership Interest Purchase Agreement between DEP Nevada, Inc., and Cary Stiebel, dated November 30, 2021</a>

**SIGNATURES**

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

**BODY AND MIND INC.**

**DATE:** December 6, 2021

By: /s/ Michael Mills

**Michael Mills**  
**President, CEO and Director**



**MEMBERSHIP INTEREST PURCHASE AGREEMENT**

dated as of

November 30, 2021

by and among

**DEP Nevada, Inc.**  
*as Buyer*

and

**CARY STIEBEL, JANA STIEBEL, JAYME RIVARD  
ADRIAN DERMICEK, AND LAURIE JOHNSON**  
*as Sellers*

and

**CANOPY MONTEREY BAY, LLC**  
*as Company*

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## MEMBERSHIP INTEREST PURCHASE AGREEMENT

This Membership Interest Purchase Agreement (this "Agreement"), dated as of November 30, 2021 (the "Effective Date"), is made by and among: (a) DEP Nevada, Inc., a Nevada corporation ("Buyer"), and (b) Canopy Monterey Bay, LLC, a California limited liability company (the "Company"); and (c) Cary Stiebel, Jana Stiebel, Jayme Rivard, Adrian Dermicek, and Laurie Johnson (collectively, the "Seller"). Each of Buyer, the Company and the Seller may also be referred to herein individually as a "Party" and collectively as the "Parties".

WHEREAS, Company holds a valid commercial cannabis local license (the "Local License") from the City of Seaside (the "City") to operate cannabis retail operations at the Premises.

WHEREAS, Company holds a valid state commercial cannabis license (License No: CCL10-0000253) (the "State License") from the Department of Cannabis Control (the "DCC") to operate storefront cannabis retail operations at the Premises (the "Business").

WHEREAS, as of the Effective Date, Seller owns one hundred percent (100%) of the issued and outstanding membership interests in and to Company.

WHEREAS, the Seller wishes to sell eighty percent (80%) of the issued and outstanding membership interests in Company (the "Purchased Interest") to Buyer, and Buyer wishes to purchase from the Seller the Purchased Interest, subject to the terms and conditions set forth herein. The transactions described herein for the Buyer's purchase of the Purchased Interest shall be referred to as the "Transaction".

NOW, THEREFORE, in consideration of and reliance upon the premises and the representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

### Article I DEFINITIONS

As used herein, the following terms shall have the following meanings:

**Section 1.01** "Accounting Referee" means a nationally recognized accounting firm mutually acceptable to Buyer and the Seller.

**Section 1.02** "Actual Working Capital" shall mean the amount of Working Capital the Company has as of the Closing Date.

**Section 1.03** "Affiliate" means, with respect to any Person, any other Person, directly or indirectly, controlling, controlled by or under common control with such first Person.

**Section 1.04** "Articles of Organization" means the Company's Articles of Organization.

**Section 1.05** "Business Day" means any day other than a Saturday, Sunday, federal holiday or other day on which commercial banks in Los Angeles, California are authorized or required by law to close.

**Section 1.06** "Buyer" has the meaning set forth in the recitals.

**Section 1.07** "Buyer Indemnified Person(s)" shall have the meaning set forth in Section 9.02(a).

**Section 1.08** "Cannabis Authority" any Governmental Authority responsible for granting or monitoring compliance with a cannabis Permit, including without limitation, the DCC.

**Section 1.09** "DCC" shall have the meaning set forth in the recitals.

**Section 1.10** "Business" shall have the meaning set forth in the recitals.

**Section 1.11** "City" shall have the meaning set forth in the recitals.

**Section 1.12** "City Approval" means the City's approval, in writing, of the change in ownership of Company resulting from Buyer's purchase of the Purchased Interest hereunder.

**Section 1.13** "Claim" means any action, suit, case, litigation, proceeding, claim, arbitration, charge, criminal prosecution, investigation, demand letter, warning letter, finding of deficiency or non-compliance, adverse inspection report, notice of violation, notice of alleged liability, penalty, fine, sanction, subpoena, request for recall, request for remedial action, damages, liabilities and obligations of any nature whatsoever.

**Section 1.14** "Claim Notice" shall have the meaning set forth in Section 9.03(a).

**Section 1.15** "Closing" shall have the meaning set forth in Section 2.01(a).

**Section 1.16** "Closing Conditions" means, collectively: (i) the complete execution of the Transaction Agreements by the Parties; (ii) Company's delivery of documents demonstrating Company is in good standing with the Franchise tax Board under the laws of California.

**Section 1.17** "Closing Date" means such date that the last of the Closing Conditions have been satisfied or waived.

**Section 1.18** "Closing Transfer" shall have the meaning set forth in Section 2.01(a).

**Section 1.19** "Code" means the U.S. Internal Revenue Code of 1986, as amended.

**Section 1.20** "Company" has the meaning set forth in the Recitals.

**Section 1.21** "Company Indebtedness" means, with regard to the Company, all indebtedness for borrowed money. For clarity, Company Indebtedness shall not include trade payables incurred in the ordinary course of business.

**Section 1.22** “Company Transaction Expenses” means the costs, fees and expenses associated with any legal, accounting, broker, investment banker, data room provider, financial printer or other service provider and incurred by the Company or the Seller in connection with the Transaction Agreements and the agreements contemplated hereby and thereby (including preliminary discussions, term sheet negotiations and discussions with any other Person) and the consummation of the transactions contemplated hereby and thereby.

**Section 1.23** “Confidential Information” means any proprietary or confidential information relating to the products, services, business or affairs of the Company (whether or not such information is embodied in writing or other physical form).

**Section 1.24** “Consequential Damages” shall have the meaning set forth in Section 9.02(d).

**Section 1.25** “Contract” means any written or oral agreement, contract, purchase order, sales order or other legally binding commitment, arrangement or undertaking, together with any amendments and modifications thereto.

**Section 1.26** “Continuing Owner” means CARY STIEBEL, who will remain with the Company as member of the management board after the Closing Date.

**Section 1.27** “Damages” shall have the meaning set forth in Section 9.02(a).

**Section 1.28** “Deposit” shall have the meaning set forth in Section 2.01(b)(i).

**Section 1.29** “Disclosure Schedule” means the disclosure schedule attached hereto as Schedule I. The Disclosure Schedule shall be arranged in sections corresponding to the numbered and lettered sections and subsections contained in Article V, and the disclosures in any section or subsection of the Disclosure Schedule shall qualify other sections and subsections in Article V only to the extent it is reasonably apparent from a reading of the disclosure schedule that such disclosure is applicable to such other sections and subsections.

**Section 1.30** “Disputed Items” shall have the meaning set forth in Section 2.02(c).

**Section 1.31** “Dispute Notice” shall have the meaning set forth in Section 2.02(c).

**Section 1.32** “Effective Date” shall have the meaning set forth in the preamble.

**Section 1.33** “Employee Disclosure” shall have the meaning set forth in Section 5.09(b).

**Section 1.34** “Encumbrance” means any lien, mortgage, pledge, claim, charge, right of way, security interest, option, right of first refusal or offer, easement, right of others, deed of trust, hypothecation, transfer restriction or other encumbrance.

**Section 1.35** “Enforceability Exceptions” shall have the meaning set forth in Section 5.01(c).

**Section 1.36** “Environmental Laws” means any and all Legal Requirements relating to pollution, protection of the environment (including ambient air, indoor air, surface water, groundwater, soil gas, land surface or subsurface strata), protection of natural resources and protection of human health and safety, including Legal Requirements relating to the presence, use, production, manufacture, generation, formulation, handling, transportation, treatment, storage, disposal, distribution, labeling, packaging, testing, processing, discharge, emission, release, threatened release, control, cleanup of or exposure to toxic or hazardous materials, substances, or wastes, and the regulations promulgated thereunder.

**Section 1.37** “Escrow Agent” means Secured Trust Escrow.

**Section 1.38** “Escrow Agreement” means the escrow agreement dated November 30, 2021 by and between Parties and the Escrow Agent.

**Section 1.39** “Escrow Release Date” shall have the meaning set forth in Section 2.01(b).

**Section 1.40** “GAAP” means generally accepted accounting principles in the United States, consistently applied.

**Section 1.41** “General Expiration Date” shall have the meaning set forth in Section 9.01.

**Section 1.42** “Governmental Authority” means the United States or any foreign, federal, state, local or other governmental, administrative or regulatory authority, agency, bureau, commission, department or other governmental or administrative instrumentality, subdivision, court, arbitrator, tribunal or body.

**Section 1.43** “Indemnitee” shall have the meaning set forth in Section 9.03(a).

**Section 1.44** “Indemnitor” shall have the meaning set forth in Section 9.03(a).

**Section 1.45** “Information Privacy and Security Requirements” means (a) all Legal Requirements relating to the Processing of Personal Data, data privacy, or information security; (b) The Payment Card Industry Security Standards as issued by the Payment Security Standards Council, such as PCI DSS, PA-DSS, PCI-P2PE, PCI-PTS, PCI-3DS, and PCI; and (c) the Telephone Consumer Protection Act of 1991, and the regulations promulgated thereunder, as both are amended from time to time.

**Section 1.46** “Intellectual Property” means intellectual property, in any and all medium, including digital, and in any jurisdiction, including, but not limited to, all (i) patents and patent applications (including all reissuances, continuations, continuations-in-part, revisions, extensions and reexaminations thereof) and patent disclosures and inventions (whether or not patentable and whether or not reduced to practice); (ii) trademarks, service marks, trade dress, trade names, internet domain names, assumed names and corporate names, in each case, whether or not registered, together with the goodwill of the business associated therewith; (iii) published and unpublished works of authorship, whether copyrightable or not, including all statutory and common law copyrights associated therewith; (iv) all registrations, applications, extensions and renewals for any of the items listed in clauses (ii) and (iii); (v) trade secrets; (vi) websites and the contents thereof; (vii) computer programs, including operating systems, applications, routines, interfaces, and algorithms, whether in source code or object code; (viii) databases and the information contained therein; (ix) lists of clients and potential clients (including any lists of electronic mail addresses of clients and potential clients); (x) pricing and cost information and business and marketing plans and proposals; (xi) ideas, compositions, know-how, research and development information, artwork and graphic design, drawings, specifications, manuals and documentation, data, improvements, databases and promotional materials; (xii) without limiting the generality of clause (xi), trading models, strategies and algorithms, (xiii) any information concerning trading or investment performance, including the profits and losses therefrom, return on investment and other performance or “track record” information; and (xiv) all proprietary rights relating to any of the foregoing, including, but not limited to, all causes of action, damages and remedies related thereto.

**Section 1.47** “Knowledge” or “Knowledge of the Company” or “Knowledge of Seller” or words of similar import, means the actual or constructive knowledge after reasonable due inquiry of the Seller and/or Company.

**Section 1.48** “Legal Requirement” means (a) any federal, state, local, municipal, foreign, international, multinational or administrative law, constitution, common law principle, ordinance, code, statute, injunction, rule, statute or governmental regulation; (b) any binding judicial or administrative interpretation of any of the foregoing; (c) the terms and conditions of any agreement with a Governmental Authority; or (d) any governmental requirements or restrictions of any kind, or any rule, regulation or order promulgated thereunder.

**Section 1.49** “Liability” means any debt, liability, commitment, obligation, deficiency, Tax, penalty, assessment, fine, claim, cause of action or other loss, fee, cost or expense of any kind, character or nature whatsoever, whether asserted or unasserted, absolute or contingent, known or unknown, accrued or unaccrued, liquidated or unliquidated and whether due or to become due.

**Section 1.50** “Liens” means any claims, liens, charges, rights, restrictions, options, preemptive rights, mortgages, deeds of trust, hypothecations, assessments, pledges, encumbrances, claims of equitable interest or security interests of any kind or nature whatsoever. A leasehold interest in property shall not constitute a Lien.

**Section 1.51** “Local License” shall have the meaning set forth in the recitals.

**Section 1.52** “Material Adverse Effect” means any event, occurrence, fact, condition or change that, individually or in the aggregate, has, has had or would reasonably be expected to have a material adverse effect on (i) the business, assets, liabilities, properties, condition (financial or otherwise), results of operations or prospects of the Company, individually or taken as a whole or (ii) the ability of the Seller or the Company to consummate the Transaction contemplated by the Transaction Agreements on a timely basis.

**Section 1.53** “Material Contracts” shall have the meaning set forth in Section 5.07.

**Section 1.54** “Notice of Offset” shall have the meaning in Section 6.05(b).

**Section 1.55** “Offset Liabilities” shall have the meaning in Section 6.05(a).

**Section 1.56** “Order” means any charge, temporary restraining order or other order, writ, injunction (whether permanent or otherwise), judgment, consent, decree, ruling, determination, directive, award or settlement, whether civil, criminal or administrative, of any Governmental Authority.

**Section 1.57** “Overlap Period” means a taxable year or other taxable period beginning on or before, and ending after, the Closing Date.

**Section 1.58** “Party” and “Parties” shall each have the meaning set forth in the Preamble.

**Section 1.59** “Permit” means any approval, permit, license, certificate, franchise, permission, clearance, registration, filing, notice, qualification or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Legal Requirement, including without limitation, the Local License and State License.

**Section 1.60** “Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, or other form of business or legal entity.

**Section 1.61** “Personal Data” means all data that identifies or locates a natural person or that, in combination with other available data, can be used to identify or locate a natural person.

**Section 1.62** “Pre-Closing Period” means all taxable years or other taxable periods that end on or before the Closing Date and, with respect to the Overlap Period, the portion of such period ending on and including the Closing Date.

**Section 1.63** “Premises” means the real property located at 1900 Fremont Blvd., Seaside, California 93955.

**Section 1.64** “Process” or “Processing” means the collection, use, storage, processing, distribution, transfer, import, export, protection (including security measures), disposal, disclosure, or other activity regarding data (whether electronically or in any other form or medium).

**Section 1.65** “Protected Business Contact” means any customer, prospective customer, employee, independent contractor, supplier, vendor, investor, strategic partner, joint venturer or similar business partner of the Company or any other Person with whom the Company has a business relationship.

**Section 1.66** “Protected Personnel” means an employee, independent contractor or consultant, of the Company (or who is or was during the during the twelve (12) month period preceding any action restricted by this Agreement the subject of the Company’s, Buyer’s or its Affiliate’s recruitment efforts).

**Section 1.67** "Purchase Price" shall have the meaning set forth in Section 2.01(b).

**Section 1.68** "Purchased Interest" shall have the meaning set forth in the Recitals.

**Section 1.69** "Restricted Period" shall have the meaning set forth in Section 8.05.

**Section 1.70** "Restricted Parties" shall have the meaning set forth in Section 8.05.

**Section 1.71** "Seller" shall have the meaning set forth in the recitals.

**Section 1.72** "Seller Indemnified Persons" shall have the meaning set forth in Section 9.02(b).

**Section 1.73** "State Approval" means the DCC's approval, in writing, of the change in ownership of Company resulting from Buyer's purchase of the Purchased Interest hereunder.

**Section 1.74** "State License" shall have the meaning set forth in the recitals.

**Section 1.75** "Statement of Financial Position" shall mean the balance sheet that presents the financial position of an entity at a given date and includes, assets, liabilities, equity and any other line items commonly included in a balance sheet consistent with GAAP.

**Section 1.76** "Subsidiaries" means, with respect to any Person, as of any date of determination, any other Person as to which such Person, owns, directly or indirectly, or otherwise controls more than 50% of the voting power or other similar interests or the sole general partner interest or managing member or similar interest of such Person.

**Section 1.77** "Target Working Capital" shall have the meaning set forth in Section 2.02.

**Section 1.78** "Tax Authority" means, with respect to any Tax, the Governmental Authority that imposes such Tax, and any agency charged with the administration or collection of such Tax.

**Section 1.79** "Tax Contest" means any deficiency, proposed adjustment, adjustment, assessment, audit, examination, inquiry or other administrative or court proceeding, suit, dispute or other claim relating to Taxes.

**Section 1.80** "Tax Returns" means Tax returns, statements, forms and reports (including elections, declarations, disclosures, schedules, estimates, amendments thereto, claims for refunds and information Tax returns) for Taxes.

**Section 1.81** "Tax" or "Taxes" means all taxes, assessments, charges, duties, fees, levies or other governmental charges, including, without limitation, all federal, state, local, foreign and other income, franchise, profits, gross receipts, capital gains, capital stock, transfer, property, sales, use, value-added, occupation, property, unclaimed property, escheat, excise, severance, windfall profits, stamp, license, payroll, social security, withholding, goods and services tax and other taxes, assessments, charges, duties, fees, levies or other governmental charges of any kind whatsoever (whether payable directly or by withholding and whether or not requiring the filing of a Tax Return), all estimated taxes, deficiency assessments, additions to tax, penalties and interest.



**Section 1.82** “Third Party Claim” shall have the meaning set forth in Section 9.03(b).

**Section 1.83** “Transaction” shall have the meaning set forth in the Recitals.

**Section 1.84** “Transaction Agreements” means this Agreement, the A&R Operating Agreement, the Promissory Note, the Lease Documents, the Escrow Agreement and any other documents or agreements executed in connection with the transactions contemplated by this Agreement.

“A&R Operating Agreement” means Company’s amended and restated operating agreement attached hereto as Exhibit A.

“Promissory Note” means the Promissory Note attached hereto as Exhibit B to be delivered as part of the Purchase Price.

“Security Agreement” means the Security Agreement attached hereto as Exhibit C to be delivered at the Closing to secure obligations under the Promissory Note.

“Lease Documents” means the Lessor Consent and the Second Amendment to the lease for the Premises between Company and the owner of the Premises, attached hereto as Exhibit D.

“Escrow Agreement” means the agreement between the Parties and Escrow Agent in substantially the form of agreement as attached as Exhibit E in connection with the transfer of the Cash Purchase Price.

**Section 1.85** “Transfer Taxes” shall mean any and all transfer, documentary, sales, use, stamp, registration and such other Taxes and fees (including penalties and interest) with respect to the transfer of the Purchased Interest.

**Section 1.86** “Unresolved Items” shall have the meaning set forth in Section 2.02(d).

**Section 1.87** “Working Capital” shall have the meaning understood under GAAP working capital determined from the current assets and current liabilities of Company, calculated in accordance with GAAP.

## ARTICLE II PURCHASE AND SALE

### **Section 2.01 Purchase and Sale: Purchase Price.**

(a) Purchase and Sale. Subject to the terms and conditions set forth herein, the closing shall take place on either the first (1st) or sixteenth (16th) day of the calendar month following the execution of this Agreement as chosen by Buyer with no less than three (3) days’ written notice following the Closing Transfer (as defined herein) and satisfaction of all closing conditions and deliveries set forth in Article III (the “Closing Date”). Within five (5) days following execution hereof, Buyer shall: (i) deliver the Promissory Note to Seller; and (ii) place the entire Cash Purchase Price (as defined in Section 2.01(b) below) into escrow in accordance with Section 3.05 hereof (the “Closing Transfer”). On the Closing Date, Seller shall execute the assignment attached hereto as Schedule II transferring to Buyer the Purchased Interest free and clear of all Encumbrances and thereafter Buyer agrees to cause Company to execute and deliver the Security Agreement.

(b) **Purchase Price.** As consideration for the Purchased Interest, the aggregate purchase payment to be paid to Seller shall be Four Million Eight Hundred Thousand Dollars (\$4,800,000.00) (the "**Purchase Price**") comprising of: (i) Two Million Five Hundred Thousand Dollars (\$2,500,000.00) to be paid via US Dollars (the "**Cash Purchase Price**"); and (ii) Two Million Three Hundred Thousand Dollars (\$2,300,000.00) to be paid via the Promissory Note. The Parties agree and acknowledge that as of the Effective Date, Seller has received in full a deposit of Ten Thousand Dollars (\$10,000.00) from Buyer (the "**Deposit**") that shall be applied to the Cash Purchase Price.

**Section 2.02 Working Capital Calculation.** The Parties have assumed that, as of the Closing Date, the Company will have on hand Working Capital in an amount equal to Zero Dollars and 0/100 (\$0.00) of Working Capital (the "**Target Working Capital**").

(a) No later than thirty (30) calendar days following the Closing Date, Seller shall provide a Statement of Financial Position, which includes, without limitation, an accurate balance sheet reflecting the Company's Actual Working Capital.

(b) Upon receipt of the Statement of Financial Position, Buyer shall review same for accuracy and compliance with GAAP. No later than one (1) year following Buyer's receipt of the Statement of Financial Position, Buyer shall prepare and deliver to the Seller an adjusted Statement of Financial Position, which shall include, without limitation, an adjusted balance sheet reflecting Buyer's good faith determination of Company's Actual Working Capital. In connection with calculating the Actual Working Capital hereunder, the Buyer hereby agrees to credit the Seller for prepaid expenses including but not limited to insurance, and annual license fees paid to the DCC. Prepaid expenses shall be computed on a pro-rated basis based on the number of days remaining on the license or policy as of the Closing Date.

(c) The Seller shall have fifteen (15) days following the Seller's receipt of the adjusted Statement of Financial Position to deliver to Buyer any objections. Failure to deliver such notice within such fifteen (15) day period, shall be deemed to be Seller's acceptance thereof and irrevocable waiver of any right to object thereto. If Seller does timely deliver such written objections (a "**Dispute Notice**"), which Dispute Notice specifies in reasonable detail the nature and dollar amount of any disagreement so asserted (collectively, the "**Disputed Items**"), then, during the fifteen (15) days following Buyer's receipt of a Dispute Notice, Buyer and Seller shall diligently attempt to resolve in writing the Disputed Items. Any Disputed Item resolved in writing by Buyer and Seller will be deemed final, binding and conclusive on Buyer and the Seller.

(d) In the event that Buyer and Seller do not reach an agreement on all of the Disputed Items during such fifteen (15) day period (or such longer period as they shall mutually agree), then, at the end of such period, Buyer and Seller shall submit all unresolved Disputed Items (collectively, the “Unresolved Items”) to an Accounting Referee to review and resolve such matters. The Accounting Referee’s determination of the Unresolved Items shall be final, binding and conclusive on Buyer and the Seller, absent manifest errors on all parties, and enforceable before a Governmental Authority, effective as of the date the Accounting Referee’s written determination is received by Buyer and Seller. Each of Buyer and the Seller will bear their own legal, accounting and other fees and expenses of participating in such dispute resolution procedure. The fees and expenses of the Accounting Referee shall be split equally between Buyer and Seller.

**ARTICLE III**  
**Conditions to Closing**

**Section 3.01 Obligations of the Seller and Buyer.** The obligations of the Seller and Buyer to consummate the Closing Transfer shall be subject to the satisfaction on or prior to the Closing Date of the Transaction, of each of the following conditions, any one or more of which may be waived (if permitted by Legal Requirements) in writing by both Parties:

(a) No Injunctions or Other Legal Restraints. At the time of the Closing Date, no injunction or other legal restraint or prohibition enacted, entered, promulgated, enforced or issued by any Governmental Authority preventing the consummation of the Closing shall have been issued and continue to be in effect.

(b) Absence of Proceedings. At the time of the Closing Date, there shall not be any pending or threatened action or proceeding challenging or seeking to restrain or prohibit the consummation of the Closing Transfer.

**Section 3.02 Conditions to Closing Obligations of the Seller.** The obligation of the Seller to consummate the Closing Transfer, and the other Closing obligations contemplated by this Agreement is subject to the satisfaction on or prior to the Closing Date of each of the following conditions, any one or more of which may be waived (if permitted by Legal Requirements) in writing by the Seller (in its sole discretion):

(a) The occurrence of all Closing Conditions.

(b) Buyer’s deposit of the Cash Purchase Price with the Escrow Agent.

(c) Buyer shall have performed, in all material respects, all covenants and agreements that are required under this Agreement, and any documents or agreements contemplated hereby, to be performed by Buyer prior to the Closing for the Transaction;

(d) The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all respects (if qualified by materiality) or in all material respects (if not so qualified) on and as of the date hereof and on and as of the Closing Date of the Transaction with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

**Section 3.03 Conditions to Closing Obligations of Buyer.** The obligation of Buyer to consummate the Closing Transfer and all other Closing obligations contemplated by this Agreement is subject to the satisfaction on or prior to the Closing Date of each of the following conditions, any one or more of which may be waived (if permitted by Legal Requirements) in writing by Buyer (in its sole discretion):

(a) The occurrence of all Closing Conditions.

(b) The Seller shall have performed, in all material respects, all covenants and agreements that are required under this Agreement, and any documents or agreements contemplated hereby, to be performed by the Seller prior to the Closing for the Transaction;

(c) The representations and warranties of the Seller set forth in this Agreement shall be true and correct in all respects (if qualified by materiality) or in all material respects (if not so qualified) on and as of the date hereof and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects); and

(d) There shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect.

**Section 3.04 Closing Deliveries.**

(a) Seller Closing Deliverables. On the Closing Date, Seller shall deliver or cause to be delivered to Buyer the following, in a form and substance acceptable Buyer:

(i) The Transaction Agreements to which it is a party, duly executed by Seller;

(ii) The fully executed Assignment attached hereto as Schedule II;

(iii) Evidence that Company is in good standing under the laws of California.

(iv) evidence (to the extent Seller are in possession of such evidence) that all expenses and liabilities of the Company shall be paid in full and current, except as otherwise provided for in this Agreement; and

(v) a certificate of an authorized officer of the Company certifying that attached thereto are true and complete copies of all resolutions adopted by the unanimous consent of the members of the Company authorizing the execution, delivery and performance of this Agreement and the other Transaction Agreements and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby;

(vi) resignations of all entity managers and officers of the Company other than Continuing Owner; and

(vii) any other documents reasonably requested by Buyer necessary to finalize the Closing Transfer.

(b) **Buyer Closing Deliverables.** At Closing, Buyer shall deliver or cause to be delivered to Seller or for the benefit of Seller the following:

(i) The Transaction Agreements to which it is a party, duly executed by Buyer;

(ii) Deposit of the Cash Purchase Price with the Escrow Agent pursuant to Section 3.05;

(iii) a certificate of an authorized officer of the Buyer certifying that attached thereto are true and complete copies of all resolutions adopted by the members of Buyer authorizing the execution, delivery and performance of this Agreement and the other Transaction Agreements to which it is a party and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby.

**Section 3.05 Escrowed Consideration.** In connection with the Closing Transfer, the Parties shall execute the Escrow Agreement attached hereto as Exhibit D (the "Escrow Agreement") between the Parties and a mutually agreeable third-party escrow company (the "Escrow Agent"), which sets forth, among other matters, detailed escrow instructions for the Closing Transfer and either (i) the release of the Cash Purchase Price to Sellers in accordance with Section 4.03 of this Agreement; or (ii) the return of the Cash Purchase Price to Buyer in accordance with Section 4.04 of this Agreement.

#### **ARTICLE IV POST CLOSING OBLIGATIONS; CITY AND STATE APPROVAL**

**Section 4.01 City Approval Process.** The Parties shall use best efforts to submit all required forms, supplemental information, and background checks for its required representatives ("City Submittal") to the City on the Closing Date. Notwithstanding the foregoing, in no event shall the Parties submit the change of ownership to the City later than ten (10) days following the Closing Date. The Parties shall cooperate on the City Submittal as follows:

(a) Buyer shall take the lead in preparing forms, supplemental information, and submitting background checks for its required representatives, in a timely manner, required by the City in connection with the City Approval. Seller and the Company shall cooperate as reasonably requested by Buyer.

(b) Seller shall review, correct and then use the forms and supplemental information prepared by Buyer and take the lead in communicating with the City regarding City Approval. Buyer and the Company shall cooperate as reasonably requested by Seller.

(c) Buyer shall take the lead in communicating with California Secretary of State (SOS) and shall prepare and submit required forms and supplemental information. Seller and the Company shall cooperate as reasonably requested by Buyer.

(d) Each Party shall work expeditiously and to respond to every City correspondence and request as quickly as commercially reasonable. Each Party shall provide to the other Parties a copy of all communications received from the City regarding the status of the City Approval and all communications regarding the actions outlined in this Section 4.01 within forty-eight (48) hours of such Party's receipt;

(e) Each Party shall refrain from responding to any inquiry from, making any statement to, or filing any forms or documents with the City relating to, or affecting the Local Licenses and all communications regarding approval/notification process described herein, without first reasonably consulting with the other Parties;

(f) On the date that the Parties receive affirmative written confirmation from the City that Buyer meets all of the qualifications of the City to be an owner and manager of the commercial cannabis retail business and the Buyer is unconditionally approved as the owner of the Purchased Interest shall be the date that City Approval shall be deemed to be received (the "City Approval Date"); and

(g) The Buyer agrees to pay all fees charged by the City in connection with the City Approval process.

**Section 4.02 State Approval.**

(a) Within five (5) calendar days following the Closing Transfer, the Parties shall use best efforts to submit all required forms, supplemental information, and background checks for its required representatives ("DCC Submittal"). The Parties shall cooperate to timely obtain State Approval and communicate with the DCC pursuant to the same procedures set forth in Section 4.01. Notwithstanding the foregoing, in no event shall the Parties submit the change of ownership to the DCC later than fourteen (14) days following the Closing Date.

(b) On the date that the Buyer receives affirmative written confirmation from the DCC that Buyer meets all of the qualifications of the DCC to be an owner and manager of the commercial cannabis retail business and the Buyer is unconditionally approved as the owner of the Purchased Interest is date that "State Approval" shall be deemed to be received (the "State Approval Date").

**Section 4.03 Release of Escrowed Consideration.** Following the City Approval Date, State Approval Date and Audit Completion Date, in accordance with the terms and conditions of the Escrow Agreement, the Escrow Agent shall release to Seller one hundred percent (100%) of the Cash Purchase Price and the Promissory Note shall become effective in accordance with its terms and conditions. The Seller and Buyer shall execute and deliver all written payment directions required under the Escrow Agreement to accomplish the foregoing.

**Section 4.04 Denial of City or State Approval.**

(a) In the event that either City Approval or State Approval is affirmatively denied in writing, then Buyer may elect, in its sole discretion to either: (i) terminate this Agreement by delivering written notice to Company and Seller; or (ii) substitute a different buyer to purchase the Purchased Interest or substitute the owners and/or managers of Buyer to resolve the reasons for such disapproval, as applicable.

(b) Upon termination of this Agreement pursuant to Section 4.04(a): (i) Buyer shall transfer the Purchased Interest back to Seller; and (ii) in accordance with the terms of the Escrow Agreement, the Escrow Agent shall promptly, within three (3) days after such termination, return in full the Cash Purchase Price to Buyer without any deduction or withholding without the express written consent of Buyer and the Promissory Note shall automatically be terminated.

**Section 4.05 Audit Cooperation.** Following the execution and delivery of the Assignment, Sellers shall use commercially reasonable efforts to assist Buyer as required to produce audited annual financial statements and unaudited reviewed interim financial statements prepared in accordance with United States Generally Accepted Accounting Principles for the Company requested by the Buyer, including without limitation causing the officers and managing members of the Company to execute any statements or other documents which are deemed necessary or appropriate by the Buyer and the applicable auditor to complete such audited annual and reviewed interim financial statements. For the purposes of this Agreement, the date following the completion of the audits conducted pursuant to this Section 4.05 shall be the "Audit Completion Date".

**ARTICLE V  
REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY**

Company and Seller hereby represent and warrant to Buyer that, except as set forth on the Disclosure Schedule, which exceptions shall be deemed to be part of the representations and warranties made hereunder, the following representations are true and complete as of the Effective Date and the Closing Date:

**Section 5.01 Organization; Authorization.**

(a) The Company is limited liability company duly incorporated or formed, validly existing and in good standing under the laws of the State of California. The Company has all requisite corporate power and authority to carry on its business as it is now being conducted. Based on the nature of the property owned or leased by it and the conduct of its business as of the Closing Date, the Company is not required to be qualified as a foreign entity to transact business in any other state.

(b) The Company is not in default under or in violation of any provision of its Articles of Organization or operating agreement. All Transfer Taxes levied or payable with respect to all transfers of securities of the Company prior to the date hereof have been paid and, if applicable, all applicable Transfer Tax stamps have been affixed.

(c) The Company has all requisite corporate power and authority to execute and deliver the Transaction Agreements, as applicable, to perform its obligations thereunder and to consummate the transactions contemplated thereby. The execution and delivery of the Transaction Agreements, the performance of the Company's obligations thereunder and the consummation of the transactions contemplated thereby have been duly and validly authorized by all necessary corporate or limited liability company or other action. The Transaction Agreements have been duly executed and delivered by the Company which is a party thereto and (assuming due execution by the other parties thereto) constitute the legal, valid and binding obligation of the Company which is a party thereto, enforceable against the Company in accordance with their terms, except as such enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors, and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law) (the "Enforceability Exceptions").

(d) The execution, delivery and performance of the Transaction Agreements do not, and the consummation of the transactions contemplated hereby and thereby will not, conflict with, result in the imposition or creation of an Encumbrance upon, result in any breach or violation of or default under (with or without notice or lapse of time, or both), or give rise to any right of termination, cancellation, modification or acceleration, or any obligation or loss of any benefit under or in respect of (i) any provision of the organizational documents of the Company; (ii) any Contract or Permit to which the Company is a party or to which any of their respective properties or assets are bound; or (iii) any Legal Requirement or Order to which the Company is subject.

(e) No registrations, filings, applications, notices, consents, approvals, orders, qualifications, authorizations or waivers are required to be made, filed, given or obtained by the Company with, to or from any Person, including any Governmental Authority in connection with the execution and delivery of the Transaction Agreements or the consummation of the transactions contemplated hereby or thereby.

**Section 5.02 Capitalization; Structure.**

(a) As of the Effective Date, the Seller holds all of the issued or outstanding membership interest in the Company and all of such membership interests have been duly authorized and validly issued in compliance with federal and applicable state and foreign Legal Requirements (including applicable exemptions from registration under federal and California state securities laws). Moreover, the Purchased Interest is free and clear of all Encumbrances.

(b) Company does not own or have any interest in any shares or have an ownership interest in any other Person.

(c) As of the Closing Date, there will be no: (i) outstanding obligations of Company to repurchase, redeem or otherwise acquire any securities of such Company; or (ii) outstanding obligations of Company to provide funds to or make an investment (in the form of a loan, capital contribution or otherwise) in Company or any other Person. As of the Closing Date, there will be no outstanding securities of Company, including no debt securities or any options, warrants, calls, commitments, agreements or other rights of any kind, giving any Person the right to acquire, or any securities that, upon conversion, exchange or exercise would give any Person the right to require the issuance, sale or transfer of, or obligations to issue, sell or transfer, or otherwise convertible, exercisable or exchangeable into, equity interests in Company. There are no authorized or outstanding equity appreciation rights, phantom equity or equity plans, profit participation rights or other similar rights with respect to Company. Upon consummation of the transactions contemplated by this Agreement and the Transaction Agreements, Buyer shall own all of the Purchased Interest, free and clear of all Encumbrances (other than restrictions under the Securities Act of 1933, as amended, or under the securities laws of any state or other jurisdiction).



(d) There are no voting trusts or other agreements or understandings to which Company or Seller is a party with respect to the equity securities of Company.

**Section 5.03 Title to Assets; Sufficiency of Assets.** Company owns its material personal property and assets free and clear of all Encumbrances. With respect to the personal property and assets it leases, Company is in compliance in all material respects with such leases and, to its knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances other than to the lessors of such personal property or assets.

**Section 5.04 Financial Matters: No Liabilities.**

(a) Schedule 5.04(a) contains true, correct and complete copies of (i) the balance sheet and related statements of income, cash flows and changes in members' equity for the Company for the fiscal years ended December 31, 2019 and December 31, 2020, [together with the [review] report of Seller's independent accounting firm] (together, the "Annual Financial Statements") and (ii) the unaudited balance sheet ("Latest Balance Sheet") and related unaudited statements of income and cash flows for the Company for the three-month period ended March 31, 2021 (the "Interim Financial Statements") and together with the Annual Financial Statements, the "Financial Statements"). The Financial Statements have been prepared in a manner consistent with books and records of the Company and fairly present, in all material respects, the financial condition and results of operations of the Company, as of the dates thereof and for the relevant fiscal periods reflected therein and have been prepared in all material respects accordance with GAAP, consistently applied throughout the periods indicated.

(b) All of the Company's inventory consists of a quantity and quality usable and saleable in the ordinary course of the Business, is not obsolete, expired, defective or damaged, and is merchantable, (b) all inventory purchased by the Company is in conformity with applicable state Legal Requirements, (c) all inventory of the Company that has been cultivated, processed, or otherwise manufactured by the Company or its Affiliates has been cultivated, processed, or otherwise manufactured in material compliance with all applicable state Legal Requirements, and (d) all inventory of the Company is located at the Leased Real Property. All such inventory is owned by the Company free and clear of all Liens, and no inventory is held on a consignment basis. The quantities of each item of inventory (whether raw materials, work-in-process or finished goods) at the Closing Date will be consistent with the quantities historically held in by the Company. The inventory is normal and merchantable and is of a quality and quantity presently usable and salable in the ordinary course of business, except for obsolete, damaged, defective or slow-moving items that have been written off or written down. The Business will have on hand as of the Closing such quantities of inventory as are reasonably required to continue the Business immediately after the Closing consistent with past practice. The Company has continued to purchase inventory in the ordinary course of business consistent with past practice at all times.

(c) The Company does not have any Liabilities of any nature (whether accrued or unaccrued, absolute or contingent, direct or indirect, perfected or unperfected, liquidated or unliquidated, or otherwise, and whether due or to become due) arising out of transactions entered into on or prior to the date hereof, or any transaction, series of transactions, action or inaction occurring on or prior to the date hereof, or any state of facts or condition existing on or prior to the date hereof (regardless of when such Liability is asserted), except for Liabilities set forth on the Latest Balance Sheet and which have arisen since the date thereof in the ordinary course of business none of which are Liabilities for breach of contract, tort or violation of Legal Requirements, and none of which are material.

(d) There are no amounts owed by Company to any employee, the Seller or Affiliate of the Seller other than accrued but not yet paid salaries, benefits (such as vacation) and expense reimbursements owed to employees in the ordinary course of business.

**Section 5.05 Litigation: Claims.**

(a) There is no Claim pending or, to the Knowledge of the Company, threatened against Company or, to the Knowledge of the Company, any Claim pending or threatened against the Company's current or former equity holders, officers, members or managers (in their capacities as such), including without limitation, any Claims against Company by the original or prior owners or their Affiliates (as applicable). To the Knowledge of Company, (i) Company is not under investigation or inquiry with respect to the violation of any Legal Requirement; (ii) there are no Orders outstanding against Company relating to any investigation or inquiry with respect to the violation of any Legal Requirement; and (iii) there are no facts or circumstances that could form the basis for any such violation. Company is not a party to any Claim in which it is a plaintiff or is otherwise seeking relief.

(b) To the Knowledge of the Company, there are no facts or circumstances that could reasonably be expected to give rise to any Claim or Order against, relating to or affecting the Company or any of its assets and properties that, if adversely decided, would be reasonably likely to result in a Material Adverse Effect.

**Section 5.06 Compliance with Laws**

(a) Company has not been given written notice that Company is in violation of any Legal Requirement which violation, if not timely cured, would reasonably be expected to result in the revocation, cancellation, suspension or any other adverse modification of the Permits held by Company.

(b) There are no lawsuits, actions, administrative, arbitration or other proceedings or governmental investigations pending or, to the Knowledge of the Company, threatened against the Company that could reasonably be expected to result in the revocation, cancellation, suspension or any other adverse modification of the Permits. The Company has not received written notice of any loss of or refusal to renew the Permits.

(c) With respect to the Company's business, the Permits, to the Knowledge of the Company, no director, manager, officer or service provider of the Company or its Affiliates has made any untrue statement of a material fact or a fraudulent statement to, failed to disclose any material fact required to be disclosed to any Cannabis Authority, or committed an act, made a statement or failed to make a statement that, at the time such act, statement or omission was made, could reasonably be expected to provide a basis for any Cannabis Authority to revoke or suspend the Permits.

(d) All applications and other documents submitted by the Company to Cannabis Authorities in connection with any Permits either (i) were true and correct as of the date of submission in all material respects or (ii) have been corrected or updated following the date of submission to be true and correct in all material respects as of the date hereof or (iii) are still awaiting corrections which will be made in the ordinary course of communications with the applicable Governmental Authority.

**Section 5.07 Material Contracts.** Prior to the Closing Date, the Company shall provide Buyer with a copy of each Material Contract (as defined herein). Each Material Contract constitutes a valid and binding obligation of the Company which is a party thereto, enforceable against Company in accordance with its terms and, to the Knowledge of the Company, constitutes a valid and binding obligation of the other Person(s) party thereto, enforceable against such Person(s) in accordance with its terms. With respect to all such Material Contracts, Company has not received written notice that it is in material breach or material default under any Contract to which it is a party. True and complete copies of each Material Contract have been furnished or made available to Buyer (including descriptions of the material terms of all oral Material Contracts). "Material Contracts" means Contracts to which the Company is a party, or by which the Company or its assets are bound, as of the Effective Date, which either: (a) impose payment obligations on the Company in excess of Five Thousand Dollars (\$5,000.00) in the aggregate per contract; or (b) cannot be terminated during the 12-month period following the Effective Date.

**Section 5.08 Taxes.**

(a) All Tax Returns required to be filed on or before the Closing Date by the Company have been, or will be, timely filed. Such Tax Returns are, or will be, true, complete and correct in all respects. All Taxes due and owing by Company (whether or not shown on any Tax Return) have been, or will be, timely paid.

(b) The Company has withheld and paid each Tax required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, customer, member or other party, and complied with all information reporting and backup withholding provisions of all applicable Legal Requirements.

(c) No claim has been made by any Tax Authority in any jurisdiction where Company does not file Tax Returns that it is, or may be, subject to Tax by that jurisdiction.

(d) No extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes of Company.

(e) The amount of the Company's Liability for unpaid Taxes for all periods ending on or before the Closing Date does not, in the aggregate, exceed the amount of accruals for Taxes (excluding reserves for deferred Taxes) reflected on the Financial Statements. The amount of the Company's Liability for unpaid Taxes for all periods following the end of the recent period covered by the Financial Statements shall not, in the aggregate, exceed the amount of accruals for Taxes (excluding reserves for deferred Taxes) as adjusted for the passage of time in accordance with the past custom and practice of the Company (and which accruals shall not exceed comparable amounts incurred in similar periods in prior years).

(f) All deficiencies asserted, or assessments made, against Company as a result of any examinations by any Tax Authority have been fully paid.

(g) Company is not a party to any Claim by a Tax Authority or Tax Contest. There are no pending or threatened Claims by any Tax Authority.

(h) With respect to all Tax Returns filed on or before the Closing Date, the Company has complied with the provisions of Section 280E of the Code in its application for Tax deductions and credits in each of its Tax Returns. The Company has no Liability for Tax deductions and credits taken.

(i) With respect to all Tax Returns filed on or before the Closing Date, the Company has accurately reported its income to the Tax Authorities. The Company has no Liability for underreported income.

(j) Seller have delivered to Buyer copies of all federal, state, local and foreign income, franchise and similar Tax Returns, examination reports, and statements of deficiencies assessed against, or agreed to by, Company for all Tax periods.

(k) There are no Encumbrances for Taxes (other than for current Taxes not yet due and payable) upon the assets of Company.

(l) The Company is not a party to, or bound by, any Tax indemnity, Tax sharing or Tax allocation agreement.

(m) No private letter rulings, technical advice memoranda or similar agreement or rulings have been requested, entered into or issued by any Tax Authority with respect to the Company.

(n) The Company has not been a member of an affiliated, combined, consolidated or unitary Tax group for Tax purposes. The Company has no Liability for Taxes of any Person (other than Company) under Treasury Regulations Section 1.1502-6 (or any corresponding provision of state, local or foreign law), as transferee or successor, by contract or otherwise.

(o) The Company will not be required to include any item of income in, or exclude any item or deduction from, taxable income for any taxable period or portion thereof ending after the Closing Date as a result of:

(i) any change in a method of accounting under Section 481 of the Code (or any comparable provision of state, local or foreign Tax Laws), or use of an improper method of accounting, for a taxable period ending on or prior to the Closing Date;

(ii) an installment sale or open transaction occurring on or prior to the Closing Date;

(iii) a prepaid amount received on or before the Closing Date;

(iv) any closing agreement under Section 7121 of the Code, or similar provision of state, local or foreign law; or

(v) any election under Section 108(i) of the Code.

(p) The Company has not been a “distributing corporation” or a “controlled corporation” in connection with a distribution described in Section 355 of the Code.

(q) The Company is not, nor has it been, a party to, or a promoter of, a “reportable transaction” within the meaning of Section 6707A(c)(1) of the Code and Treasury Regulations Section 1.6011-4(b).

**Section 5.09 Employee Matters.**

(a) To the Company’s knowledge, Seller of the Company is not in violation of any term of any employment agreement, non-competition agreement or any restrictive covenant to a former employer relating to the right of any such employee to be employed by Company and its Subsidiaries because of the nature of the Company’s business or to the use of trade secrets or proprietary information of others. To the Company’s Knowledge, no Seller or contractor of the Company is in violation of any term of any non-competition agreement or any restrictive covenant to a former employer relating to the right of any such contractor to be providing services to the Company because of the nature of the Company’s business or to the use of trade secrets or proprietary information of others. The relationship of the Seller to the Company is “at will” and Company has no obligation to provide any particular form or period of notice prior to terminating the employment or other relationship of any of their respective employees. Except as expressly contemplated by this Agreement or any employment agreements entered into as a Transaction Agreement, none of the Company and its Subsidiaries have, and to the Knowledge of the Company, no other Person has, (i) entered into any contract that obligates or purports to obligate Buyer to make an offer of employment to any present or former employee or consultant of the Company and its Subsidiaries and/or (ii) promised or otherwise provided any assurances (contingent or otherwise) to any present or former employee or consultant of the Company and its Subsidiaries of any terms or conditions of employment with Buyer following the Closing Date.

(b) Prior to the Closing, Company shall provide Buyer a complete list of all officers, directors and full-time employees of the Company and its Subsidiaries, showing each such individual's name, position, annual remuneration (by wage or salary, bonus, incentive payment or commissions and accrued but unused vacation or paid time off), and material fringe benefits for the current fiscal year and the most recently completed fiscal year (the "Employee Disclosure"). The Employee Disclosure shall set forth a true, correct and complete list of all of its consultants, advisory board members and independent contractors and, for each, (i) such individual's compensation, (ii) such individual's initial date of engagement, (iii) whether such engagement has been terminated by written notice by either party thereto and (iv) the notice or termination provisions applicable to the services provided by such individual.

(c) There are no performance improvements or disciplinary actions contemplated or pending against any employee of Company.

(d) None of the execution, delivery and performance of this Agreement, the consummation of the transactions contemplated hereby, any termination of employment or service and any other event in connection therewith or subsequent thereto will, individually or together or with the occurrence of some other event (whether contingent or otherwise), (i) result in any payment or benefit (including severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due or payable, or required to be provided, to any officer, director, independent contractor or consultant, (ii) increase the amount or value of any benefit or compensation otherwise payable or required to be provided to any current or former employee, director, independent contractor or consultant, (iii) result in the acceleration of the time of payment, vesting or funding of any benefit or compensation, (iv) increase the amount of compensation due to any Person or (v) result in the forgiveness in whole or in part of any outstanding loans made by the Company and its Subsidiaries to any Person.

**Section 5.10 Environmental Matters.** The Company has not been given written notice that Company is in violation of any Environmental Laws other than (i) violations that have been cured as of the Closing Date (as applicable) and (ii) violations, even if not cured, would not reasonably be expected to have a Material Adverse Effect on such Company.

**Section 5.11 Intellectual Property.**

(a) The Company owns, or is licensed or otherwise possesses validly subsisting and legally enforceable rights to use, sell, distribute, incorporate or license all Intellectual Property that is used, held for use, sold, distributed, incorporated or licensed in or as part of, or is necessary for the continued operation of, the Business ("Company Intellectual Property"). Schedule 3.11(a) sets forth each item of registered Company Intellectual Property of the Company and all brand names, tradenames, service names and d/b/a's used by the Company. The Company has not infringed, conflicted, diluted, misappropriated or violated, and is not infringing, conflicting, diluting, misappropriating or violating, any Intellectual Property owned by a Person other than the Company. To the Knowledge of the Company or the Seller, there is no unauthorized use, infringement or misappropriation of any Company Intellectual Property by any third party, including any employee or former employee of the Company. The Company has not received any written notice, and the Company and the Sellers have no Knowledge of any facts, alleging or otherwise indicating that the conduct of the Business or the use of any of Company Intellectual Property is infringing, conflicting, diluting, misappropriating or is otherwise violating, any Intellectual Property owned by a Person other than the Company.

(b) The consummation of the transactions contemplated by this Agreement will not (i) impair any rights of Company under, or cause Company to be in violation of or default under, any Intellectual Property related Contract; (ii) give rise to any termination or modification of, or entitle any Person to terminate or modify, any such Intellectual Property related Contract; or (iii) require the payment of (or increase the amount of) any royalties, fees, or other consideration with respect to the Company's use or exploitation of any Intellectual Property of any Person.

(c) The computer, information technology, and communication systems, including the software, hardware, and networks (including any virtual private networks), and all programs, data, information, and databases that are available or thereon or Processed thereby (collectively, the "Systems"), currently used or owned by the Company are sufficient for the current needs of the Business, including as to capacity and ability to process current future peak volumes in a timely manner. In the past twelve (12) months, there have been no bugs in, or failures, breakdowns, or continued substandard performance of, any Systems that has caused any material disruption or interruption in or to the use of such Systems by Company or the conduct of the business, and there have been no material slowdowns in the Systems or the use thereof as a result of the work performed from any remote locations.

(d) No software owned or used by Company (collective, the "Company Software") contains, and Company has taken all commercially reasonable precautions to prevent the presence of, any malicious code, program, or other internal component (e.g., computer virus, computer worm, computer time bomb, Trojan horse, spyware, or similar component) which could damage, destroy, or alter the Company Software, the Systems, or other software or hardware used by the Company or any of their customers (or such customers respective end users or employees), or which could, in any unintended manner, reveal, damage, corrupt, destroy, or alter any data or other information accessed through or processed by the Company Software, or otherwise cause unauthorized access to, or disruption, impairment, disablement, or destruction of any Systems.

(e) Company has taken all commercially reasonable steps to maintain the confidentiality of and otherwise protect its rights in all trade secrets and confidential information owned by or otherwise in their possession (including all source code to all Company Software), and, except under confidentiality obligations, there has not been any disclosure by Company of any such trade secrets or confidential Information. There has been no authorized access to or disclosure of any such trade secrets or confidential information.

(f) The Company is in compliance in all material respects with (i) all Information Privacy and Security Requirements; (ii) its internal and external privacy policies and notices; and (iii) all Contracts relating to the Processing of Personal Data. No officer, director, employee, equity holder, agent, consultant, vendor or independent contractor of the Company has engaged in any act on behalf of the Company that violates any of the Company's privacy policies, notices, or statements related to the collection, use, transmission, maintenance, storage, or disclosure of personal data or information, any Information Privacy and Security Requirements or the requirements of any Contract binding on the Company, relating to any data or information collected, used, transmitted, maintained, stored, or disclosed by the Company, including, without limitation, the customer and consumer information. No Governmental Authority has commenced any proceedings, claims, charges, demands, or investigations, and no Person has made any claim, charge or demand, relating to the Company's or any of its Affiliates' privacy policies, notices, statements related to the collection, use, transmission, maintenance, storage, or disclosure of personal data or information, any Information Privacy and Security Requirements, or information privacy or data security practices, nor to Sellers' Knowledge, has any such any such proceeding, claim, charge, demand, or investigation been threatened.

(g) The Company has suffered no security breach with respect to any Company Data and there has been no unauthorized or illegal use of or access to any Company Data. Company nor Sellers have notified, nor have been required to notify, any Person of any information security breach involving Personal data. Company employs and has employed commercially reasonable security measures that material comply with all Informational Privacy and Security Requirements to protect Company Data within its custody or control and requires the same of all vendors that Process Company Data on its behalf.

(h) Company has provided all requisite notices and obtained all required consents, and materially satisfied all other requirements (including to notify Governmental Authorities) necessary for Company's Processing (including international and onward transfer) of all Personal Data in connection with the conduct of the Business and in connection with the consummation of the transactions contemplated hereunder.

**Section 5.12 Real Estate; Property.**

(a) The Company possesses good and marketable, indefeasible title (or a leasehold interest with respect to leased assets) to its material assets, free and clear of all Liens, and immediately upon the consummation of the transactions contemplated by this Agreement, the Company will continue to have good and marketable title and interest in and to its material assets, free and clear of all Liens. All of the material personal property is in useable operating condition, ordinary wear and tear excepted, and is useable in the ordinary course of business. The personal property and fixed assets owned by the Company are sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the personal property necessary to conduct the Business as currently conducted.

(b) The Company does not own nor does it have any obligation to purchase any real property. The real property covered by the Amended and Restated Lease set forth on Schedule 3.12(b) is the only real property used or held for use by the Company (the "Leased Real Property"). The Leased Real Property is suitable for the conduct of the business of the Company as presently conducted in all material respects. The buildings, systems and grounds that are part of the Leased Real Property, including without limitation, parking areas, have been maintained in the ordinary course of business in a prudent manner and there are no deferred maintenance items with respect thereto, and to the Knowledge of the Company, there are no structural, latent or hidden, defects in the buildings and other structures that are part of the Leased Real Property that would materially affect the ability to operate the Leased Real Property as currently operated for the continued conduct of the Business. Neither the operation of the Company on the Leased Real Property nor such Leased Real Property, including the improvements thereon, violate in any material respect any applicable building code, zoning requirement or statute relating to such property or operations thereon, and any such non-violation is not dependent on so-called non-conforming use exceptions. The Company has not received any written notice of, nor to the Knowledge of the Company are there any (i) violations of building codes and/or zoning ordinances or other governmental or regulatory laws affecting the Leased Real Property, (ii) existing, pending or threatened condemnation proceedings affecting the Leased Real Property, or (iii) existing, pending or threatened zoning, building code or other moratorium proceedings, or similar matters which could reasonably be expected to adversely affect the ability to operate the Leased Real Property as currently operated, or (iv) existing or pending special assessments or public improvements that may result in special assessments against or otherwise affect any of the Leased Real Property. Neither the whole nor any material portion of any Leased Real Property has been damaged or destroyed by fire or other casualty. The Leased Real Property is sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitutes all of the real property necessary to conduct the Business as currently conducted. The Leased Real Property has not been inspected by an ADA Access Specialist.



**Section 5.13 Labor Matters.**

(a) Prior to the Closing, the Company shall provide to Buyer an accurate and complete list of all employees of the Company, including employees on authorized leave of absence, along with the start date, job title, location, classification (i.e., exempt or not exempt), status (e.g., part-time, full-time, seasonal or temporary), annual salary, bonus (target and maximum), commission, accrued but unpaid vacation balances, severance obligations and deferred compensation paid or payable to each such employee.

(b) There is no Claim pending or, to the Knowledge of the Company, threatened against the Company respecting employment and employment practices, terms and conditions of employment, discrimination in employment, worker classification (including the proper classification of workers as independent contractors and consultants), wages, hours and occupational safety and health and employment practices, including the Immigration Reform and Control Act and any other applicable immigration or work permit laws or regulations, and is not engaged in any unfair labor practice.

(c) Except for the DCC regulatory requirement to enter into a Labor Peace Agreement, the Company is not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the Company's Knowledge, has sought to represent any of the employees, representatives or agents of the Company. There is no strike or other labor dispute involving the Company pending, or to the Company's Knowledge threatened, which could have a Material Adverse Effect, nor is the Company aware of any labor organization activity involving its employees. To the Knowledge of the Company, the employment of each officer and employee of Company is terminable at the will of Company.

**Section 5.14 Insurance.** Prior to the Closing, the Company shall provide Buyer a list of the names of all current policies of insurance policies and bonds of the Company (including material self-insurance arrangements), together with a summary of all material information relating to each such policy (including insurance limits, deductibles and premiums paid by the Company under each such policy). All of the insurance policies disclosed are in full force and effect.

**Section 5.15 Affiliate Transactions.** Except as set forth on Schedule 3.10, no Seller, any officer, director, manager or member of the Company, or any relative or Affiliate of any of the foregoing, and no Affiliate of the Company (i) is a party directly or indirectly to any Contract, commitment or transaction with the Company with respect to the Business or (ii) directly or indirectly has any interest in any asset used by the Company in the Business.

**Section 5.16 Bank Accounts.** Schedule 5.17 sets forth a complete and correct list of (a) each bank or financial institution in which the Company has an account, safe deposit box or lockbox, or maintains a banking, custodial, trading or similar relationship, the number of each such account or box, and the names of all persons authorized to draw thereon or to having signatory power or access thereto and (b) all outstanding powers of attorney executed on behalf of the Company.

**Section 5.17 Accounts Payable.** There are no Liabilities of the Company due to the Company's suppliers and creditors, and other trade payables owed by the Company other than those incurred in the normal course of business and disclosed to Buyer prior to execution hereof.

**Section 5.18 Compliance with Anti-Corruption Laws.** Neither the Sellers nor the Company have at any time:

(a) violated, or engaged in any activity, practice, or conduct which would violate any anti-corruption law;

(b) used corporate funds or assets for any unlawful contribution, gift, entertainment, or other unlawful expense, or made any bribe, rebate, payoff, influence payment, kickback, or other unlawful payment; or

(c) directly, or indirectly, offered, promised, paid, given, or authorized the payment or giving of money or anything else of value to any (i) Governmental Authority; (ii) other Person; or (iii) Person while knowing or having reason to believe that some portion or all of the payment or thing of value will be offered, promised, or given, directly or indirectly, to a Governmental Authority or another Person, for the purpose of: (a) influencing any act or decision of such Governmental Authority or such Person in his, her, or its official capacity, including a decision to do or omit to do any act in violation of his, her, or its lawful duties or proper performance of functions; or (b) inducing such Governmental Authority or such person or entity to use his, her, or its influence or position with any Governmental Authority or other person or entity to influence any act or decision in order to obtain or retain business for, direct business to, or secure an improper advantage for, the Sellers or the Company.

**ARTICLE VI**  
**REPRESENTATIONS AND WARRANTIES REGARDING THE SELLER**

Seller hereby represents and warrants to Buyer the following representations are true and complete as of the Effective Date and the Closing Date:

**Section 6.01 Organization; Authorization.**

(a) Seller has all requisite power and authority to execute and deliver the Transaction Agreements to which it is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The Transaction Agreements to which Seller is a party has been duly executed and delivered by Seller and (assuming due execution by the other parties thereto) constitutes the legal, valid and binding obligation of Seller, enforceable against the Seller in accordance with their terms (subject to the Enforceability Exceptions).

(b) The execution, delivery and performance of the Transaction Agreements by Seller do not, and the consummation of the transactions contemplated hereby and thereby will not, conflict with, or result in the imposition of an Encumbrance upon, or result in any breach or violation of or default under (with or without notice or lapse of time, or both), or give rise to any right of termination, cancellation, modification or acceleration, or any obligation or loss of any benefit under or in respect of (i) any Contract to which Seller is party or to which any of its properties or assets are bound or (ii) any Legal Requirement or Order to which Seller is subject.

(c) No registrations, filings, applications, notices, consents, approvals, orders, qualifications or waivers are required to be made, filed, given or obtained by Seller with, to or from any Person, including any Governmental Authority, in connection with the execution and delivery by Seller of the Transaction Agreements or the consummation of the transactions contemplated hereby and thereby.

**Section 6.02 Title to Interests.** Seller is the sole owner of the Purchased Interest. Seller represents and warrants that: (i) Seller owns of record and beneficially, and has good and valid title to the Purchased Interest, free and clear of any Encumbrances; and (ii) Seller has the absolute and unrestricted right, power and authority to sell, contribute and deliver such Purchased Interest to Buyer pursuant to the terms of this Agreement. Seller has full and exclusive power to vote the Purchased Interest and is not a party to (i) any option, warrant, purchase right, right of first refusal, call, put or other Contract (other than this Agreement) that could require any of the Seller to sell, transfer or otherwise dispose of the Purchased Interest or (ii) any voting trust, proxy or other contract relating to the voting of the Purchased Interest.

**Section 6.03 Litigation; Orders.** There is no pending or, to the knowledge of Seller, threatened Claims, either at law or in equity, that would, individually or in the aggregate, reasonably be expected to (i) impair in any material respect the ability of Seller to perform its obligations under the Transaction Agreements or (ii) prevent, impede or delay the consummation of the transactions contemplated by the Transaction Agreements.

**Section 6.04 Brokers, Finders.** Except for Young America Capital ("Broker"), no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller. Broker will be paid a commission by Seller and all commissions shall be paid in compliance with Legal Requirements.

**Section 6.05 Offset**

(a) Buyer shall be entitled to offset and/or set-off any amount owed by Buyer to the Seller, whether arising under this Agreement or any of the Transaction Agreements, at any time, against any Liability or amount due or payable by Company after the Closing Date which Liability amounts to a breach by the Company or Seller of any representations or warranties set forth in Article V or Article VI of this Agreement, any Transaction Agreement, including, but not limited to, any Tax Liabilities (the “Offset Liabilities”).

(b) In the event the Company receives notice of a claim that could give rise to an Offset Liability, Buyer shall provide Seller with a notice of same (the “Notice of Offset”), specifying: (i) the requested Offset Liability payment amount; (ii) a description of the Offset Liability; and (iii) any other relevant information received by the Company relating to the Offset Liability. Unless (i) Seller agrees to make payment to fully satisfy the Offset Liability and provide satisfactory evidence of same (as determined by Buyer in Buyer’s sole and absolute discretion) to Buyer within five (5) Business Days of Seller receipt thereof; (ii) provides satisfactory evidence that the alleged Offset Liability is erroneous or mistaken (as determined by Buyer in Buyer’s sole and absolute discretion); or (iii) provide notice of Seller’s intent to dispute the Offset Liability in accordance with Section 6.05(c) below; the Notice of Offset shall be deemed accepted by Seller. At such time, Buyer may elect to pay and satisfy the Offset Liability and deduct such payments against any sums owed by Buyer to Seller under the Transaction Agreements.

(c) Should Seller desire to dispute the Offset Liability, Seller shall commence dispute resolution in accordance with Section 12.02. Should, during the pendency of such dispute resolution, any amounts become due and payable hereunder, Buyer shall make payment to Seller of any undisputed amounts, withholding any disputed amount pending the conclusion of the dispute resolution. For purposes of clarity, such withholding shall not be deemed a breach hereof. Following the resolution of the Offset Liability dispute, Buyer shall, disburse the disputed amount in accordance with the conclusions reached in the dispute resolution.

(d) Buyer’s may elect to pay and deduct the Offset Liabilities, dollar-for-dollar, in lieu of the indemnification procedures set forth in Article IX or the Tax matters procedures set forth in Article X. Except to the extent that the offset procedure deviates from this Section 6.05, each of the Seller hereby expressly waives any right to contest any offset and/or set-off by effected by Buyer hereunder.

**Section 6.06 Disclosure.** The Sellers have made available to the Buyer all material information related to the Company and all information reasonably available to the Company and the Sellers that the Buyer has requested. No representation or warranty of the Sellers or the Company contained in this Agreement and no certificate or document signed by the Sellers and delivered to Buyer at the Closing contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

**VII**  
**REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer hereby represents and warrants to the Seller, as of the date hereof, as of the Closing Date as follows:

**Section 7.01 Organization; Authorization.**

(a) Buyer is a Nevada corporation, duly organized, validly existing and in good standing under the laws of Nevada. Buyer has all requisite corporate power and authority to carry on its business as it is now being conducted. Buyer is not in default under or in violation of any provision of its organizational documents.

(b) Buyer has all requisite corporate power and authority to execute and deliver the Transaction Agreements to which it is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of the Transaction Agreements to which Buyer is a party, the performance of Buyer's obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate or limited liability company or other action. The Transaction Agreements to which Buyer is a party have been duly executed and delivered by Buyer and (assuming due execution by the other parties thereto) constitute the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with their terms.

(c) The execution, delivery and performance of the Transaction Agreements to which Buyer is a party does not, and the consummation of the transactions contemplated hereby and thereby will not, conflict with, or result in the imposition of an Encumbrance upon, or result in any breach or violation of or default under (with or without notice or lapse of time, or both), or give rise to any right of termination, cancellation, modification or acceleration, or any obligation or loss of any benefit under or in respect of (i) any provision of the organizational documents of Buyer, (ii) any Contract to which Buyer is a party or to which any of its properties or assets are bound or (iii) any Legal Requirement or Order to which Buyer is subject.

**Section 7.02 Brokers, Finders.** Neither Buyer nor any party acting on the behalf of Buyer has engaged any broker, finder, consultant or similar intermediary in connection with the transactions contemplated by the Transaction Agreements.

**Section 7.03 Litigation; Orders**

**Section 7.04.** There is no pending or, to the knowledge of Buyer, threatened Claims, either at law or in equity, which would, individually or in the aggregate, reasonably be expected to (i) impair in any material respect the ability of Buyer to perform its obligations under the Transaction Agreements to which it is a party or (ii) prevent or impede or delay the consummation of the transactions contemplated by the Transaction Agreements.

**VIII**  
**COVENANTS OF THE SELLER AND BUYER**

**Section 8.01 Conduct of Business.** The Seller covenants and agrees that, during the period from the Effective Date of this Agreement until the earlier to occur of the Closing Date or the termination of this Agreement in accordance with Article XI, Seller, in their capacity of managing the Company's business shall (i) operate the Company in the ordinary course of business consistent with generally accepted industry practices and in compliance in all material respects with all Legal Requirements, (ii) use their reasonable commercial efforts to preserve the Company's organization intact, to keep available the services of their current officers, employees and consultants and to maintain good relations with customers, suppliers, employees, contractors, distributors and others having dealings with the Company and (iii) continue to make all necessary and material filings and payments with Governmental Authorities in connection with the operation of the Company in a timely manner and use its best efforts to maintain the Permits or other authorizations of Governmental Authorities required for the ongoing operation of the Company.

**Section 8.02 Access to Information.** From the Effective Date of this Agreement until the earlier to occur of the Closing Date or the termination of this Agreement in accordance with Article XI, the Seller shall, and shall cause the Company to, (a) afford Buyer and its representatives full and free access to and the right to inspect all of the properties, assets, premises, books and records, Contracts and other documents and data related to the Company; (b) furnish Buyer and its representatives with such financial, operating and other data and information related to the Company, as Buyer or any of its representatives may reasonably request; and (c) instruct the representatives of the Seller and the Company to cooperate with Buyer in its investigation of the Company. Any investigation pursuant to this Section 8.02 shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of the Seller or Company. No investigation by Buyer or other information received by Buyer shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by the Seller in this Agreement. Nothing in this Section 8.02 shall give rise to any right of the Buyer to terminate this Agreement other than to the extent that Buyer discovers a fact or circumstance that gives rise to a right of Buyer to terminate this Agreement in accordance with the express terms of Article XI.

**Section 8.03 Public Announcements.** The Parties agree that any press release or public announcement concerning the transactions contemplated by the Transaction Agreements shall not be issued by any Party or any of their Affiliates without the prior written consent of the other Parties, except any such release or public announcement that may be required by an applicable Legal Requirement, in which case the Party issuing such release or announcement shall allow the other Party reasonable time to comment on such release or announcement in advance of its issuance.

**Section 8.04 Confidentiality.** From the Effective Date until and after the Closing Date, the Seller shall, and shall cause their Affiliates and representatives to, maintain the confidentiality of the Confidential Information at all times and will not, directly or indirectly, use any Confidential Information for his own benefit or for the benefit of any other Person or reveal or disclose any Confidential Information to any Person other than Buyer and the representatives of Buyer; except (i) if required by applicable Legal Requirement; (ii) to carry out Buyer's rights or obligations hereunder; or (iii) as part of a disclosure to prospective or current investors in Buyer as part of a due diligence process about the Buyer's pipeline of potential M&A transactions. The Buyer shall cause the Company to make available to the Seller after the Closing Date any books and records of the Company reasonably requested by the Seller for purposes of Seller's compliance with its obligations under this Agreement, payment of Taxes that are the responsibility of the Seller hereunder, and compliance by Seller with Legal Requirements.

**Section 8.05 Restrictive Covenants.** In consideration of the transactions contemplated by this Agreement and in order to preserve and protect the goodwill and value of the Purchased Interests conveyed hereunder to Buyer, Seller agrees for a period of five (5) years following the Closing Date (the “Restricted Period”), no Seller shall do any of the following:

(a) request, solicit or encourage, or assist any Person in requesting, soliciting or encouraging, or accept or assist any Person in accepting if offered with or without solicitation, the employment or services of any Person who is (or was during the twelve (12) month period preceding such action or acceptance) a Protected Personnel, (B) request, solicit or encourage, or assist any Person in requesting, soliciting or encouraging, any Protected Personnel to terminate such Person’s employment or engagement with the Company or the Purchaser, or (C) hire or engage, agree to hire or engage or assist any other Person in hiring or engaging the services of any Protected Personnel

(b) interfere with, alter, or attempt to interfere with or alter, any relationship between the Company, Buyer or any of its Affiliates, on the other hand, and any Protected Business Contact or Protected Personnel, on the other hand; or

(c) (i) own any interest in, manage, control, participate in, consult with or be or become engaged or involved in any Person engaged in or to engage in a licensed cannabis retail storefront and/or non-storefront or other business endeavor that is directly competitive with the Company within the City of Seaside, California or a ten (10) mile radius of the principal place of business of the Company as of the Closing Date (the “**Territory**”), including by being or becoming an organizer, owner, co-owner, trustee, promoter, affiliate, investor, lender, partner, joint venturer, stockholder, officer, director, employee, consultant, licensor or advisor of, to or with any Person engaged in or to engage in any such competitive business within the Territory; or (ii) make any investment (whether equity, debt or other) in, lend or otherwise provide any money or assets to, or provide any guaranty or other financial assistance to any Person engaged in or to engage in any such competitive business in the Territory; provided, however, that nothing herein shall prevent such Seller from owning, solely as an investment, less than two percent (2%) of the equity securities of any corporation which are publicly traded, if the Seller has no active participation in the business of such corporation.

**Section 8.06 Further Assurances.** From time to time, as and when requested by any Party, the other Party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as the requesting Party may reasonably deem necessary or desirable to evidence and effectuate the transactions contemplated by the Transaction Agreements.

**Section 8.07 Access to Premises.** From the date hereof through the First Closing Date, the Purchaser will have the right to conduct, during normal business hours and upon reasonable notice, such inquiries as it may reasonably require with respect to the Company and the Business, including the Books and Records thereof and all operational, legal, regulatory and financial matters relating to the Company and the Business. The Company shall cause the officers, employees, consultants, agents, accountants, attorneys and other representatives of the Company to reasonably cooperate with Purchaser and Purchaser's representatives in connection with such investigation and examination, and Purchaser and its representatives shall cooperate with the Company and its representatives and shall use their commercially reasonable efforts to minimize any disruption to the business.

**Section 8.08 Restrictive Covenants.** The Sellers agree that the Buyer is relying on the covenants and agreements set forth in this Article VIII, that without such covenants the Buyer would not enter into this Agreement or the transactions contemplated hereby, and that the Purchase Price (and the substantial value of the goodwill of the Company and the Business being purchased by Buyer hereunder) is sufficient consideration to make the covenants and agreements set forth herein enforceable.

## **ARTICLE IX INDEMNIFICATION**

### **Section 9.01 Survival of Representations, Warranties and Covenants**

Subject to the limitations and other provisions of this Agreement, including the provisions of this Article IX, the representations and warranties contained herein as to the Transaction shall survive the Closing Date and shall remain in full force and effect, regardless of any investigation made by or on behalf of the Company, the Seller or Buyer until the two (2) year anniversary of the Closing Date (the "General Expiration Date"). The covenants and agreements of the Parties contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall survive the Closing Date indefinitely or for the shorter period explicitly specified therein, except that for such covenants and agreements that survive for such shorter period, breaches thereof shall survive indefinitely. Notwithstanding the preceding sentences, any breach of representation, warranty, covenant or agreement in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentences, if notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given to the Party against whom such indemnity may be sought prior to such time.

### **Section 9.02 Indemnification.**

(a) Subject to the limitations set forth in this Article IX, Seller shall, for the Company indemnify and hold harmless Buyer and its Affiliates (including the Company on and following the Closing Date) and each of their respective officers, directors, managers, Affiliates, agents and employees (hereinafter referred to individually as a "Buyer Indemnified Person" and collectively as "Buyer Indemnified Persons") from and against any and all losses, costs, damages, Liabilities, Taxes, claims, suits, proceedings, judgments, settlements and expenses (including reasonable fees and expenses of attorneys and in respect of any investigation conducted by Buyer Indemnified Persons) (collectively, "Damages") incurred by Buyer Indemnified Persons arising out of, relating to or in connection with (or arising out of or relating to any Third Party Claim containing allegations that, if true, would constitute):

(i) any misrepresentation or breach of, or default in connection with, any of the representations and warranties made with respect to the Seller in in Article V or VI of this Agreement;



(ii) any breach or violation of, failure to comply with, or default in connection with, any covenant or agreement made by or to be performed by the Seller or the Company in this Agreement;

(iii) any liability for Transfer Taxes which are the responsibility of the Seller, and any liability for Taxes of the Company attributable to any Pre-Closing Period (for an Overlap Period, determined in accordance with Section 10.01(b); and

(iv) any Company Indebtedness or any Company Transaction Expenses that were outstanding as of the Closing but not paid by the Company as of the Closing.

(b) Seller shall not be obligated to indemnify Buyer for liabilities and obligations of the Company that: (i) are not identified in or related to the express indemnification obligations set forth in Section 9.02(a)(i)-(iv); and (ii) Sellers had no Knowledge of as the Closing Date. For the avoidance of doubt, this provision shall in no way limit the Sellers' obligation to indemnify Buyer in accordance with Section 9.02(a)(i)-(iv).

(c) Subject to the limitations set forth in this Article IX, Buyer shall indemnify and hold the Seller and their respective successors and assigns (the "Seller Indemnified Persons") harmless from and against any and all Damages incurred by the Seller Indemnified Persons arising out of, relating to or in connection with (or arising out of or relating to any Third Party Claim containing allegations that, if true, would constitute) (i) any misrepresentation or breach of, or default in connection with, any of the representations and warranties made by Buyer in Article VII of this Agreement; or (ii) any breach or violation of, failure to comply with, or default in connection with, any covenant or agreement made by or to be performed by Buyer in this Agreement.

(d) Any qualifications in the representations, warranties and covenants contained herein with respect to a Material Adverse Effect, materiality, material or similar terms shall be disregarded for purposes of calculating the amount of Damages attributable a breach of such representation, warranty or covenant.

(e) Notwithstanding anything contained in this Agreement to the contrary, no party shall be liable to any other party for indirect, special, punitive, exemplary or consequential loss or Damages arising out of this Agreement (collectively "Consequential Damages"), provided, however, the foregoing shall not be construed to preclude recovery by a Buyer Indemnified Person or Seller Indemnified Person in respect of Consequential Damages payable to third parties as a result of Third Party Claims or Consequential Damages premised or arising from a Claim of fraud or intentional criminal acts by a party.

**Section 9.03 Indemnification Procedure.**

(a) **Non-Third-Party Claims.** The Person seeking indemnification hereunder (the “**Indemnitee**”) shall notify the Party obligated to provide indemnification hereunder (the “**Indemnitor**”) in writing (such notice, a “**Claim Notice**”) promptly of the Indemnitee’s discovery of any matter (including if a Claim is filed against the Indemnitee) for which the Indemnitor may be liable to the Indemnitee under this **Article XI**, which Claim Notice shall specify in reasonable detail each individual item of Damages and the nature of the breach of representation, warranty, covenant or agreement to which each such item is related. The failure of an Indemnitee to deliver a timely Claim Notice hereunder shall not affect its rights to indemnification hereunder, except to the extent that the Indemnitor is actually and materially prejudiced by such failure to provide timely notice.

(b) **Third Party Claims.** With respect to any Claim (other than a Claim made with respect to Taxes, which is governed by **Section 10.04**) made by a third Person (a “**Third Party Claim**”) against an Indemnitee for which the Indemnitee will seek indemnification from the Indemnitor hereunder, after delivery of the respective Claim Notice, the Indemnitor shall be entitled (if it so elects), at its own cost, risk and expense, (a) to take control of the defense and investigation of such Claim, (b) to employ and engage legal counsel of its own choice to handle and defend the same (unless the Indemnitee has been advised by counsel that there exists an actual or potential conflict of interest between the Indemnitee and counsel chosen by the Indemnitor (including one or more legal defenses or counterclaims available to it or to other indemnified parties that are different from or additional to those available to the indemnifying parties) that makes it inappropriate in the reasonable judgment of the indemnified party for the same counsel to represent both the indemnified party and the indemnifying parties), in which event the Indemnitee shall be entitled, at the Indemnitor’s cost, risk and expense, to reasonable fees of not more than one separate counsel of the Indemnitee’s own choosing), and (c) to compromise or settle such Claim, which compromise or settlement shall be made only with the written consent of the Indemnitee, such consent not to be unreasonably delayed or withheld, unless (A) there is no finding or admission against Indemnitee of any violation of the rights of any Person and it is not reasonably expected to have an effect on any other Claims that may be made against the Indemnitee, (B) the sole relief provided is monetary damages that are paid in full by the Indemnitor, (C) the Indemnitee will have no liability with respect to any compromise or settlement of such Claims effected without its consent and (D) the compromise or settlement of such Claim without the consent of the Indemnitee will not adversely affect the Tax liability of the Indemnitee or any of its Affiliates. After notice from the Indemnitor to the Indemnitee of its election to assume the defense of a Claim, the Indemnitor will not, as long as it diligently conducts such defense, be liable to the Indemnitee for any fees of other counsel with respect to the defense of such claim, except as otherwise provided in this **Section 9.03(b)** with respect to possible conflicts of interest between the Indemnitee and Indemnitor’s counsel. If the Indemnitor fails to notify the Indemnitee that the Indemnitor will assume the defense of such Claim within fifteen (15) calendar days after delivery by the Indemnitee of the Claim Notice (or such shorter period as may be required in connection with the underlying Claim), the Indemnitee will (upon delivering notice to such effect to the Indemnitor) have the right to undertake the defense, compromise or settlement of such Claim on behalf of and for the account and risk of the Indemnitor and Indemnitor shall reimburse the Indemnitee for the reasonable expenses of counsel engaged by Indemnitee to defend such Claim; provided, however, that, in such event, the Indemnitee shall not settle or compromise any Third Party Claim without the prior written consent of the Indemnitor, which consent shall not to be unreasonably withheld, conditioned or delayed. The Party undertaking the defense, compromise or settlement of the Third Party Claim will keep the other Party reasonably informed of the progress of any such defense, compromise or settlement, and the Indemnitor and Indemnitee shall cooperate (at the Indemnitor’s expense) in the investigation, trial and defense of such Third Party Claim and any appeal arising therefrom, and the Indemnitee may, at its own cost, monitor and further participate in the investigation, trial and defense of such Third Party Claim and any appeal arising therefrom. To the extent that there is an inconsistency between this **Section 9.03** and **Article X** as to any Tax matter, the provisions of **Article X** shall control.

**Section 9.04 No Right of Contribution.** The Seller shall not make any claim for, any contribution from the Company or any of its officers, managers or employees with respect to any indemnity claims arising under or in connection with this Agreement to the extent that any Buyer Indemnified Person is entitled to indemnification hereunder for such claim, and the Seller hereby waives any such right of contribution from the Company and any of its officers, managers or employees it has or may have in the future.

**Section 9.05 Effect of Investigation: Reliance.** The right to indemnification, recovery of Damages or any other remedy will not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any representation, warranty, covenant or agreement made by the Seller or the Company or any other matter. The waiver of any condition based on the accuracy of any such representation or warranty, or on the performance of or compliance with any such covenant or agreement, will not affect the right to indemnification, recovery of Damages or any other remedy based on any such representation, warranty, covenant or agreement. No Indemnitee shall be required to show reliance on any representation, warranty, fate or other agreement in order for such Indemnitee to be entitled to indemnification hereunder.

**Section 9.06 Characterization of Payments.** Any payments made to any party pursuant to this Article IX shall constitute an adjustment of the Purchase Price for Tax purposes and shall be treated as such by the Parties on their Tax Returns unless otherwise required by a change in law occurring after the date hereof, a closing agreement with an applicable Tax Authority or a final, non-appealable judgment of a court of competent jurisdiction.

**ARTICLE X  
TAX MATTERS**

**Section 10.01 Tax Returns.**

(a) Any Tax Return or estimate of taxes due by the Company for any pre-Closing tax period shall be submitted by Buyer to Seller (together with schedules, statements and, to the extent requested by the Seller, supporting documentation) at least 30 days prior to the due date (including extensions) of such Tax Return or any tax return to be filed by Buyer. If Seller objects to any item on any such Tax Return or estimate of taxes due, Seller shall, within ten days after delivery of such Tax Return or estimate, notify Buyer in writing of such objection, specifying with particularity any such item and stating the specific factual or legal basis for any such objection. If a notice of objection shall be duly delivered, the Buyer and the Sellers shall negotiate in good faith and use their reasonable commercial efforts to resolve such items. If Buyer and Sellers are unable to reach such agreement within ten (10) days after receipt by the Buyer of such notice, the disputed items shall be resolved by an independent accounting firm appointed by Buyer with at least five (5) years' experience with cannabis business accounting, (the "**Independent Accountant**"), which Independent Accountant shall have no prior business relationship with the Buyer or Sellers, and any determination by the Independent Accountant shall be final. The Independent Accountant shall resolve any disputed items within twenty (20) days of having the item referred to it pursuant to such procedures as it may require. If the Independent Accountant is unable to resolve any disputed items before the due date for such Tax Return, the Tax Return shall be filed as prepared by the Buyer and then amended to reflect the Independent Accountant's resolution. The costs, fees and expenses of the Independent Accountant shall be borne equally by Buyer and the Seller. The preparation and filing of any Tax Return that does not relate to any pre-Closing periods shall be exclusively within the control of Buyer.

(b) For purposes of determining the Taxes attributable to an Overlap Period, Taxes of Company shall be allocated to the portion of the Overlap Period ending on the Closing Date on a per diem basis, and all Taxes shall be allocated as if such Overlap Period ended on the Closing.

**Section 10.02 Cooperation with Respect to Tax Returns.** Buyer and the Seller shall furnish or cause to be furnished to each other, and each at their own expense, as promptly as practicable, such information (including access to books and records) and assistance, including making employees available on a mutually convenient basis to provide additional information and explanations of any material provided, relating to the Company as is reasonably necessary for the filing of any Tax Return, for the preparation for any audit, and for the prosecution or defense of any claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to Taxes. Buyer or the Company shall retain in its possession, and shall provide the Seller reasonable access to (including the right to make copies of), such supporting books and records and any other materials that the Seller may specify with respect to Tax matters relating to any taxable period ending on or prior to the Closing Date for a period of seven years following the Closing Date. After such time, Buyer may dispose of such material.

**Section 10.03 Disputes.** Except as otherwise provided herein, any dispute as to any matter covered hereby shall be resolved by the Accounting Referee, the fees and expenses of which shall be borne equally by the Seller and Buyer.

**Section 10.04 Tax Contest.** On and after the Closing Date, Buyer shall have the sole right to control, defend, settle, compromise or contest any Tax Contest relating to a Tax Return of Company; provided, however, that if the Seller would be required to indemnify Buyer for any Taxes, losses, claims or expenses arising from any such Tax Contest, the Seller, at the sole expense of the Seller, shall have the right to participate in any such Tax Contest, and Buyer shall not settle any such Tax Contest without the prior written consent of the Seller, such consent not to be unreasonably withheld, delayed or conditioned.

**Section 10.05 Tax Refunds.** Except for income Tax refunds or amounts credited against income Taxes, any Tax refunds that are received by Buyer or the Company, and any amounts credited against Tax to which Buyer or the Company become entitled, attributable to any Pre-Closing Period, shall be for the account of the Seller, and Buyer or the Company shall pay over to the Seller any such refund or the amount of any such credit within ten (10) days after receipt thereof or entitlement thereto.

**XI**  
**TERMINATION**

**Section 11.01 Conditions of Termination.** This Agreement may be terminated at any time prior to the Closing Transfer as follows:

- (a) by mutual written agreement of the Seller and Buyer;
- (b) in the event of denial of City Approval or State Approval as set forth in and subject to Section 4.04.
- (c) by the Seller or Buyer if any court of competent jurisdiction or other Governmental Authority shall have issued an Order permanently restraining, enjoining or otherwise prohibiting the Transaction, and such Order shall have become final and non-appealable; provided, however, that the Party seeking to terminate this Agreement pursuant to this clause (b) shall not be available to any Party whose breach or failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing Transfer;
- (d) by Buyer, if the Seller shall have breached in any material respect any of their respective representations or warranties or shall have breached or failed to perform or comply with any of its respective covenants or agreements in this Agreement in any material respect or Continuing Member has breached any obligations or commitments in the A&R OA and such breach or failure cannot be cured or has not been cured within thirty (30) days after the giving of written notice by Buyer to the Seller/Continuing Member-specifying such breach or failure; or
- (e) by the Seller, if Buyer shall have breached in any material respect any of its representations or warranties or shall have breached or failed to perform or comply with any of its covenants or agreements in this Agreement in any material respect and such breach or failure cannot be cured or has not been cured within thirty (30) days after the giving of written notice by the Seller to Buyer specifying such breach or failure.

**Section 11.02 Effect of Termination.** In the event of the termination of this Agreement prior to the consummation of the Closing Transfer, this Agreement (including, without limitation, the Closing Transfer, the payment of the Purchase Price) and the other applicable Transaction Agreements shall become void and have no further force and effect, and the Transaction shall be abandoned without any further action or Liabilities of any Party.

**XII**  
**MISCELLANEOUS**

**Section 12.01 Notices.**

(a) All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given or made (i) three (3) Business Days after being sent by registered or certified mail, return receipt requested, (ii) upon delivery, if hand delivered, (iii) one Business Day after being sent by prepaid overnight courier with guaranteed delivery, with a record of receipt, or (iv) upon transmission with confirmed delivery if sent by facsimile or email before 5:00 p.m. recipient's local time on a Business Day, otherwise on the next Business Day, in each case, to the appropriate address or number as set forth below.

(b) Notices to the Seller shall be addressed to:

Cary Stiebel  
5 Buena Vista Del Rio  
Carmel Valley, CA 93924

With a courtesy copy (which shall not constitute notice) to be sent via email to counsel at: [steve@stephenbeals.com](mailto:steve@stephenbeals.com)

(c) Notices to Buyer shall be addressed to:

Dep Nevada, Inc.  
Attn: Stephen 'Trip' Hoffman  
6420 Sunset Corporate Dr.  
Las Vegas, NV 89120  
[triphoffman@bodyandmind.com](mailto:triphoffman@bodyandmind.com)

With a courtesy copy (which shall not constitute notice) to be sent via email to counsel at: [patrick.devine@rimonlaw.com](mailto:patrick.devine@rimonlaw.com)

(d) Each of the Parties may designate a different address for notices by delivering written notice to the other Party in accordance with this [Section 12.01](#).

**Section 12.02 Governing Law; Mediation; Arbitration.**

(a) THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS, INCLUDING VALIDITY, INTERPRETATION AND EFFECT, BY THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO CONTRACTS EXECUTED AND TO BE PERFORMED WHOLLY WITHIN SUCH STATE WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES OF SUCH STATE.

(b) In the event of any Claim arising out of or relating to any performance required under this Agreement, or the interpretation, validity or enforceability of this Agreement, the parties hereto shall use their good faith efforts to settle the Claim. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable resolution satisfactory to the parties. If the Claim cannot be settled through negotiation within a period of seven (7) days, the parties agree to attempt in good faith to settle the Claim through mediation, administered by a mediator mutually agreeable to the parties, before resorting to arbitration. If they do not reach such resolution, or an agreed upon mediator cannot be identified, within a period of thirty (30) days, then, upon notice by either Party to the other they shall commence arbitration as set forth in [Section 12.02\(c\)](#).

(c) Subject to the foregoing, the parties agree to submit any and all Claims arising out of or relating to any performance required under this Agreement, or the interpretation, validity or enforceability of this Agreement, to binding arbitration before JAMS. The arbitration shall be held in accordance with the JAMS then-current Streamlined Arbitration Rules & Procedures (and no other JAMS rules), which currently are available at: <https://www.jamsadr.com/rules-streamlined-arbitration>. The arbitrator shall be either a retired judge, or an attorney who is experienced in commercial contracts and licensed to practice law in California, selected pursuant to the JAMS rules. The parties expressly agree that any arbitration shall be conducted in the County of Los Angeles, California. EACH PARTY UNDERSTANDS AND AGREES THAT BY SIGNING THIS AGREEMENT, SUCH PARTY IS WAIVING THE RIGHT TO A JURY. Pursuant to [Section 12.02\(a\)](#), the arbitrator shall apply California substantive law in the adjudication of all Claims. Notwithstanding the foregoing, either party may apply to the Superior Courts located in Monterey County for a provisional remedy, including but not limited to a temporary restraining order or a preliminary injunction. The application for or enforcement of any provisional remedy by a party shall not operate as a waiver of the agreement to submit a dispute to binding arbitration pursuant to this provision. In no event shall a Claim be adjudicated in Federal District Court. In the event that either party commences a lawsuit in Federal District Court or moves to remove such action to Federal District Court, the parties hereby mutually agree to stipulate to a dismissal of such Federal action with prejudice. After a demand for arbitration has been filed and served, the parties may engage in reasonable discovery in the form of requests for documents, interrogatories, requests for admission, and depositions. The arbitrator shall resolve any disputes concerning discovery. The arbitrator shall award costs and reasonable attorneys' fees to the prevailing party, as determined by the arbitrator, to the extent permitted by California law. The arbitrator's decision shall be final and binding upon the Parties. The arbitrator's decision shall include the arbitrator's findings of fact and conclusions of law and shall be issued in writing within thirty (30) days of the commencement of the arbitration proceedings. The prevailing Party may submit the arbitrator's decision to Superior Courts located in Monterey County for an entry of judgment thereon.

**Section 12.03 [Entire Agreement](#).** This Agreement, the schedules and exhibits hereto, the other Transaction Agreements and agreements that reference this Agreement contain the entire agreement between the Parties with respect to the subject matter of this Agreement and supersede all prior agreements, understandings, and negotiations, both written and oral, among the parties with respect to the subject matter of this Agreement.

**Section 12.04 [Expenses](#).** Except as otherwise provided in this Agreement, each Party shall be responsible for and shall pay all costs and expenses incurred by such Party in connection with entering into this Agreement and the transactions contemplated by this Agreement.

**Section 12.05 Counterparts.** This Agreement may be executed and delivered by facsimile, email or electronic signature service (e.g., DocuSign or adobesign) and in two or more counterparts, all of which shall be considered one and the same agreement.

**Section 12.06 Successors and Assigns; Binding Effect.** Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any Party without the prior written consent of the other Party; provided, however, that Buyer may assign any or all of its rights, interests and obligations hereunder (a) in connection with the sale of all or substantially all of the assets of or any business combination transaction involving Buyer (whether pursuant to a merger, consolidation, sale of equity interests or otherwise) or (b) to any of its Affiliates without any prior written consent of the Seller; provided, further, however, that notwithstanding such assignment, Buyer shall remain liable for any default by its assignee of any of its obligations hereunder. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors or assigns, heirs, legatees, distributees, executors, administrators and guardians.

**Section 12.07 Amendments and Waivers.** This Agreement, and each of the terms and provisions of this Agreement, may be modified, waived or amended, to the extent permitted by law and, if applicable, approved by the board of directors or similar governing body of the Seller and Buyer, by an instrument or instruments in writing signed by each of the Parties. The failure of any Party to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part of this Agreement or the right of any Party thereafter to enforce each and every such provision. The waiver by any Party of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach.

**Section 12.08 Headings.** The Section and Article headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement.

**Section 12.09 No Third-Party Beneficiaries.** Except as expressly set forth herein, neither this Agreement nor any of the provisions herein is intended to confer upon any Person other than the Parties (and their successors and assigns as permitted by [Section 12.06](#) hereof) any rights or remedies hereunder.

**Section 12.10 Severability.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Legal Requirement, (a) such provision will be fully severable, (b) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by such provision or its severance herefrom and (c) in lieu of such provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such provision as may be possible.



**Section 12.11 Specific Performance.** The rights and remedies of the Parties hereto shall be cumulative (and not alternative). Each Party hereby agrees that, in the event of any breach or threatened breach by the other Party of any covenant or obligation contained in this Agreement, the non-breaching Party shall be entitled (in addition to any other remedy that may be available to them, whether in law or equity, including monetary damages) to: (a) a decree or order of specific performance to enforce the observance and performance of such covenant or obligation, and/or (b) an injunction restraining such breach or threatened breach. Each Party further agrees that the other Party shall not be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 12.12, and each Party irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument.

**Section 12.12 Acknowledgement.** Each Party acknowledges that it or he and its or his attorneys have been given an equal opportunity to negotiate the terms and conditions of this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party or any similar rule operating against the drafter of an agreement shall not be applicable to the construction or interpretation of this Agreement.

*[signature page follows]*

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each of the Parties hereto as of the day and year first above written.

**BUYER:**

**DEP Nevada, Inc.**

By: /s/ Stephen 'Trip' Hoffman  
Name: Stephen 'Trip' Hoffman  
Its: Authorized Signatory

**COMPANY:**

**Canopy Monterey Bay, LLC**

By: /s/ Jayme Rivard  
Name: Jayme Rivard  
Its: Authorized Signatory

**SELLER:**

/s/ Cary Stiebel  
Cary Stiebel

/s/ Jana Stiebel  
Jana Stiebel

/s/ Jayme Rivard  
Jayme Rivard

/s/ Adrian Dermicek  
Adrian Dermicek

/s/ Laurie Johnson  
Laurie Johnson

**SCHEDULE I**  
**DISCLOSURE SCHEDULE**  
*[insert on subsequent page]*

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**SCHEDULE II**

**ASSIGNMENT**

FOR VALUE RECEIVED, and pursuant to that certain Membership Interest Purchase Agreement dated as of November 30, 2021 (the “**Agreement**”) Cary Stiebel, an individual (“**Mr. Stiebel**”), Jayme Rivard, an individual (“**Mr. Rivard**”), Jana Stiebel, an individual (“**Ms. Stiebel**”), Adrian Dermicek, an individual (“**Mr. Dermicek**”) and Laurie Johnson, an individual (“**Ms. Johnson**”) (collectively, the “**Seller**”) hereby sells, assigns, and transfers unto DEP Nevada, Inc., a Nevada corporation (“**Buyer**”) eighty percent (80%) of the issued and outstanding membership interest of Company (the “**Subject Interest**”) in and to Canopy Monterey Bay, LLC, a California limited liability company (the “**Company**”) with Mr. Stiebel assigning 9% of the issued and outstanding membership interest of Company; Mr. Rivard assigning 33% of the issued and outstanding membership interest of Company; Ms. Stiebel assigning 28% of the issued and outstanding membership interest of Company; Mr. Dermicek assigning 7.5% of the issued and outstanding membership interest of Company; and Ms. Johnson assigning 2.5% of the issued and outstanding membership interest of Company.

INTENDING TO BE BOUND, Seller has caused this Assignment to be executed as of the Closing Date (as defined in the Agreement).

SELLER:

Cary Stiebel

/s/ Cary Stiebel

Jayme Rivard

/s/ Jayme Rivard

Jana Stiebel

/s/ Jana Stiebel

Adrian Dermicek

/s/ Adrian Dermicek

Laurie Johnson

/s/ Laurie Johnson

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**EXHIBIT A**

**A&R OPERATING AGREEMENT**

*[insert on subsequent page]*

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**EXHIBIT B**

**PROMISSORY NOTE**

*[insert on subsequent page]*

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**EXHIBIT C**

**SECURITY AGREEMENT**

*[insert on subsequent page]*

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**EXHIBIT D**

**LEASE DOCUMENTS**

*[insert on subsequent page]*

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**EXHIBIT E**

**ESCROW AGREEMENT**

*[insert on subsequent page]*

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## SECURED PROMISSORY NOTE

\$2,300,000.00

November 30, 2021  
Monterey, California

**FOR VALUE RECEIVED**, DEP NEVADA, INC., A NEVADA CORPORATION (“**Borrower**”), hereby unconditionally promises to pay to the order of CARY STIEBEL, JANA STIEBEL, JAYME RIVARD, ADRIAN DERMICEK, AND LAURIE JOHNSON (collectively “**Lender**”), in lawful money of the United States of America and in immediately available funds, the principal sum of Two Million Three Hundred Thousand Dollars (\$2,300,000) (the “**Loan**”) together with accrued and unpaid interest thereon, each due and payable on the dates and in the manner set forth below.

This Promissory Note is the Note referred to in and is executed and delivered in connection with that certain Security Agreement dated as even date herewith, and executed by Borrower in favor of **Lender** (as the same may from time to time be amended, modified or supplemented or restated, the “**Security Agreement**”). Additional rights of Lender are set forth in the Security Agreement. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Security Agreement.

**1. Transaction.** Contemporaneous with the execution of this Note, the Parties are entering into a certain Membership Interest Purchase Agreement to which this Note is attached as *Exhibit B* (the “**MIPA**”).

**2. Effective Date.** The Parties hereby agree and acknowledge that this Note shall only become effective as of the first calendar day following the City Approval Date and the State Approval Date (as such terms are defined in the MIPA) (the “**Effective Date**”). In the event the MIPA is terminated for any reason prior to the State Approval Date, this Note shall automatically terminate without any further action required by the Parties.

**3. Principal Repayment.** The unpaid principal balance of this Note plus accrued and unpaid interest thereon (such amount, less any payments made in connection with prepayment, as defined below, the “**Amount Due**”) shall be due and payable on the five (5) year anniversary of the Effective Date hereof (the “**Maturity Date**”).

**4. Interest Rate and Payments.** Payments of the interest only shall be paid on a monthly basis for the initial six (6) months following the Effective Date (the “**Monthly Payment**”). Thereafter, no payments shall be required until the Maturity Date. Interest shall accrue on the unpaid principal amount of this Note at a rate per annum equal to ten percent (10%) compounded annually. Interest will be computed on the basis of a 365 or 366-day year, as applicable, and the actual number of days elapsed. Interest shall be due and payable on the Maturity Date.

**5. Place of Payment.** All amounts payable hereunder shall be payable to U.S. bank accounts provided by Lender.

**6. Application of Payments.** All payments made hereunder shall be applied first to reasonable expenses, if any, including reasonable attorney's fees, of the Lender incurred in the collection of this Note following default, then to accrued interest, and then to principal.

**7. Secured Note.** The full amount of this Note is secured by the Collateral identified and described as security therefor in the Security Agreement executed by and delivered by Borrower to Lender. Borrower shall not, directly or indirectly, create, permit or suffer to exist, and shall defend the Collateral against and take such other action as is necessary to remove, any Lien on or in the Collateral, or in any portion thereof, except as permitted pursuant to the Security Agreement.

**8. Prepayment.** Borrower has the right, but not the obligation, at its sole discretion, to pre-pay this Note (including interest), in whole or in part, prior to the Maturity Date. Borrower may, upon notice to Lender specifying that it is paying the Note (the "**Prepayment Notice**"), pay without penalty or premium the Note in whole or in part from time to time, by paying the amount specified in the Prepayment Notice.

**9. Default.** Each of the following events shall be an "**Event of Default**" hereunder:

(a) Borrower fails to pay timely any of the principal amount due under this Note or any accrued interest or other amounts due under this Note and such payment becomes more than five (5) business days' late;

(b) Borrower files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any corporate action in furtherance of any of the foregoing; or

(c) An involuntary petition is filed against Borrower (unless such petition is dismissed or discharged within sixty (60) days) under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee, assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody or control of any property of Borrower.

(d) An "Event of Default" under the Security Agreement.

Upon the occurrence of an Event of Default hereunder, all unpaid principal, accrued interest and other amounts owing hereunder shall, at the option of Lender, and, in the case of an Event of Default pursuant to (b) or (c) above, automatically, be immediately due, payable and collectible by Lender pursuant to applicable law.

(e) Upon the occurrence and during the continuance of an Event of Default interest shall accrue on the unpaid principal balance of this Note at the rate of interest specified in Section 2 plus three percent (3%) per annum, or such lower maximum amount of interest permitted to be charged under applicable law.

**10. Waiver.** Borrower waives presentment and demand for payment, notice of dishonor, protest and notice of protest of this Note, and shall pay all costs of collection when incurred, including, without limitation, reasonable attorneys' fees, costs and other expenses. The right to plead any and all statutes of limitations as a defense to any demands hereunder is hereby waived to the full extent permitted by law.

**11. Governing Law.** This Note shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

**12. Successors and Assigns.** The provisions of this Note shall inure to the benefit of and be binding on any successor to Borrower and shall extend to any holder hereof.

**13. Savings Clause.** Nothing contained in this Note shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum interest rate permitted by applicable law. In the event that the rate of interest required to be paid or other charges hereunder exceed the maximum interest permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by Borrower to Lender.

**14. Cumulative Remedies.** Each right, power, and remedy of the Lender as provided for in this Note, or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other such right, power, or remedy, and the exercise or beginning of the exercise by the Borrower of any one or more of such rights, powers, or remedies.

IN WITNESS WHEREOF, this Note has been duly executed and delivered by each of the Parties hereto as of the day and year first above written.

**BORROWER:**  
**DEP Nevada, Inc.**

By: /s/ Stephen 'Trip' Hoffman  
Name: Stephen 'Trip' Hoffman  
Title: Authorized Signatory

**LENDER**

/s/ Cary Stiebel  
Cary Stiebel

/s/ Jana Stiebel  
Jana Stiebel

/s/ Jayme Rivard  
Jayme Rivard

/s/ Adrian Dermicek  
Adrian Dermicek

/s/ Laurie Johnson  
Laurie Johnson

**JOINDER**

The undersigned, in their capacity as a Manager or Officer (each an "Authorized Signatory") of the respective undersigned entities, hereby represent they are authorized to sign, and hereby agree to join in, and be bound by, the provisions set forth in this Note ("Note"). Each Authorized Signatory acknowledges receipt of a copy of this Note and to having reviewed this Note. Each undersigned entity, by and through its Authorized Signatory, understands, acknowledges and agrees that, upon execution of this Joinder to Note, such undersigned entity shall, without further action or documentation, thereupon be bound by this Note as a Borrower, as though a direct Borrower thereto.

**To be executed following the Effective Date:**

**JOINING PARTY:**

**CANOPY MONTEREY BAY, LLC**

By: /s/ Stephen 'Trip' Hoffman  
Stephen 'Trip' Hoffman  
Its: Manager

## SECURITY AGREEMENT

This Security Agreement dated November 30, 2021 made by and between CANOPY MONTEREY BAY LLC, a California limited liability company (the "Grantor") and CARY STIEBEL, JANA STIEBEL, JAYME RIVARD, ADRIAN DERMICEK, AND LAURIE JOHNSON (collectively the "Secured Party").

For value received, and to secure both the payment of the Indebtedness and the performance of the obligations owed to Secured Party under the "Related Documents" as defined below, Grantor grants to Secured Party a security interest in the Collateral, in accordance with the definitions and terms set forth below. Notwithstanding the foregoing, in no event shall this Security Agreement become effective unless and until the effective date of the Secured Promissory Note entered into of even date herewith. These recitals are hereby incorporated into this Agreement as binding terms.

**1. Definitions.**

a) Indebtedness. "Indebtedness" means all amounts now or hereafter owed by Grantor to Secured Party ("Lender") pursuant to the "Related Documents" described below, whether or not evidenced by a promissory note or notes and whether direct, indirect, or contingent.

b) Related Documents. The "Related Documents" will mean the Membership Purchase Agreement and any Secured Promissory Note issued thereunder, and all other documents, agreements and instruments now or hereafter evidencing, securing or delivered to Secured Party in connection with the loan made by Secured Party to Grantor.

c) Law. "Law" means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement, or rule of law of any Governmental Authority applicable to a party, including its business and operations, except for any Federal Cannabis Law.

d) Federal Cannabis Law. "Federal Cannabis Law" means any U.S. federal law, civil, criminal, or otherwise, that is directly or indirectly related to the cultivation, harvesting, production, processing, marketing, distribution, sale, transfer, possession, and use of cannabis, marijuana, or related substances or products containing cannabis, marijuana, or related substances, including without limitation the prohibition on drug trafficking under the Controlled Substances Act (21 U.S.C. § 801, et seq.), the conspiracy statute under 18 U.S.C. § 846, the bar against aiding and abetting the conduct of an offense under 18 U.S.C. § 2, the bar against misprision of a felony (concealing another's felonious conduct) under 18 U.S.C. § 4, the bar against being an accessory after the fact to criminal conduct under 18 U.S.C. § 3, and federal money laundering statutes under 18 U.S.C. §§ 1956, 1957 and 1960 (as such laws may be amended from time to time).

e) Collateral. The "Collateral" means:

i) Personal Property. All of Grantor's right, title and interest, now owned or hereafter acquired, and all other owned or hereinafter personal property owned by Grantor, and all added, substituted or replacement personal property, and all equipment, furnishings, accessions, accessories, specifications, and improvements therefore or thereto.

ii) General Intangibles, Accounts and Other Rights to Payment. All of Grantor's right, title and interest, now owned or hereafter acquired, of whatever nature and however evidenced, in and to the following: (i) all accounts, (ii) all rights arising under contracts (including, without limitation notes receivable), (iii) all chattel paper, (iv) all general intangibles evidencing or comprising a right to receive payment, (v) all documents of title, receipts, drafts, checks, acceptances, bonds, notes, or other negotiable and nonnegotiable instruments, documents, bills of exchange, stocks, securities, deposits, certificates of deposit, or other writings evidencing or comprising a monetary obligation to Grantor or any of them; (vi) all federal, state, county or city tax refunds of whatever nature; and (vii) all rights to receive the payment of money or other consideration, including, but not limited to, all such right, title and interest that arises from the sale, lease, exchange or other disposition of inventory or the furnishing of services.

iii) Real Property. All of Grantor's right, title and interest, now owned or hereafter acquired, of whatever nature and however evidenced, in and to any real property now or hereinafter owned by Grantor. Such a grant shall also include, without limitation, all of Grantor's right as landlord or tenant in and to all existing or future leases and tenancies regarding such real property as set forth herein, whether written or oral or any duration, including all renewals and extensions thereof and all rents, deposits and other amounts received or receivable thereunder, as well as all facilities, fixtures, machinery, apparatus, installations, goods, equipment, inventory, and other properties of whatsoever nature, now or hereinafter located in or used or procured for use in connection with the real property as set forth herein, together with all contracts, agreements, permits, plans, specifications, drawings, surveys, entitlements, engineering reports and other work products related to the real property.

iv) Insurance. All insurances, including: (i) all insurances now or hereafter in effect to any Collateral including, without limitation, personal property, liability and all other insurances, (ii) all claims and all returns of premiums and assessments that are not immediately applied to premiums and assessments that accrue from time to time, and all other sums or claims for sums due or to become due under the foregoing insurances; (iii) all policies of life insurance, and (iv) all right, title, and interest in, to, or under the foregoing.

v) Deposits and Documents. All of Grantor's right, title, and interest in and to books, correspondence, credit files, records, invoices, and other documents, including without limitation all documents (electronic or otherwise) in the possession or control of Grantor; and all balances, credits, deposits, deposit accounts or monies of or in the name of Grantor.

vi) Investment Property. All of Grantor's right, title and interest in investment property, including without limitation, all stocks, bonds, debentures, notes, bills, certificates, options, rights, shares, or other securities now or hereafter owned or acquired, all dividends or distributions in respect thereof and all brokerage or commodities accounts.

vii) Instruments and Letter of Credit Rights. All of Grantor's right, title, and interest in and to (i) promissory notes, checks, drafts, bills of exchange, and other instruments and (ii) letter of credit rights.

viii) Proceeds and Products. All proceeds of any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance whether or not Secured Party is a loss payee thereof, or any indemnity, warranty or guaranty, payable by reason of loss, damage, or otherwise, with respect to any of the foregoing Collateral.

(ix) Permits, Licenses, entitlements. All rights to occupy, operate, conduct business at the current location.

**2. Obligations of Grantor.** Grantor represents and warrants as follows:

a) Perfection of Security Interest. Grantor agrees to execute financing statements and to take whatever other action is requested by Secured Party to perfect and continue Secured Party's perfected security interest in the Collateral. Grantor hereby appoints Secured Party as Grantor's attorney-in-fact for the purpose of executing any documents necessary to perfect or continue the perfected security interest granted herein. Secured Party may at any time, and without further authorization from Grantor, file copies of this Security Agreement as a financing statement. Grantor will reimburse Secured Party for all expenses of perfecting or continuing this security interest.

b) Removal of Collateral. Grantor warrants that the Collateral is located in locations that are approved by Secured Party in writing. Other than in accordance with the normal business practices, Grantor will not remove any of the Collateral from their present locations without the prior written consent of Secured Party.

c) Transactions Involving Collateral. Grantor will not sell, make an offer to sell, or otherwise transfer the Collateral other than in the ordinary course of business. Grantor will not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any future lien, security interest, or charge, other than the security interest provided for herein, without the prior written consent of Secured Party, which consent Secured Party may withhold in its sole discretion.

d) Title. Except as otherwise provided in the Security Documents, Grantor warrants that it holds marketable title to the Collateral, subject to no other security interests other than that existing as of the date of this Agreement. Grantor will defend Secured Party's rights in the Collateral against claims and demands by any and all persons.

e) Compliance with Laws. Grantor warrants that its use of the Collateral complies, and in the future will comply, with all existing applicable state and local laws, ordinances, and regulations of governmental authorities.

f) Use. Grantor will keep the Collateral in as good or better condition than it is at present, except for ordinary wear and tear. Grantor will not commit or permit damage to or destruction of the Collateral or any part thereof.

g) Transfer of Instruments, Etc. Grantor agrees to transfer to Secured Party on demand all instruments (including without limitation all securities), all letters of credit, and all chattel paper now owned and to transfer to Secured Party promptly upon receipt thereof, all instruments (including without limitation all securities) and chattel paper hereafter acquired. Without limiting the foregoing, if Grantor shall become entitled to receive or shall receive, in connection with any of its securities, any: (i) stock certificate, including without limitation any certificate representing a stock dividend or in connection with any increase or reduction of capital, reclassification, merger, consolidation, sale of assets, combination of shares, stock split, spin-off, split-off or split-up; (ii) option, warrant, or right, whether as an addition to or in substitution or in exchange for any of its securities, or otherwise; (iii) dividend or distribution payable in property, including securities issued by other than the issuer of any of its securities; or (iv) dividends or distributions of any sort; then Grantor shall accept the same as Secured Party's agent, in trust for Secured Party, and shall deliver them forthwith to Secured Party in the exact form received, with, as applicable, Grantor's endorsement when necessary, or appropriate stock powers duly executed in blank, to be held by Secured Party, subject to the terms hereof, as part of the Collateral. This Agreement does not grant Secured Party power to control the voting or disposition of the securities prior to the occurrence of an Event of Default.



h) Taxes, Assessments and Liens. Grantor will pay when due all taxes, assessments, and liens upon the Collateral, its use or operation. Grantor may withhold any such payment or may elect to contest any lien if and so long as: (i) borrower is in good faith conducting appropriate proceedings to contest the obligation to pay; (ii) Grantor's use of and Secured Party's interest in the Collateral are not jeopardized; and (iii) Grantor deposits with Secured Party cash, a sufficient surety bond, or other security satisfactory to Secured Party in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale. In any contest Grantor must defend itself and Secured Party and must satisfy any final adverse judgment before enforcement of such judgment may be obtained against the Collateral. Grantor must cause Secured Party to be named as an additional obligee under any surety bond furnished in the contest proceedings.

i) Compliance with Governmental Requirements. Grantor will comply promptly with all laws, ordinances and regulations of all governmental authorities applicable to the use of the Collateral.

j) Maintenance of Insurance. Grantor will procure and maintain policies of insurance on the Collateral as reasonably necessary and prudent or as provided in the Loan Agreement or Related Documents.

k) Application of Insurance Proceeds. Grantor must promptly notify Secured Party of any loss or damage to the Collateral or any portion thereof having a fair market value in excess of the applicable insurance deductible. Secured Party may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral will be applied in the same manner as the payment of principal due and owing under the terms of the Existing Loans or the Additional Loan documents.

**3. Grantor's Right to Possession**. Until an Event of Default occurs and continues beyond the time permitted for cure under the Loan Agreement, Grantor may have possession of the tangible personal property and beneficial use of all of the Collateral and may use it in any lawful manner not inconsistent with this Security Agreement or the Related Documents.

**4. Expenditures by Secured Party**. If not discharged or paid by Grantor when due, or if not provided for in a good faith contest as required by Section 2(h), above, Secured Party may discharge taxes, liens, security interests, or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral, and may pay for maintenance and preservation of the Collateral. All such payments will become a part of the Indebtedness secured hereby, payable on demand, with interest from date of expenditure until repaid at the Default Rate under the notes then outstanding as set forth in the Related Documents. Such right will be in addition to any other rights or remedies to which Secured Party may be entitled on account of default.

**5. Events of Default**. If any of the following events occur ("Events of Default"), Grantor will be in default under this Agreement, and Secured Party, during the continuing of an Event of Default, will be entitled to exercise any remedies described in Section 6 below:

a) Any of the Indebtedness is not paid when due and such payments become more than five (5) business days' late; or

b) Grantor fails to comply with any term, obligation, covenant or condition contained herein or in any of the Related Documents; or

c) Any warranty, representation, or statement made or furnished to Secured Party by or on behalf of Grantor proves to have been false in any material respect when made or furnished or becomes false in any material respect during the term hereof; or

d) An Event of Default occurs under the terms of any of the Related Documents.

## **6. Rights of Secured Party.**

a) Rights Prior to Default or Thereafter. Subject to applicable laws and regulations, Secured Party and its designated representatives or agents may at all times examine and inspect the Collateral, wherever located. Prior to the occurrence and continuance of an Event of Default, Grantor will have a license to collect all rents and profits from the use or operation of the Collateral.

b) Rights Upon Default or Thereafter. Upon the occurrence and continuance of an Event of Default, Secured Party may exercise any one or more of the following rights and remedies in addition to any other rights or remedies that may be available at law, in equity, or otherwise.

i) Secured Party may declare the entire Indebtedness immediately due and payable.

ii) Secured Party may require Grantor to deliver to Secured Party all or any portion of the Collateral and any and all certificates of title and other documents relating thereto. Secured Party may require Grantor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party. Secured Party also will have full power to enter upon the property of Grantor to take possession of and remove the Collateral.

iii) Secured Party will have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in its own name or that of Grantor. Secured Party may sell the Collateral at public auction. Unless the Collateral threatens to decline rapidly in value or is of the type customarily sold on a recognized market, Secured Party will give Grantor reasonable notice of the time and place of any public sale or reasonable notice of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice of any sale will be conclusively met if such notice is mailed by registered or certified mail, postage prepaid, to the address of Grantor stated in this Agreement at least ten (10) days before the time of the sale or intended disposition. Grantor will be liable for expenses of retaking, holding, preparing for sale, selling, and all other expenses of Security Party in preserving, maintaining or enforcing its rights hereunder, and the same will be secured hereby.

iv) Secured Party may have a receiver appointed as a matter of right. The receiver may be an employee of Secured Party and may serve without bond. All fees of the receiver and his or her attorney must be paid by Grantor on demand and secured hereby.

v) Secured Party may revoke Grantor's right to collect the rents and revenues from the Collateral, and may, either itself or through a receiver, collect the same. To facilitate collection, Secured Party may notify any account Grantors of Grantor to pay directly to Secured Party, and Grantor will not take any action to adversely affect direct payment from account Grantors to Secured Party.

vi) Secured Party may obtain a judgment for any deficiency remaining in the Indebtedness due to Secured Party after application of all amounts received from the exercise of the rights provided in this Section. Grantor will be liable for a deficiency even if the underlying transaction is a sale of accounts or chattel paper.

vii) In addition to the foregoing, Secured Party will have and may exercise any or all of the rights and remedies as set forth in the Related Documents or of a secured creditor under the provisions of the Uniform Commercial Code, at law, in equity, or otherwise.

7. **Waiver.** Secured Party will not be deemed to have waived any rights hereunder or under the Related Documents unless such waiver is in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right will operate as a waiver of such right or any other right. No consent or waiver, express or implied, by any party to or of any breach or default by the other in the performance by the other of its obligations hereunder will be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligations hereunder.

8. **Remedies Cumulative.** All of Secured Party's rights and remedies, whether evidenced hereby, by any other document, or by law, will be cumulative and may be exercised singularly or concurrently. Election by Secured Party to pursue any remedy will not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Grantor under this Agreement after Grantor's failure to perform will not affect Secured Party's right to declare a default and exercise its remedies under Section 6 hereof or under any of the Related Documents.

9. **Successors and Assigns.** This Security Agreement will be binding upon and inure to the benefit of the parties, their heirs, successors, and assigns.

10. **Litigation Expenses.** In any controversy, claim or dispute arising out of, or relating to, this Agreement or the method and manner of performance thereof or the breach thereof, the prevailing party will be entitled and awarded, in addition to any other relief, to a reasonable sum as litigation expenses. In determining what is a reasonable sum for litigation expenses, the actual amount of attorneys' fees the party is obligated to pay its attorney or attorneys will be presumed to be reasonable, which presumption is rebuttable, and the actual expenses incurred in the proceeding including but not limited to travel expenses and loss of time of a party will be presumed to be reasonable, which presumption is rebuttable. For the purposes of this provision, the term proceeding will include arbitration, administrative, bankruptcy, and judicial proceedings, including appeals therefrom. In the event that Secured Party is otherwise required to incur any expenses whatsoever to preserve, maintain or enforce its rights hereunder, whether or not litigation is commenced, Secured Party will be entitled to recover any and all such sums and all incidental expenses, including reasonable attorneys' fees. All such sums will be part of the Indebtedness secured hereby.

11. **Choice of Law.** This Agreement will be governed by and construed in accordance with the laws of the State of California with venue for any action arising hereunder in the state courts located in Monterey County, California.

12. **Limitation by Law.** Notwithstanding anything in this Agreement to the contrary, all rights, remedies and powers provided in this Agreement may be exercised only to the extent that the exercise thereof does not violate Law. All the provisions of this Agreement are intended to be subject to all applicable mandatory provisions of Law that may be controlling and to be limited to the extent necessary so that they shall not render this agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any Law.

13. **Savings Provision.** Invalidity, unenforceability, or invalidation of any one or more of the provisions of this Agreement for any reason will in no way affect any other provisions hereof, which other provisions will remain in full force and effect.

IN WITNESS WHEREOF, Grantor has executed this instrument as of the day and year first above written.

**GRANTOR**  
**CANOPY MONTEREY BAY, LLC**

By: /s/ Stephen 'Trip' Hoffman  
Name: Stephen 'Trip' Hoffman  
Title: Authorized Signatory

**GRANTEE**

/s/ Cary Stiebel  
Cary Stiebel

/s/ Jana Stiebel  
Jana Stiebel

/s/ Jayme Rivard  
Jayme Rivard

/s/ Adrian Dermicek  
Adrian Dermicek

/s/ Laurie Johnson  
Laurie Johnson

411 Isis Ave.  
2<sup>nd</sup> Floor  
Inglewood, CA 90301  
Telephone 310-318-3300  
Fax 310-712-8383



Escrow No.: HH-2374-SR  
Date: November 29, 2021

Escrow Officer: Sally Rowshan  
Email: Sally@SecuredTrustEscrow.com

Whereas **DEP Nevada, Inc., a Nevada corporation (“Buyer”)** and **Canopy Monterey Bay, LLC, a California limited liability company (“Company”)**, and **Cary Stiebel, Jana Stiebel, Jayme Rivard, Adrian Dermicek, Laurie Johnson (collectively referred to herein as “Sellers”)** have entered into a **MEMBERSHIP INTEREST PURCHASE AGREEMENT November 30, 2021 (“Agreement”)**, a copy of which has been handed to Escrow Holder for reference. Buyer, Company, and Sellers are collectively referred to herein as “Parties.”

Whereas Buyer, Company, and Sellers hereby request the services of Secured Trust Escrow, a California corporation licensed by the Department of Financial Protection and Innovation under License No. 96DBO-77505 (“Escrow Holder”) to hold funds as a neutral third-party pursuant to the terms and conditions contained herein.

**HOLDING ESCROW INSTRUCTIONS**

1. **HOLDING ESCROW PURPOSE:** This Holding Escrow Instructions (“Instructions”) is entered into and effective on **November 30, 2021** by and between Buyer, Company, Sellers in order to establish an escrow account to facilitate the sale of certain Membership Interest in Company between Buyer and Seller. More specifically:

- Sellers currently own 100% of the issued and outstanding membership interests in the Company.
- Seller wishes to sell and Buyer wishes to purchase 80% of the issued and outstanding membership interests in the Company under the terms and conditions contained in the Membership Interest Purchase Agreement.
- The agreed upon purchase price for 80% of the Membership Interest of Company is \$4,800,000 NO/100 paid as follows:
  - o \$10,000 NO/100 paid by Buyer to Seller outside of escrow as a Deposit to be applied to the Purchase Price
  - o **\$2,490,000 NO/100 to be paid through escrow**
  - o \$2,300,000 NO/100 to be paid via Secured Promissory Note

2. **ESCROW HOLDER’S FUNCTION:** Escrow Holder’s sole task is to safeguard funds and to disburse funds as instructed by mutual written and signed instructions to Escrow Holder. Escrow Holder shall not be

Concerned with the following matters which all shall be handled outside of escrow by each Party’s respective legal counsel:

- The review or receipt of any “Closing Deliverables” as referenced under Section 3.04 of the Agreement

Party 1 Initials: \_\_\_\_\_, \_\_\_\_\_

Party 2 Initials: \_\_\_\_\_, \_\_\_\_\_

- The preparation and review of the any financing agreements between the Parties including the Promissory Note, any Security Agreements, or financing statements.
- The transfer, application, review, or delivery of any "licenses" or "licensed applications" as referenced in the Agreement.
- The "State Approval" as referenced in Section 4 of the Agreement

Escrow Holder's sole task is to safeguard and hold the purchase money on behalf of the Buyer and Seller and disburse solely according to mutual signed instructions (on Escrow Holder's own form). Escrow Holder may facilitate the recording of any documents such as Deeds of Trusts, Grant Deeds, or the filing of any financing statements

- 3. ESCROW FUNDS:** The Escrow Funds shall refer to all deposits made into this escrow. Parties anticipate that the amount of **\$2,490,000 NO/100** to be deposited by **Buyer**. Escrow Holder shall inform both Parties upon receipt of such deposit. Parties reserve the right to make additional deposits and supplement the escrow funds as necessary.
- 4. INTERPRETATION AND LEGALITY OF UNDERLYING AGREEMENT:** Parties acknowledge that Escrow Holder shall not be involved with the interpretation, drafting, or reviewing of the underlying agreement between Parties that is the subject of this escrow. Escrow Holder's sole concern and purpose shall be to hold and safeguard funds on behalf of Parties and to disburse based on mutual instructions. Furthermore, Parties confirm to Escrow Holder that the underlying subject matter and basic purpose of the holding escrow is legal, does not violate any State Law or Federal law.
- 5. DISBURSEMENT PROCEDURES:** Escrow Holder shall disburse the funds as directed by both Parties by written instructions. Escrow Holder shall receive instructions only from Parties to the escrow under the following terms and conditions: Escrow Holder shall receive specific instructions as to the release of funds, including but not limited to the amount of the funds to be released and detailed recipient information. Upon receipt of this request to release funds, Escrow Holder shall prepare an Amendment and/or Authorization to Release Funds to be signed by both Parties. Escrow Holder shall only release funds when such Amendment and/or Authorization to Release Funds is executed by both Parties. Parties agree and acknowledge that Escrow Holder will not accept account information of any form via the internet. Escrow Holder shall confirm by encrypted communication and by phone all account information prior to releasing funds.
- 6. DISBURSEMENT INFORMATION.** Parties represent and warrant to Escrow Holder that the Disbursement Information provided to Escrow Holder is complete, accurate in all respects, and is not subject to qualification. Parties acknowledge that Escrow Holder shall call the requested recipient to verify account details.
- 7. DISBURSEMENT REQUESTS:** Parties acknowledge that certain conditions must be met before Escrow Holder can make disbursements. Such conditions include receipt of fully executed Disbursement Instructions acceptable to Escrow Holder. Disbursement Authorizations may only be signed by the Parties to the escrow unless otherwise amended. Absent written agreement to the contrary, Escrow Holder will make disbursements up to 48 hours from receipt of acceptable Disbursement Instructions and acceptable account information.
- 8. DUTY OF ESCROW HOLDER:** Escrow Holder's duties hereunder shall be limited to the safekeeping of money and documents received by Escrow Holder and for the disposition and/or disbursement of same in accordance with the written instructions acceptable by Escrow Holder. Escrow Holder shall not be liable for any damages, losses, costs or expenses incurred by any Party in the handling and processing of this Escrow as a result of any act or failure to act made or omitted in good faith or for any action taken that Escrow Holder shall in good faith believe to be genuine. Escrow Holder may consult with legal counsel during the course of this Escrow.

Party 1 Initials: \_\_\_\_\_, \_\_\_\_\_

Party 2 Initials: \_\_\_\_\_, \_\_\_\_\_

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9. **COUNTERPART:** These Escrow Instructions and General Provisions may be executed in counterparts, each of which shall be deemed an original regardless of the date of this execution and delivery. All such counterparts, inclusive, shall constitute one and same document.
10. **WRITTEN INSTRUCTIONS REQUIRED:** Pursuant to California Civil Code Section 1624, no notice, demand, Supplemental Escrow Instruction, or Amendment of the Escrow Instructions shall be effective unless given in writing by the Parties affected thereby. Escrow Holder may, at its sole discretion, rely on written instructions made outside of escrow however Parties acknowledge that absent rare exceptions, Escrow Holder only disburses funds based on instructions created by Escrow Holder and instructions deemed acceptable to Escrow Holder, at Escrow Holder's sole discretion.
11. **VERIFICATION OF IDENTITY:** Escrow Holder shall not be responsible or liable in any manner for the sufficiency or correctness as to form, manner of execution or validity of any document(s) deposited with Escrow Holder, nor as to the identity, authority or rights of any person executing the same, or for verifying signatures, or determining whether there is a false impersonation, forgery, fraud, or the scope of any agents' authority either as to documents of record or those handled in this Escrow. If the Parties desire that Escrow Holder verify any signature(s) on instructions, check, documents or other items received by Escrow Holder, separate written Escrow Instructions must be entered into and expressly approved by Escrow Holder that specifically evidences. Escrow Holder's agreement to undertake such responsibility upon the payment of an additional fee. Escrow Holder shall not be liable or responsible for any loss that may occur because of forgeries, fraud or false representations made or involving the Parties to this Escrow, any third parties, the Parties' agent(s) or broker(s) or any other person or entity.
12. **TRUST ACCOUNT:** All funds received in this escrow by **Secured Trust Escrow** shall be deposited in a non-interest bearing account (the "Escrow Account") with **BANC OF CALIFORNIA** a federally insured financial institution (the "Depository"). Each of the parties agrees, understands and acknowledges that the escrow trust account is non-interest bearing. Escrow Holder may receive certain direct or indirect benefits from the financial institution by reason of the deposit of such funds or the maintenance of such accounts with the financial institution, and Escrow Holder shall have no obligation to account to the depositing Party in any manner for the value of, or to pay such Party, any benefit received by Escrow.
13. **FDIC:** Escrow Holder deposits funds received on behalf of the Parties in a bank that is insured by the Federal Deposit Insurance Corporation ("FDIC"). FDIC deposit insurance coverage applies to a maximum amount of \$250,000 NO/100 per depositor for deposits held in the same legal ownership category at each bank. Escrow Holder doesn't guarantee the solvency of any bank into which funds are deposited and assumes no liability for any loss to the Parties incur due to the failure, insolvency, or suspension of operations of any bank or the \$250,000 NO/100 FDIC deposit insurance limit.
14. **ELECTRONIC SIGNATURE ACKNOWLEDGEMENT:** Buyer and/or Seller hereby agree to allow Escrow Holder to rely on electronic signatures as if they are original signatures. Buyer and Seller further acknowledge that original signatures are required for recordings by the County Recorder. By signing below, the Parties to this agreement hereby consent to the use of electronically executed documents for the purposes of expediting this transaction and **Secured Trust Escrow** shall be held free and harmless from any liability and/or removability that may arise now or in the future with regard to authenticating or verifying the actual signature of either Party to this transaction.

Party 1 Initials: \_\_\_\_\_, \_\_\_\_\_

Party 2 Initials: \_\_\_\_\_, \_\_\_\_\_

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15. **WIRE FRAUD ADVISORY:** Due to the increase of wire fraud and cyber theft, Escrow Holder does not send account information by the internet. Please be aware of the following: Our trust account is with City National Bank. We NEVER send account information by the internet. If you receive an email that contains an account number, it is not ours. Please notify our office immediately so that we may contact the proper authorities and report the incident. You must call your Escrow Officer to obtain the account number. Parties are instructed to never rely on electronic wire instructions received and to verify and confirm all bank account information, whether incoming or outgoing, with Escrow Holder.
16. **ESCROW FEES:** Escrow Holder shall receive, as compensation for services a fee in the amount of \$6,000 NO/100. Escrow Fees shall be deducted out of the initial deposit into escrow and pre-paid by the Buyer. At closing, Escrow Fees shall be split equally between Purchaser and Seller. In the event of cancellation of escrow, Buyer shall pay a \$3,000 escrow and all other Escrow Funds shall be distributed as instructed to Escrow Holder and under the terms of this Escrow Instruction. This fee shall be earned when received. Escrow Holder is authorized to deduct the escrow fee out of the initial deposit made into Escrow without further instruction. Additionally, the following fees shall apply (if applicable): \$25 for each incoming and each outgoing wire; \$15 for each check request; and all out of pocket costs including messenger and overnight fees.
17. **EXTRAORDINARY COSTS.** In the event Escrow Holder is required or requested to produce, duplicate, or record documents, utilize messengers, delivery services and/or provide testimony, take action in any court, arbitration or other proceeding, Parties must provide such additional sums as required by Escrow Holder as a condition for providing such service. Parties shall promptly reimburse Escrow Holder for all costs and expenses in connection therewith, including but not limited to, attorneys' fees. The foregoing amounts are in addition to the Escrow Holder's Fees and Escrow Holder is authorized to disburse such amounts to itself from any additional deposit provided in accordance with this paragraph.
18. **WARRANTY OF UNDERLYING LEGALITY:** Parties represent and warrant to Escrow Holder that the underlying subject matter of this holding escrow is legal in all respects and complies with both State and Federal Laws. Escrow Holder shall conclusively rely on such representation from the Parties without further inquiring or requesting documentation from the Parties.
19. **CORPORATE GOOD STANDING:** In the event that a Party to this escrow is a corporation, Parties represent and warrant to escrow holder that: (a) they have authority to act on behalf of the corporation (b) they are acting within the scope of their authority, and (c) the corporation is in good standing. Each person executing this Agreement represents and warrants that he or she has full power and authority to do so and that no other authorizations or approvals of any kind are necessary.
20. **COVENANT.** Each Party agrees to cooperate with Escrow Holder including providing such documents and forms as may be reasonably requested by Escrow Holder from time to time to affect the transaction contemplated by this Agreement.
21. **CONFLICTING INSTRUCTIONS & DISPUTES.** Should any dispute arise in connection with this Agreement including, but not limited to, conflicting instructions, Escrow Holder may withhold Disbursements until the dispute is resolved by legal process or an agreement acceptable to Escrow Holder is reached. If resolution cannot be obtained, Escrow Holder may, upon at least fourteen (14) days prior written notice to Parties, interplead the funds with the court at which time Escrow Holder shall be fully discharged and relieved from all liability in connection with such funds and shall be entitled to recover its costs and attorneys' fees in connection therewith.
22. **ESCROW HOLDER'S OBLIGATIONS.** The obligations of Escrow Holder are limited solely to safeguarding and disbursing Funds. Escrow Holder shall only disburse funds as directed in writing by both Parties.



- 23. **LIMITATION ON LIABILITY.** Under no circumstances (other than fraud, willful misconduct or gross negligence by Escrow Holder) shall Escrow Holder incur any liability in connection with this Agreement in excess of the amount of the Basic Fee set forth in this Agreement. This section is of key importance to Escrow Holder and Escrow Holder would not enter into this Agreement in the absence of this section. This section shall survive termination of this Agreement.
- 24. **INDEMNITY.** Parties agree to indemnify, defend and hold Escrow Holder harmless from and against all claims, actions, suits, judgments, awards, liabilities, damages, costs, expenses and attorneys' fees (collectively, "Claims"), in connection with or allegedly in connection with this Agreement and/or the Escrow. This section shall survive any termination of this Agreement.
- 25. **MAINTENANCE OF RECORDS.** Escrow Holder shall keep accurate records as to (a) amounts deposited in the Escrow; and (b) amounts disbursed from the Escrow. As required by California law, original documents shall remain at Escrow Holder's office and, upon reasonable notice, shall be available for inspection by either Parties.
- 26. **ATTORNEYS' FEES.** In any action regarding this Agreement or the Escrow, all attorneys' fees incurred by Escrow Holder in connection with this Agreement, whether or not an action is filed, may at Escrow Holder's choice be immediately reimbursed from the funds in Escrow.
- 27. **RIGHT TO INTERPLEADER:** At Escrow Holder's sole discretion, in the event of a dispute between the Parties, or as otherwise deemed necessary by the Escrow Holder, Escrow Holder has the unequivocal right to interplead the funds with the Court of appropriate jurisdiction and obtain all applicable interpleader legal fees from the funds held herewith.
- 28. **INTERPRETATION.** This Agreement shall be interpreted and construed in accordance with California law. Any action against Escrow Holder involving this Agreement shall be maintained in the appropriate court in Los Angeles County, California.
- 29. **SEVERABILITY.** In the event any provision of this Agreement should be determined by a court of competent jurisdiction as unenforceable or void under applicable law, that provision shall be deleted; but the remaining provisions of this Agreement shall remain in full force and effect.
- 30. **EXECUTION IN COUNTERPART.** This Agreement and any amendments may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute the same instruction.
- 31. **RELIANCE ON COPIES.** Parties specifically authorizes Escrow holder to accept and rely on Copies (as defined below) and Electronic Signatures (as defined below) as originals, to open escrow and for other purposes of this Escrow. "Copies" means a copy by any means including photocopy, facsimile and electronic. "Electronic Signatures" means an electronic signature or Copy of a signature complying with California law. Parties and Escrow Holder agree that electronic means will not be used by either party to modify or alter the content or integrity of this Agreement without the knowledge and consent of the other party.
- 32. **BINDING EFFECT.** This Agreement shall be binding upon and shall inure to the benefit of the Parties to this Agreement and their respective successors and assigns.
- 33. **NO LEGAL ADVICE.** Escrow Holder does not provide any legal or tax advice regarding this Agreement and advises Parties to consult their own legal or tax representative.

Party 1 Initials: \_\_\_\_\_, \_\_\_\_\_

Party 2 Initials: \_\_\_\_\_, \_\_\_\_\_

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34. **FORM OF DISBURSEMENTS.** All disbursements shall be made by Escrow Holder's check or by wire transfer unless otherwise instructed in writing. California law mandates that Escrow Holder may not disburse funds until the funds are, in fact, available in Escrow Holder's account. Wire transfers are disburseable twenty-four (24) hours after the confirmation of receipt. Funds deposited by a cashier's or certified check are generally available on 8 business days following deposit. Funds deposited by a personal check and other types of instruments may not be available until after confirmation from Escrow Holder's bank which can vary from ten (10) to fifteen (15) days.
35. **DISCLOSURE OF POSSIBLE BENEFITS TO ESCROW HOLDER.** As a result of Escrow Holder maintaining its general escrow accounts, special accounts and trust accounts with the depositories, Escrow Holder may receive certain financial benefits such as an array of bank services, accommodations, interest income, loans or other business transactions from the depositories ("collateral benefits").

The Parties have executed, and Escrow Holder has accepted, these Escrow Instructions as of the date of this Agreement.

**BUYER:**

DEP Nevada, Inc,  
a Nevada Corporation

By: /s/ Stephen 'Trip' Hoffman  
Stephen 'Trip' Hoffman,  
Authorized Signer

**ESCROW HOLDER:**

Secured Trust Escrow, Inc.  
a California Corporation

By: /s/ Sally Rowshan  
Sally Rowshan  
President/Manager

**SELLERS:**

/s/ Cary Stiebel  
Cary Stiebel

/s/ Jana Stiebel  
Jana Stiebel

/s/ Jayme Rivard  
Jayme Rivard

/s/ Adrian Dermicek  
Adrian Dermicek

/s/ Laurie Johnson  
Laurie Johnson

**COMPANY:**

Canopy Monterey Bay, LLC,  
a California Limited Liability Company

By: /s/ Jayme Rivard  
Jayme Rivard, Authorized Signer

## LANDLORD CONSENT TO CHANGE OF CONTROL OF TENANT

THIS LANDLORD CONSENT TO CHANGE OF CONTROL OF TENANT (“Agreement”), dated November 30, 2021 (the “Execution Date”), is by and between ANN MARIE BEVINS and CAROL GAY LAVIN, the Successor Co-Trustees of the Peter Ralph Lavin Trust U/A DTD August 7, 2006, as amended (“Landlord”), Canopy Monterey Bay, LLC, a California limited liability company (“Tenant”), and Body and Mind, Inc., a Nevada corporation (“Tenant’s Parent”).

WHEREAS, Landlord and Tenant are parties to that certain Commercial Lease with a Lease Commencement Date of July 1, 2018, by and between Ann Marie Bevins and Carol Gay Lavin, Successor Co-Trustees of The Peter Ralph Lavin 2006 Revocable Trust U/A DTD 8/7/06, as Amended, as Landlord, and Jayme Rivard, an individual, Cary Stiebel, an individual, and Jana Donckers Stiebel, an individual, as Tenant; the Tenant’s right, title and interest in and to said Commercial Lease was assigned, and the Commercial Lease was amended, pursuant to that certain Assignment of Lease, Assumption Agreement with Lease Amendment, and Consent to Assignment dated September 30, 2018, by and between Jayme Rivard, an individual (“Mr. Rivard”), Cary Stiebel, an individual (“Continuing Member”), and Jana Donckers Stiebel, an individual (“Ms. Stiebel”), as Assignor, Canopy Monterey Bay, LLC, a California limited liability company, as Assignee, and Landlord, as Landlord; and said Commercial Lease was further amended by that certain First Amendment to Lease by and between Landlord and Tenant dated July 19, 2021, (“the Lease”) which said Lease pertains to the premises commonly known as 1900-1904 Fremont Boulevard, Seaside, CA 93955; and which Lease is still in effect.

WHEREAS, Tenant’s members intend to enter into a Membership Interest Purchase Agreement for the sale of Eighty Percent (80%) of the Member Interests of Tenant to DEP Nevada Inc., a Nevada corporation (“DEP”) such that the resulting ownership of Tenant would be 80% by DEP and 20% by Continuing Member (the “MIPA”) and Tenant shall remain the Tenant under the Lease (collectively the “Purchase Transaction”).

WHEREAS, Tenant desires to obtain Landlord’s consent to the Purchase Transaction pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Defined Terms. Unless otherwise defined herein, the capitalized terms appearing in this Agreement shall have the same meanings defined for such capitalized terms in the Lease.
2. Effective Date. The Parties hereby agree and acknowledge that this Agreement shall only become effective on the “Closing Date” as such term is defined in the MIPA (for the purposes of this Agreement, the “Effective Date”). Landlord represents that it has reviewed the MIPA and acknowledges the required mechanisms for the closing of the MIPA. In the event the Closing Date does not take place within three (3) months following the Execution Date, this Agreement shall automatically terminate without any further action required by the Parties.

3. Landlord Consent. Landlord hereby consents to the Purchase Transaction, the “Change in Control” of Tenant resulting from the Purchase Transaction, and any assignment of Tenant’s right, title and interest in and to the Lease that may have occurred as a result of the Purchase Transaction. Additionally, Landlord hereby expressly consents to: 1) any subsequent transfer whereby DEP acquires the twenty percent (20%) Membership Interest of the Tenant (a “Subsequent Purchase Transaction”), not currently in the process of being purchased by DEP; 2) the “Change in Control” of Tenant resulting from the Subsequent Purchase Transaction, and 3) any assignment of Tenant’s right, title and interest in and to the Lease that may have occurred as a result of the Subsequent Purchase Transaction. Notwithstanding the foregoing, Landlord agrees that the Purchase Transaction and the Subsequent Purchase Transaction shall not render any Option to Extend the Lease Term that is granted to Tenant under the Lease void or of no further effect and the same shall remain in full force and effect, and subject to the terms and conditions of the Lease. Moreover, the effectiveness of the Consent to Change of Control associated with the Purchase Transaction and the Subsequent Purchase Transaction is expressly conditioned upon Tenant’s payment of the Transfer Fee, Liquidated Damages and Attorney’s Fees, as more particularly set forth below, and Mr. Rivard, Continuing Member, and Ms. Stiebel executing that certain Guaranty of Lease, attached to the Second Amendment to Lease of even execution date and effective date herewith, which Guaranty of Lease will be added to the Lease as Exhibit D-1. For the avoidance of doubt, no additional Transfer Fees pursuant to Article 15.6(b) of the Lease, Liquidated Damages in accordance with Article 15.4 of the Lease, or Landlord consent pursuant to Article 15.2 of the Lease shall be required in connection with the Subsequent Purchase Transaction identified above.
4. No Other Modification, Waiver or Release. Except as expressly provided in this Agreement, the Purchase Transaction and the Subsequent Purchase Transaction shall not be construed in any manner to create, modify, waive or affect any of the provisions of the Lease, the Landlord or the control of Tenant.
5. Warranties and Representations. All representations and warranties made by Tenant or Tenant’s Parent herein are true and correct.
6. Transfer Fee. As partial consideration for Landlord’s consent to the Change of Control of Tenant resulting from the Purchase Transaction and the Subsequent Purchase Transaction, Tenant shall pay Landlord a Transfer Fee, pursuant to Article 15.6(b) of the Lease, in the amount of Two Hundred Ninety Thousand and 00/100 Dollars (\$290,000.00).
7. Liquidated Damages. Tenant shall pay Landlord the sum of Two Hundred Twenty-Nine and 60/100 Dollars (\$229.60) representing three percent (3%) of the current Monthly Rental, as liquidated damages under the Lease for Tenant’s failure to timely make written request to Landlord for Landlord’s consent to the change in Control of Tenant, in accordance with Article 15.4 of the Lease.

8. Attorney's Fees. Tenant shall reimburse Landlord for Landlord's legal fees incurred in obtaining advice and preparing the documentation for this Change in Control in an amount not to exceed Six Thousand Five Hundred and 00/100 Dollars (\$6,500.00), irrespective of any obligations set forth in Article 15.6(b) of the Lease.
9. Notices. All notices to Tenant shall be sent to Tenant at the address of the Premises, with a courtesy copy via email to [triphoffman@bodyandmind.com](mailto:triphoffman@bodyandmind.com); and a courtesy copy (which shall not constitute notice) to [patrick.devine@rimonlaw.com](mailto:patrick.devine@rimonlaw.com).
10. Miscellaneous.
  - a. This Agreement may not be changed or terminated orally or in any manner other than by a written agreement signed by Landlord, Tenant, and Tenant's Parent.
  - b. This Agreement shall be governed by the laws of the State of California without regard to its conflict of law principles.
  - c. The paragraph headings appearing herein are for purposes of convenience only and are not deemed to be part of this Agreement.
  - d. This Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed an original for all purposes, but all such counterparts shall together constitute one and the same instrument.
  - e. A signed copy of this Agreement delivered by facsimile or e-mail shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

*[signature page follows]*

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of and effective for all purposes on the Effective Date.

**LANDLORD:**

The Peter Ralph Lavin 2006 Revocable Trust  
DTD 8/7/06, as Amended

By: /s/ Ann Marie Bevins  
Ann Marie Bevins,  
Successor Co-Trustee

Dated: November 30, 2021

By: /s/ Carol Gay Lavin  
Carol Gay Lavin,  
Successor Co-Trustee

Dated: November 30, 2021

**TENANT:**

Canopy Monterey Bay, LLC,  
a California limited liability company

By: /s/ Stephen 'Trip' Hoffman  
Stephen 'Trip' Hoffman,  
Manager

Dated: November 30, 2021

By: /s/ Cary Steibel  
Cary Steibel,  
Continuing Member

Dated: November 30, 2021

**TENANT'S PARENT:**

Body and Mind, Inc.,  
a Nevada corporation

By: Stephen 'Trip' Hoffman  
Stephen 'Trip' Hoffman  
Its Chief Operations Officer

Dated: November 30, 2021

## MEMBERSHIP INTEREST PURCHASE AGREEMENT

This Membership Interest Purchase Agreement (this "Agreement"), dated as of November 30, 2021 (the "Effective Date"), is made by and among DEP Nevada, Inc., a Nevada corporation ("Buyer"), and Cary Stiebel, an individual (the "Seller"). The Buyer and the Seller may also be referred to herein individually as a "Party" and collectively as the "Parties".

WHEREAS, the Parties have previously entered into a certain Membership Interest Purchase Agreement whereby Buyer has acquired eighty percent (80%) of the issued and outstanding membership interest in and to Canopy Monterey Bay, LLC, a California limited liability company (the "Company") dated November 30, 2021 (the "First MIPA").

WHEREAS, as of the Effective Date, Seller owns twenty percent (20%) of the issued and outstanding membership interests (the "Purchased Interest") in and to Company.

WHEREAS, the Seller wishes to sell the Purchased Interest to Buyer, and Buyer wishes to purchase from the Seller the Purchased Interest, subject to the terms and conditions set forth herein. The transactions described herein for the Buyer's purchase of the Purchased Interest shall be referred to as the "Transaction".

NOW, THEREFORE, in consideration of and reliance upon the premises and the representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

**ARTICLE I**  
**DEFINITIONS**

As used herein, the following terms shall have the following meanings:

**Section 1.01** "Assignment" means the assignment of equity attached hereto as Schedule B.

**Section 1.02** "Affiliate" means, with respect to any Person, any other Person, directly or indirectly, controlling, controlled by or under common control with such first Person.

**Section 1.03** "Business Day" means any day other than a Saturday, Sunday, federal holiday or other day on which commercial banks in Los Angeles, California are authorized or required by law to close.

**Section 1.04** "Buyer" has the meaning set forth in the recitals.

**Section 1.05** "Buyer Indemnified Person(s)" shall have the meaning set forth in Section 8.02(a).

**Section 1.06** "Cannabis Authority" any Governmental Authority responsible for granting or monitoring compliance with a cannabis Permit, including without limitation, the DCC.

**Section 1.07** “DCC” shall mean the California Department of Cannabis Control.

**Section 1.08** “City” shall mean the City of Seaside, California.

**Section 1.09** “City Approval” means the City’s approval, in writing, of the change in ownership of Company resulting from Buyer’s purchase of the Purchased Interest hereunder.

**Section 1.10** “Claim” means any action, suit, case, litigation, proceeding, claim, arbitration, charge, criminal prosecution, investigation, demand letter, warning letter, finding of deficiency or non-compliance, adverse inspection report, notice of violation, notice of alleged liability, penalty, fine, sanction, subpoena, request for recall, request for remedial action, damages, liabilities and obligations of any nature whatsoever.

**Section 1.11** “Claim Notice” shall have the meaning set forth in Section 8.03(a).

**Section 1.12** “Closing Transfer” shall have the meaning set forth in Section 2.01(a).

**Section 1.13** “Code” means the U.S. Internal Revenue Code of 1986, as amended.

**Section 1.14** “Company” has the meaning set forth in the recitals.

**Section 1.15** “Confidential Information” means any proprietary or confidential information relating to the products, services, business or affairs of the Company (whether or not such information is embodied in writing or other physical form).

**Section 1.16** “Consequential Damages” shall have the meaning set forth in Section 8.02(d).

**Section 1.17** “Contract” means any written or oral agreement, contract, purchase order, sales order or other legally binding commitment, arrangement or undertaking, together with any amendments and modifications thereto.

**Section 1.18** “Damages” shall have the meaning set forth in Section 8.02(a).

**Section 1.19** “Effective Date” shall have the meaning set forth in the preamble.

**Section 1.20** “Encumbrance” means any lien, mortgage, pledge, claim, charge, right of way, security interest, option, right of first refusal or offer, easement, right of others, deed of trust, hypothecation, transfer restriction or other encumbrance.

**Section 1.21** “Enforceability Exceptions” shall have the meaning set forth in Section 5.01(c).

**Section 1.22** “First MIPA Approval Date” shall mean the date following the Audit Completion Date, City Approval Date and State Approval Date as such terms are defined in the First MIPA.

**Section 1.23** “First MIPA Closing Date” shall mean the date the closing takes place pursuant to the First MIPA.



**Section 1.24** “GAAP” means generally accepted accounting principles in the United States, consistently applied.

**Section 1.25** “General Expiration Date” shall have the meaning set forth in Section 8.01.

**Section 1.26** “Governmental Authority” means the United States or any foreign, federal, state, local or other governmental, administrative or regulatory authority, agency, bureau, commission, department or other governmental or administrative instrumentality, subdivision, court, arbitrator, tribunal or body.

**Section 1.27** “Indemnitee” shall have the meaning set forth in Section 8.03(a).

**Section 1.28** “Indemnitor” shall have the meaning set forth in Section 8.03(a).

**Section 1.29** “Knowledge” or “Knowledge of the Company” or “Knowledge of Seller” or words of similar import, means the actual or constructive knowledge after reasonable due inquiry of the Seller and/or Company.

**Section 1.30** “Legal Requirement” means (a) any federal, state, local, municipal, foreign, international, multinational or administrative law, constitution, common law principle, ordinance, code, statute, injunction, rule, statute or governmental regulation; (b) any binding judicial or administrative interpretation of any of the foregoing; (c) the terms and conditions of any agreement with a Governmental Authority; or (d) any governmental requirements or restrictions of any kind, or any rule, regulation or order promulgated thereunder.

**Section 1.31** “Local License” means the Company’s commercial cannabis retail license from the City of Seaside.

**Section 1.32** “Liability” means any debt, liability, commitment, obligation, deficiency, Tax, penalty, assessment, fine, claim, cause of action or other loss, fee, cost or expense of any kind, character or nature whatsoever, whether asserted or unasserted, absolute or contingent, known or unknown, accrued or unaccrued, liquidated or unliquidated and whether due or to become due.

**Section 1.33** “Liens” means any claims, liens, charges, rights, restrictions, options, preemptive rights, mortgages, deeds of trust, hypothecations, assessments, pledges, encumbrances, claims of equitable interest or security interests of any kind or nature whatsoever. A leasehold interest in property shall not constitute a Lien.

**Section 1.34** “Notice of Offset” shall have the meaning in Section 5.05(b).

**Section 1.35** “Offset Liabilities” shall have the meaning in Section 5.05(a).

**Section 1.36** “Order” means any charge, temporary restraining order or other order, writ, injunction (whether permanent or otherwise), judgment, consent, decree, ruling, determination, directive, award or settlement, whether civil, criminal or administrative, of any Governmental Authority.

**Section 1.37** “Parent Entity” means Body and Mind, Inc., a Nevada corporation.

**Section 1.38** “Party” and “Parties” shall each have the meaning set forth in the preamble.

**Section 1.39** “Permit” means any approval, permit, license, certificate, franchise, permission, clearance, registration, filing, notice, qualification or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Legal Requirement, including without limitation, the Local License and State License.

**Section 1.40** “Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, or other form of business or legal entity.

**Section 1.41** “Purchase Price” shall have the meaning set forth in Section 2.01(b).

**Section 1.42** “Purchase Price Adjustment” shall have the meaning set forth in Section 2.02.

**Section 1.43** “Purchased Interest” shall have the meaning set forth in the recitals.

**Section 1.44** “Seller” shall have the meaning set forth in the recitals.

**Section 1.45** “Seller Indemnified Persons” shall have the meaning set forth in Section 8.02(b).

**Section 1.46** “State Approval” means the DCC’s approval, in writing, of the change in ownership of Company resulting from Buyer’s purchase of the Purchased Interest hereunder.

**Section 1.47** “State License” shall mean the Company’s state commercial retail cannabis license (License No: CCL10-0000253).

**Section 1.48** “Subsidiaries” means, with respect to any Person, as of any date of determination, any other Person as to which such Person, owns, directly or indirectly, or otherwise controls more than 50% of the voting power or other similar interests or the sole general partner interest or managing member or similar interest of such Person.

**Section 1.49** “Tax Authority” means, with respect to any Tax, the Governmental Authority that imposes such Tax, and any agency charged with the administration or collection of such Tax.

**Section 1.50** “Tax Returns” means Tax returns, statements, forms and reports (including elections, declarations, disclosures, schedules, estimates, amendments thereto, claims for refunds and information Tax returns) for Taxes.

**Section 1.51** “Tax” or “Taxes” means all taxes, assessments, charges, duties, fees, levies or other governmental charges, including, without limitation, all federal, state, local, foreign and other income, franchise, profits, gross receipts, capital gains, capital stock, transfer, property, sales, use, value-added, occupation, property, unclaimed property, escheat, excise, severance, windfall profits, stamp, license, payroll, social security, withholding, goods and services tax and other taxes, assessments, charges, duties, fees, levies or other governmental charges of any kind whatsoever (whether payable directly or by withholding and whether or not requiring the filing of a Tax Return), all estimated taxes, deficiency assessments, additions to tax, penalties and interest.

**Section 1.52** “Third Party Claim” shall have the meaning set forth in Section 8.03(b).

**Section 1.53** “Transaction” shall have the meaning set forth in the recitals.

**Section 1.54** “Transfer Taxes” shall mean any and all transfer, documentary, sales, use, stamp, registration and such other Taxes and fees (including penalties and interest) with respect to the transfer of the Purchased Interest.

**Section 1.55** “VWAP” means, with respect to any date of determination, the volume weighted average price per share of the Parent Entity common shares on the principal exchange on which the Parent Entity common shares are traded for the period of the Ten (10) consecutive trading days prior to such date of determination, as reported by the OTC Market for symbol BMMJ.

## **ARTICLE II PURCHASE AND SALE**

### **Section 2.01 Purchase and Sale; Purchase Price.**

(a) Purchase and Sale. Subject to the terms and conditions set forth herein, within five (5) Business Days following the First MIPA Approval Date, Seller shall transfer to Buyer the Purchased Interest free and clear of all Encumbrances (the “Closing Transfer”). To accomplish the foregoing, the Seller shall execute and deliver the Assignment.

(b) Purchase Price. As consideration for the Purchased Interest, the aggregate purchase payment shall be One Million Dollars (\$1,000,000.00) (the “Purchase Price”) to be paid via either: (i) shares of Parent Entity’s common stock (the “Consideration Shares”); or (ii) cash in US dollars at Buyer’s sole option in accordance with Section 4.03 hereof if such payment takes place within six (6) months following the First MIPA execution date. In the event Buyer elects or is required to pay the Purchase Price via Consideration Shares, the amount of Consideration Shares shall be determined based on the VWAP as of the date of the First MIPA execution. In the event that, six (6) months following the execution of the First MIPA, the value of the Consideration Shares have decreased such that total value of the Consideration Shares is less than ninety percent (90%) of its value as calculated hereunder, the Buyer agrees to cause Parent Entity to issue an additional One Hundred Thousand Dollars (\$100,000.00) worth of Parent Entity common shares (the “Additional Shares”) to be issued to Seller based on the VWAP calculated as of six (6) months following the Closing Date.

The issuance of any Consideration Shares or Additional Shares is subject to an exemption from the registration requirements under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”) and applicable state securities laws, and subject to an exemption from the prospectus requirements being available under British Columbia Instrument 72-503 – *Distributions of Securities Outside of British Columbia* (“BCI 72-503”), and all in accordance with the policies of the Canadian Securities Exchange.

**Section 2.02 Working Capital Adjustments.** Unless otherwise expressly set forth herein, all undefined capitalized terms utilized in this Section 2.02 shall have the meanings prescribed in the First MIPA. Buyer reserves the right to pay any increases in the Purchase Price pursuant to Section 2.02(b) in cash or shares of Parent Entity's common stock at Buyer's sole option so long as such calculations are completed on or before that date that is six (6) months following the First MIPA execution date. If such adjustment calculations are completed after such date, Buyer shall pay any increases in shares of Parent Entity's common stock. All adjustments to the amount of shares of Parent Entity's common stock made hereunder (as applicable) shall be calculated based on the VWAP as of the date of the First MIPA execution date.

(a) Upon final determination of the Actual Working Capital (including adjustments as applicable) as determined in accordance with Section 2.02 of the First MIPA, if the Actual Working Capital is *less* than the Target Working Capital, then the Purchase Price (as defined in this Agreement) shall be reduced by an amount equal to the difference between the Target Working Capital, and the Actual Working Capital.

(b) In the event the Actual Working Capital is equal to or exceeds the Target Working Capital, then the Purchase Price (as defined in this Agreement) shall be increased by an amount equal to the difference between the Actual Working Capital and the Target Working Capital.

### ARTICLE III CONDITIONS TO CLOSING

**Section 3.01 Obligations of the Seller and Buyer.** The obligations of the Seller and Buyer to consummate the Closing Transfer shall be subject to the satisfaction on or prior to the Closing Date of the Transaction, of each of the following conditions, any one or more of which may be waived (if permitted by Legal Requirements) in writing by both Parties:

(a) No Injunctions or Other Legal Restraints. At the time of the Closing Date, no injunction or other legal restraint or prohibition enacted, entered, promulgated, enforced or issued by any Governmental Authority preventing the consummation of the Closing Transfer shall have been issued and continue to be in effect.

(b) Absence of Proceedings. At the time of the Closing Date, there shall not be any pending or threatened action or proceeding challenging or seeking to restrain or prohibit the consummation of the Closing Transfer.

**Section 3.02 Conditions to Closing Obligations of the Seller.** The obligation of the Seller to consummate the Closing Transfer is subject to the satisfaction on or prior to the Closing Date of each of the following conditions, any one or more of which may be waived (if permitted by Legal Requirements) in writing by the Seller (in its sole discretion):

(a) Buyer shall have performed, in all material respects, all covenants and agreements that are required under this Agreement, and any documents or agreements contemplated hereby, to be performed by Buyer prior to the Closing Transfer; and

(b) The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all respects (if qualified by materiality) or in all material respects (if not so qualified) on and as of the date hereof and on and as of the Closing Date of the Transaction with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

**Section 3.03 Conditions to Closing Obligations of Buyer.** The obligation of Buyer to consummate the Closing Transfer is subject to the satisfaction on or prior to the Closing Date of each of the following conditions, any one or more of which may be waived (if permitted by Legal Requirements) in writing by Buyer (in its sole discretion):

(a) The Seller shall have performed, in all material respects, all covenants and agreements that are required under this Agreement, and any documents or agreements contemplated hereby, to be performed by the Seller prior to the Closing Transfer; and

(b) The representations and warranties of the Seller set forth in this Agreement shall be true and correct in all respects (if qualified by materiality) or in all material respects (if not so qualified) on and as of the date hereof and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

**Section 3.04 Closing Deliveries.**

(a) Seller Closing Deliverables. On the date of the Closing Transfer (the "Closing Date"), Seller shall deliver or cause to be delivered to Buyer the following, in a form and substance acceptable Buyer:

- (i) This Agreement and the Assignment, duly executed by Seller, including Schedule A hereto.
- (ii) resignations of Seller; and
- (iii) any other documents reasonably requested by Buyer necessary to finalize the Closing Transfer.

(b) Buyer Closing Deliverables. On the Closing Date, Buyer shall deliver or cause to be delivered to Seller or for the benefit of Seller the following:

(i) This Agreement, duly executed by Buyer;

(ii) a certificate of an authorized officer of the Buyer certifying that attached thereto are true and complete copies of all resolutions adopted by the members of Buyer authorizing the execution, delivery and performance of this Agreement and the other Transaction Agreements to which it is a party and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby.

**ARTICLE IV**  
**POST CLOSING CITY AND STATE APPROVAL; PAYMENT**

**Section 4.01 City Approval Process.** The Parties shall use best efforts to submit all required forms, supplemental information, and background checks for its required representatives ("City Submittal") to the City on the Closing Date. Notwithstanding the foregoing, in no event shall the Parties submit the change of ownership to the City later than ten (10) days following the Closing Date. The Parties shall cooperate on the City Submittal as follows:

(a) Buyer shall take the lead in preparing forms, supplemental information, and submitting background checks for its required representatives, in a timely manner, required by the City in connection with the City Approval. Seller and the Company shall cooperate as reasonably requested by Buyer.

(b) Buyer shall take the lead in communicating with California Secretary of State (SOS) and shall prepare and submit required forms and supplemental information. Seller and the Company shall cooperate as reasonably requested by Buyer.

(c) Each Party shall work expeditiously and to respond to every City correspondence and request as quickly as commercially reasonable. Each Party shall provide to the other Parties a copy of all communications received from the City regarding the status of the City Approval and all communications regarding the actions outlined in this Section 4.01 within forty-eight (48) hours of such Party's receipt;

(d) Seller shall refrain from responding to any inquiry from, making any statement to, or filing any forms or documents with the City relating to, or affecting the Local Licenses and all communications regarding approval/notification process described herein, without first reasonably consulting with the Buyer;

(e) On the date that the Parties receive affirmative written confirmation from the City that Buyer is unconditionally approved as the one hundred percent (100%) owner of the Company, the City Approval shall be deemed to be received (the "City Approval Date"); and

(f) The Buyer agrees to pay all fees charged by the City in connection with the City Approval process.

**Section 4.02 State Approval.**

(a) Within five (5) calendar days following the Closing Transfer, the Parties shall use best efforts to submit all required forms, supplemental information, and background checks for its required representatives to notify the DCC of Buyer's additional ownership ("DCC Submittal"). The Parties shall cooperate to timely obtain State Approval and communicate with the DCC pursuant to the same procedures set forth in Section 4.01. Notwithstanding the foregoing, in no event shall the Parties submit the change of ownership to the DCC later than fourteen (14) days following the Closing Transfer; and

(b) On the date that the Buyer receives affirmative written confirmation from the DCC that Buyer is unconditionally approved as the one hundred percent (100%) owner of the Company is date that "State Approval" shall be deemed to be received (the "State Approval Date").

**Section 4.03 Payment of Final Consideration.** Within seven (7) Business Days following the City Approval Date and State Approval Date and the completion of all adjustment calculations pursuant to the First MIPA, the Company shall pay to Seller the Purchase Price subject to any adjustments pursuant to Section 2.02 hereof (the "Payment Date").

**ARTICLE V  
REPRESENTATIONS AND WARRANTIES REGARDING THE SELLER**

Seller hereby represents and warrants to Buyer the following representations are true and complete as of the Effective Date and the Payment Date:

**Section 5.01 Organization; Authorization.**

(a) Seller has all requisite power and authority to execute and deliver this Agreement to which it is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement to which Seller is a party has been duly executed and delivered by Seller and (assuming due execution by the other parties thereto) constitutes the legal, valid and binding obligation of Seller, enforceable against the Seller in accordance with their terms (subject to the Enforceability Exceptions).

(b) The execution, delivery and performance of this Agreement by Seller do not, and the consummation of the transactions contemplated hereby and thereby will not, conflict with, or result in the imposition of an Encumbrance upon, or result in any breach or violation of or default under (with or without notice or lapse of time, or both), or give rise to any right of termination, cancellation, modification or acceleration, or any obligation or loss of any benefit under or in respect of (i) any Contract to which Seller is party or to which any of its properties or assets are bound or (ii) any Legal Requirement or Order to which Seller is subject.

(c) No registrations, filings, applications, notices, consents, approvals, orders, qualifications or waivers are required to be made, filed, given or obtained by Seller with, to or from any Person, including any Governmental Authority, in connection with the execution and delivery by Seller of this Agreement or the consummation of the transactions contemplated hereby and thereby.

**Section 5.02 Title to Interests.** Seller is the sole owner of the Purchased Interest. Seller represents and warrants that: (i) Seller owns of record and beneficially, and has good and valid title to the Purchased Interest, free and clear of any Encumbrances; and (ii) Seller has the absolute and unrestricted right, power and authority to sell, contribute and deliver such Purchased Interest to Buyer pursuant to the terms of this Agreement. Seller has full and exclusive power to vote the Purchased Interest and is not a party to (i) any option, warrant, purchase right, right of first refusal, call, put or other Contract (other than this Agreement) that could require any of the Seller to sell, transfer or otherwise dispose of the Purchased Interest or (ii) any voting trust, proxy or other contract relating to the voting of the Purchased Interest.

**Section 5.03 Litigation; Orders.** There is no pending or, to the Knowledge of Seller, threatened Claims, either at law or in equity, that would, individually or in the aggregate, reasonably be expected to (i) impair in any material respect the ability of Seller to perform its obligations under this Agreement or (ii) prevent, impede or delay the consummation of the transactions contemplated by this Agreement.

**Section 5.04 Brokers, Finders.** Except for Young America Capital (“Broker”), no broker, finder or investment banker is entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller. Broker will be paid a commission by Seller and all commissions shall be paid in compliance with Legal Requirements.

**Section 5.05 Offset.**

(a) Buyer shall be entitled to offset and/or set-off any amount owed by Buyer to the Seller arising under this Agreement or any other agreements against any Liability or amount due or payable by Company after the First MIPA Closing Date which Liability amounts to a breach by the Company or Seller of any representations or warranties set forth in Article V or Article VI of the First MIPA (or any agreement entered into in connection therewith) including, but not limited to, any Tax Liabilities (the “Offset Liabilities”).

(b) In the event that the Company receives notice of a claim that could give rise to an Offset Liability, Buyer shall provide Seller with a notice of same (the “Notice of Offset”), specifying: (i) the requested Offset Liability payment amount; (ii) a description of the Offset Liability; and (iii) any other relevant information received by the Company relating to the Offset Liability. Unless (i) Seller agrees to make payment to fully satisfy the Offset Liability and provide satisfactory evidence of same (as determined by Buyer in Buyer’s sole and absolute discretion) to Buyer within five (5) Business Days of Seller receipt thereof; (ii) provides satisfactory evidence that the alleged Offset Liability is erroneous or mistaken (as determined by Buyer in Buyer’s sole and absolute discretion); or (iii) provide notice of Seller’s intent to dispute the Offset Liability in accordance with Section 5.05(c) below; the Notice of Offset shall be deemed accepted by Seller. At such time, Buyer may elect to pay and satisfy the Offset Liability and deduct such payments against any sums owed by Buyer to Seller under this Agreement.

(c) Should Seller desire to dispute the Offset Liability, Seller shall commence dispute resolution in accordance with Section 10.02. Should, during the pendency of such dispute resolution, any amounts become due and payable hereunder, Buyer shall make payment to Seller of any undisputed amounts, withholding any disputed amount pending the conclusion of the dispute resolution. For purposes of clarity, such withholding shall not be deemed a breach hereof. Following the resolution of the Offset Liability dispute, Buyer shall, disburse the disputed amount in accordance with the conclusions reached in the dispute resolution.



(d) Buyer's may elect to pay and deduct the Offset Liabilities, dollar-for-dollar, in lieu of the indemnification procedures set forth in Article VIII. Except to the extent that the offset procedure deviates from this Section 5.05, each of the Seller hereby expressly waives any right to contest any offset and/or set-off by effected by Buyer hereunder.

**Section 5.06 Private Placement.**

The Seller represents, warrants and acknowledges that it is acquiring the Consideration Shares or Additional Shares as principal for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof or any other security related thereto within the meaning of the U.S. Securities Act. Seller acknowledges that neither the Buyer nor Parent Entity have registered the offer and sale of the Consideration Shares or the Additional Shares under the U.S. Securities Act or any state securities laws. In this regard, the Seller hereby acknowledges and agrees that the Buyer and the Parent Entity make no representations as to any resale or other restrictions affecting the Consideration Shares or Additional Shares to be issued as the Purchase Price to the Seller under this Agreement and that it is presently contemplated that the Consideration Shares and any Additional Shares, if applicable, will be issued by the Parent Entity to the Seller in reliance upon an exemption from the prospectus requirements under BCI 72-503 and in reliance upon an exemption from the registration requirements under the U.S. Securities Act provided by Rule 506(b) of Regulation D thereunder, and all applicable state securities laws, which will impose trading restrictions on the Consideration Shares and Additional Shares, if applicable. The Seller has reviewed and duly executed the U.S. Accredited Investor Certificate in the form attached to this Agreement as Schedule A to ensure the Consideration Shares and the Additional Shares, if applicable, are issued by the Parent Entity to the Seller in compliance with the exemption from the registration requirements provided by Rule 506(b) of Regulation D under the U.S. Securities Act. Schedule A is incorporated into this Agreement by reference and forms a part of this Agreement. The Seller hereby also acknowledges and understands that neither the sale of the Consideration Share or Additional Shares, if applicable, nor any of the Consideration Shares or Additional Shares themselves, have been registered under the U.S. Securities Act or any state securities laws, and, furthermore, that the Consideration Shares and any Additional Shares must be held indefinitely unless subsequently registered under the U.S. Securities Act or an exemption from such registration is available. In addition, the Seller hereby also acknowledges and understands that the certificate(s) representing the Consideration Shares or the Additional Shares will be stamped with the following legends (or substantially equivalent language) restricting transfer in the following manner:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR APPLICABLE STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO AN EXEMPTION OR EXCLUSION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.”;

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE *[insert the date that is 4 months and a day after the distribution date]*.”

The Seller hereby consents to the Parent Entity making a notation on its records or giving instructions to any transfer agent of the Consideration Share or Additional Shares, if applicable, in order to implement the restrictions on transfer set forth and described hereinabove.

**Section 5.07 Disclosure.** The Sellers have made available to the Buyer all material information related to the Company and all information reasonably available to the Company and the Sellers that the Buyer has requested. No representation or warranty of the Sellers or the Company contained in this Agreement and no certificate or document signed by the Sellers and delivered to Buyer on the Closing Date contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

**Section 5.08 Prior Representations and Warranties.** In no event shall the representations and warranties set forth in this Agreement supersede, replace, impact, effect or otherwise alter the representations and warranties of the Seller in the First MIPA, with such representations and warranties hereby being reaffirmed by Seller.

## VI REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to the Seller, as of the date hereof, as of the Closing Date as follows:

**Section 6.01 Organization: Authorization.**

(a) Buyer is a California corporation, duly organized, validly existing and in good standing under the laws of California. Buyer has all requisite corporate power and authority to carry on its business as it is now being conducted. Buyer is not in default under or in violation of any provision of its organizational documents.

(b) Buyer has all requisite corporate power and authority to execute and deliver the Transaction Agreements to which it is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement to which Buyer is a party, the performance of Buyer's obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate or limited liability company or other action. This Agreement to which Buyer is a party have been duly executed and delivered by Buyer and (assuming due execution by the other parties thereto) constitute the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with their terms.

(c) The execution, delivery and performance of this Agreement to which Buyer is a party does not, and the consummation of the transactions contemplated hereby and thereby will not, conflict with, or result in the imposition of an Encumbrance upon, or result in any breach or violation of or default under (with or without notice or lapse of time, or both), or give rise to any right of termination, cancellation, modification or acceleration, or any obligation or loss of any benefit under or in respect of (i) any provision of the organizational documents of Buyer, (ii) any Contract to which Buyer is a party or to which any of its properties or assets are bound or (iii) any Legal Requirement or Order to which Buyer is subject.

**Section 6.02 Brokers, Finders.** Neither Buyer nor any party acting on the behalf of Buyer has engaged any broker, finder, consultant or similar intermediary in connection with the transactions contemplated by this Agreement.

**Section 6.03 Litigation; Orders.** There is no pending or, to the knowledge of Buyer, threatened Claims, either at law or in equity, which would, individually or in the aggregate, reasonably be expected to (i) impair in any material respect the ability of Buyer to perform its obligations under this Agreement to which it is a party or (ii) prevent or impede or delay the consummation of the transactions contemplated by this Agreement.

## VII COVENANTS OF THE SELLER AND BUYER

**Section 7.01 Access to Information.** From the Effective Date of this Agreement until the earlier to occur of the Closing Date or the termination of this Agreement in accordance with Article IX, the Seller shall, and shall cause the Company to, (a) afford Buyer and its representatives full and free access to and the right to inspect all of the properties, assets, premises, books and records, Contracts and other documents and data related to the Company; (b) furnish Buyer and its representatives with such financial, operating and other data and information related to the Company, as Buyer or any of its representatives may reasonably request; and (c) instruct the representatives of the Seller and the Company to cooperate with Buyer in its investigation of the Company. Any investigation pursuant to this Section 7.01 shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of the Seller or Company. No investigation by Buyer or other information received by Buyer shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by the Seller in this Agreement. Nothing in this Section 7.01 shall give rise to any right of the Buyer to terminate this Agreement other than to the extent that Buyer discovers a fact or circumstance that gives rise to a right of Buyer to terminate this Agreement in accordance with the express terms of Article IX.

**Section 7.02 Public Announcements.** The Parties agree that any press release or public announcement concerning the transactions contemplated by this Agreement shall not be issued by any Party or any of their Affiliates without the prior written consent of the other Parties, except any such release or public announcement that may be required by an applicable Legal Requirement, in which case the Party issuing such release or announcement shall allow the other Party reasonable time to comment on such release or announcement in advance of its issuance.

**Section 7.03 Confidentiality.** From the Effective Date until and after the Closing Date, the Seller shall, and shall cause their Affiliates and representatives to, maintain the confidentiality of the Confidential Information at all times and will not, directly or indirectly, use any Confidential Information for his own benefit or for the benefit of any other Person or reveal or disclose any Confidential Information to any Person other than Buyer and the representatives of Buyer; except (i) if required by applicable Legal Requirement; (ii) to carry out Buyer's rights or obligations hereunder; or (iii) as part of a disclosure to prospective or current investors in Buyer as part of a due diligence process about the Buyer's pipeline of potential M&A transactions. The Buyer shall cause the Company to make available to the Seller after the Closing Date any books and records of the Company reasonably requested by the Seller for purposes of Seller's compliance with its obligations under this Agreement, payment of Taxes that are the responsibility of the Seller hereunder, and compliance by Seller with Legal Requirements.

**Section 7.04 Further Assurances.** From time to time, as and when requested by any Party, the other Party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as the requesting Party may reasonably deem necessary or desirable to evidence and effectuate the transactions contemplated by this Agreement.

## **ARTICLE VIII INDEMNIFICATION**

**Section 8.01 Survival of Representations, Warranties and Covenants.** Subject to the limitations and other provisions of this Agreement, including the provisions of this Article IX, the representations and warranties contained herein as to the Transaction shall survive the Closing Date and shall remain in full force and effect, regardless of any investigation made by or on behalf of the Company, the Seller or Buyer until the two (2) year anniversary of the Closing Date (the "General Expiration Date"). The covenants and agreements of the Parties contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall survive the Closing Date indefinitely or for the shorter period explicitly specified therein, except that for such covenants and agreements that survive for such shorter period, breaches thereof shall survive indefinitely. Notwithstanding the preceding sentences, any breach of representation, warranty, covenant or agreement in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentences, if notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given to the Party against whom such indemnity may be sought prior to such time.

**Section 8.02 Indemnification.**

(a) Subject to the limitations set forth in this Article VIII, Seller shall, for the Company indemnify and hold harmless Buyer and its Affiliates (including the Company on and following the Closing Date) and each of their respective officers, directors, managers, Affiliates, agents and employees (hereinafter referred to individually as a "Buyer Indemnified Person" and collectively as "Buyer Indemnified Persons") from and against any and all losses, costs, damages, Liabilities, Taxes, claims, suits, proceedings, judgments, settlements and expenses (including reasonable fees and expenses of attorneys and in respect of any investigation conducted by Buyer Indemnified Persons) (collectively, "Damages") incurred by Buyer Indemnified Persons arising out of, relating to or in connection with (or arising out of or relating to any Third Party Claim containing allegations that, if true, would constitute):

(i) any misrepresentation or breach of, or default in connection with, any of the representations and warranties made with respect to the Seller in in Article V of this Agreement;

(ii) any breach or violation of, failure to comply with, or default in connection with, any covenant or agreement made by or to be performed by the Seller or the Company in this Agreement;

(iii) any liability for Transfer Taxes which are the responsibility of the Seller.

(b) Subject to the limitations set forth in this Article VIII, Buyer shall indemnify and hold the Seller and their respective successors and assigns (the "Seller Indemnified Persons") harmless from and against any and all Damages incurred by the Seller Indemnified Persons arising out of, relating to or in connection with (or arising out of or relating to any Third Party Claim containing allegations that, if true, would constitute) (i) any misrepresentation or breach of, or default in connection with, any of the representations and warranties made by Buyer in Article VI of this Agreement; or (ii) any breach or violation of, failure to comply with, or default in connection with, any covenant or agreement made by or to be performed by Buyer in this Agreement.

(c) Notwithstanding anything contained in this Agreement to the contrary, no party shall be liable to any other party for indirect, special, punitive, exemplary or consequential loss or Damages arising out of this Agreement (collectively "Consequential Damages"), provided, however, the foregoing shall not be construed to preclude recovery by a Buyer Indemnified Person or Seller Indemnified Person in respect of Consequential Damages payable to third parties as a result of Third Party Claims or Consequential Damages premised or arising from a Claim of fraud or intentional criminal acts by a party.

**Section 8.03 Indemnification Procedure.**

(a) Non-Third-Party Claims. The Person seeking indemnification hereunder (the "Indemnitee") shall notify the Party obligated to provide indemnification hereunder (the "Indemnitor") in writing (such notice, a "Claim Notice") promptly of the Indemnitee's discovery of any matter (including if a Claim is filed against the Indemnitee) for which the Indemnitor may be liable to the Indemnitee under this Article VIII, which Claim Notice shall specify in reasonable detail each individual item of Damages and the nature of the breach of representation, warranty, covenant or agreement to which each such item is related. The failure of an Indemnitee to deliver a timely Claim Notice hereunder shall not affect its rights to indemnification hereunder, except to the extent that the Indemnitor is actually and materially prejudiced by such failure to provide timely notice.

(b) Third Party Claims. With respect to any Claim made by a third Person (a "Third Party Claim") against an Indemnitee for which the Indemnitee will seek indemnification from the Indemnitor hereunder, after delivery of the respective Claim Notice, the Indemnitor shall be entitled (if it so elects), at its own cost, risk and expense, (a) to take control of the defense and investigation of such Claim, (b) to employ and engage legal counsel of its own choice to handle and defend the same (unless the Indemnitee has been advised by counsel that there exists an actual or potential conflict of interest between the Indemnitee and counsel chosen by the Indemnitor (including one or more legal defenses or counterclaims available to it or to other indemnified parties that are different from or additional to those available to the indemnifying parties) that makes it inappropriate in the reasonable judgment of the indemnified party for the same counsel to represent both the indemnified party and the indemnifying parties), in which event the Indemnitee shall be entitled, at the Indemnitor's cost, risk and expense, to reasonable fees of not more than one separate counsel of the Indemnitee's own choosing), and (c) to compromise or settle such Claim, which compromise or settlement shall be made only with the written consent of the Indemnitee, such consent not to be unreasonably delayed or withheld, unless (A) there is no finding or admission against Indemnitee of any violation of the rights of any Person and it is not reasonably expected to have an effect on any other Claims that may be made against the Indemnitee, (B) the sole relief provided is monetary damages that are paid in full by the Indemnitor, (C) the Indemnitee will have no liability with respect to any compromise or settlement of such Claims effected without its consent and (D) the compromise or settlement of such Claim without the consent of the Indemnitee will not adversely affect the Tax liability of the Indemnitee or any of its Affiliates. After notice from the Indemnitor to the Indemnitee of its election to assume the defense of a Claim, the Indemnitor will not, as long as it diligently conducts such defense, be liable to the Indemnitee for any fees of other counsel with respect to the defense of such claim, except as otherwise provided in this Section 8.03(b) with respect to possible conflicts of interest between the Indemnitee and Indemnitor's counsel. If the Indemnitor fails to notify the Indemnitee that the Indemnitor will assume the defense of such Claim within fifteen (15) calendar days after delivery by the Indemnitee of the Claim Notice (or such shorter period as may be required in connection with the underlying Claim), the Indemnitee will (upon delivering notice to such effect to the Indemnitor) have the right to undertake the defense, compromise or settlement of such Claim on behalf of and for the account and risk of the Indemnitor and Indemnitor shall reimburse the Indemnitee for the reasonable expenses of counsel engaged by Indemnitee to defend such Claim; provided, however, that, in such event, the Indemnitee shall not settle or compromise any Third Party Claim without the prior written consent of the Indemnitor, which consent shall not to be unreasonably withheld, conditioned or delayed. The Party undertaking the defense, compromise or settlement of the Third Party Claim will keep the other Party reasonably informed of the progress of any such defense, compromise or settlement, and the Indemnitor and Indemnitee shall cooperate (at the Indemnitor's expense) in the investigation, trial and defense of such Third Party Claim and any appeal arising therefrom, and the Indemnitee may, at its own cost, monitor and further participate in the investigation, trial and defense of such Third Party Claim and any appeal arising therefrom.

**Section 8.04 No Right of Contribution.** The Seller shall not make any claim for, any contribution from the Company or any of its officers, managers or employees with respect to any indemnity claims arising under or in connection with this Agreement to the extent that any Buyer Indemnified Person is entitled to indemnification hereunder for such claim, and the Seller hereby waives any such right of contribution from the Company and any of its officers, managers or employees it has or may have in the future.

**Section 8.05 Effect of Investigation: Reliance.** The right to indemnification, recovery of Damages or any other remedy will not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any representation, warranty, covenant or agreement made by the Seller or the Company or any other matter. The waiver of any condition based on the accuracy of any such representation or warranty, or on the performance of or compliance with any such covenant or agreement, will not affect the right to indemnification, recovery of Damages or any other remedy based on any such representation, warranty, covenant or agreement. No Indemnitee shall be required to show reliance on any representation, warranty, fate or other agreement in order for such Indemnitee to be entitled to indemnification hereunder.

**Section 8.06 Characterization of Payments.** Any payments made to any party pursuant to this Article VIII shall constitute an adjustment of the Purchase Price for Tax purposes and shall be treated as such by the Parties on their Tax Returns unless otherwise required by a change in law occurring after the date hereof, a closing agreement with an applicable Tax Authority or a final, non-appealable judgment of a court of competent jurisdiction.

## IX TERMINATION

**Section 9.01 Conditions of Termination.** This Agreement may be terminated at any time prior to the Closing Transfer as follows:

- (a) by mutual written agreement of the Seller and Buyer;
- (b) in the event of any affirmative denial of City Approval or State Approval.

(c) by the Seller or Buyer if any court of competent jurisdiction or other Governmental Authority shall have issued an Order permanently restraining, enjoining or otherwise prohibiting the Transaction, and such Order shall have become final and non-appealable; provided, however, that the Party seeking to terminate this Agreement pursuant to this clause (b) shall not be available to any Party whose breach or failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing Transfer;

(d) by Buyer, if the Seller shall have breached in any material respect any of their respective representations or warranties or shall have breached or failed to perform or comply with any of its respective covenants or agreements in this Agreement in any material respect and such breach or failure cannot be cured or has not been cured within thirty (30) days after the giving of written notice by Buyer to the Seller specifying such breach or failure; or

(e) by the Seller, if Buyer shall have breached in any material respect any of its representations or warranties or shall have breached or failed to perform or comply with any of its covenants or agreements in this Agreement in any material respect and such breach or failure cannot be cured or has not been cured within thirty (30) days after the giving of written notice by the Seller to Buyer specifying such breach or failure.

**Section 9.02 Effect of Termination**

. In the event of the termination of this Agreement prior to the consummation of the Closing Transfer, this Agreement (including, without limitation, the Closing Transfer, the payment of the Purchase Price) and the other applicable Transaction Agreements shall become void and have no further force and effect, and the Transaction shall be abandoned without any further action or Liabilities of any Party.

**X  
MISCELLANEOUS**

**Section 10.01 Notices.**

(a) All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given or made (i) three (3) Business Days after being sent by registered or certified mail, return receipt requested, (ii) upon delivery, if hand delivered, (iii) one Business Day after being sent by prepaid overnight courier with guaranteed delivery, with a record of receipt, or (iv) upon transmission with confirmed delivery if sent by facsimile or email before 5:00 p.m. recipient's local time on a Business Day, otherwise on the next Business Day, in each case, to the appropriate address or number as set forth below.

(b) Notices to the Seller shall be addressed to:

Attn: Cary Stiebel  
5 Buena Vista Del Rio  
Carmel Valley, CA 93924

With a courtesy copy (which shall not constitute notice) to be sent via email to counsel at: [steve@stephenbeals.com](mailto:steve@stephenbeals.com)

(c) Notices to Buyer shall be addressed to:

Dep Nevada, Inc.  
Attn: Stephen 'Trip' Hoffman  
6420 Sunset Corporate Dr.  
Las Vegas, NV 89120  
[triphoffman@bodyandmind.com](mailto:triphoffman@bodyandmind.com)

With a courtesy copy (which shall not constitute notice) to be sent via email to counsel at: [patrick.devine@rimonlaw.com](mailto:patrick.devine@rimonlaw.com)

(d) Each of the Parties may designate a different address for notices by delivering written notice to the other Party in accordance with this Section 10.01.



**Section 10.02 Governing Law: Mediation: Arbitration.**

(a) THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS, INCLUDING VALIDITY, INTERPRETATION AND EFFECT, BY THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO CONTRACTS EXECUTED AND TO BE PERFORMED WHOLLY WITHIN SUCH STATE WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES OF SUCH STATE.

(b) In the event of any Claim arising out of or relating to any performance required under this Agreement, or the interpretation, validity or enforceability of this Agreement, the parties hereto shall use their good faith efforts to settle the Claim. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable resolution satisfactory to the parties. If the Claim cannot be settled through negotiation within a period of seven (7) days, the parties agree to attempt in good faith to settle the Claim through mediation, administered by a mediator mutually agreeable to the parties, before resorting to arbitration. If they do not reach such resolution, or an agreed upon mediator cannot be identified, within a period of thirty (30) days, then, upon notice by either Party to the other they shall commence arbitration as set forth in Section 10.02(c).

(c) Subject to the foregoing, the parties agree to submit any and all Claims arising out of or relating to any performance required under this Agreement, or the interpretation, validity or enforceability of this Agreement, to binding arbitration before JAMS. The arbitration shall be held in accordance with the JAMS then-current Streamlined Arbitration Rules & Procedures (and no other JAMS rules), which currently are available at: <https://www.jamsadr.com/rules-streamlined-arbitration>. The arbitrator shall be either a retired judge, or an attorney who is experienced in commercial contracts and licensed to practice law in California, selected pursuant to the JAMS rules. The parties expressly agree that any arbitration shall be conducted in the County of Los Angeles, California. EACH PARTY UNDERSTANDS AND AGREES THAT BY SIGNING THIS AGREEMENT, SUCH PARTY IS WAIVING THE RIGHT TO A JURY. Pursuant to Section 10.02(a), the arbitrator shall apply California substantive law in the adjudication of all Claims. Notwithstanding the foregoing, either party may apply to the Superior Courts located in Monterey County for a provisional remedy, including but not limited to a temporary restraining order or a preliminary injunction. The application for or enforcement of any provisional remedy by a party shall not operate as a waiver of the agreement to submit a dispute to binding arbitration pursuant to this provision. In no event shall a Claim be adjudicated in Federal District Court. In the event that either party commences a lawsuit in Federal District Court or moves to remove such action to Federal District Court, the parties hereby mutually agree to stipulate to a dismissal of such Federal action with prejudice. After a demand for arbitration has been filed and served, the parties may engage in reasonable discovery in the form of requests for documents, interrogatories, requests for admission, and depositions. The arbitrator shall resolve any disputes concerning discovery. The arbitrator shall award costs and reasonable attorneys' fees to the prevailing party, as determined by the arbitrator, to the extent permitted by California law. The arbitrator's decision shall be final and binding upon the Parties. The arbitrator's decision shall include the arbitrator's findings of fact and conclusions of law and shall be issued in writing within thirty (30) days of the commencement of the arbitration proceedings. The prevailing Party may submit the arbitrator's decision to Superior Courts located in Monterey County for an entry of judgment thereon.

**Section 10.03 Entire Agreement.** This Agreement, the schedules and exhibits hereto, the other Transaction Agreements and agreements that reference this Agreement contain the entire agreement between the Parties with respect to the subject matter of this Agreement and supersede all prior agreements, understandings, and negotiations, both written and oral, among the parties with respect to the subject matter of this Agreement.

**Section 10.04 Expenses.** Except as otherwise provided in this Agreement, each Party shall be responsible for and shall pay all costs and expenses incurred by such Party in connection with entering into this Agreement and the transactions contemplated by this Agreement.

**Section 10.05 Counterparts.** This Agreement may be executed and delivered by facsimile, email or electronic signature service (e.g., DocuSign or adobesign) and in two or more counterparts, all of which shall be considered one and the same agreement.

**Section 10.06 Successors and Assigns; Binding Effect.** Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any Party without the prior written consent of the other Party; provided, however, that Buyer may assign any or all of its rights, interests and obligations hereunder (a) in connection with the sale of all or substantially all of the assets of or any business combination transaction involving Buyer (whether pursuant to a merger, consolidation, sale of equity interests or otherwise) or (b) to any of its Affiliates without any prior written consent of the Seller; provided, further, however, that notwithstanding such assignment, Buyer shall remain liable for any default by its assignee of any of its obligations hereunder. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors or assigns, heirs, legatees, distributees, executors, administrators and guardians.

**Section 10.07 Amendments and Waivers.** This Agreement, and each of the terms and provisions of this Agreement, may be modified, waived or amended, to the extent permitted by law and, if applicable, approved by the board of directors or similar governing body of the Seller and Buyer, by an instrument or instruments in writing signed by each of the Parties. The failure of any Party to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part of this Agreement or the right of any Party thereafter to enforce each and every such provision. The waiver by any Party of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach.

**Section 10.08 Headings.** The Section and Article headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement.

**Section 10.09 No Third-Party Beneficiaries.** Except as expressly set forth herein, neither this Agreement nor any of the provisions herein is intended to confer upon any Person other than the Parties (and their successors and assigns as permitted by Section 10.06 hereof) any rights or remedies hereunder.

**Section 10.10 Severability.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Legal Requirement, (a) such provision will be fully severable, (b) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by such provision or its severance herefrom and (c) in lieu of such provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such provision as may be possible.

**Section 10.11 Specific Performance.** The rights and remedies of the Parties hereto shall be cumulative (and not alternative). Each Party hereby agrees that, in the event of any breach or threatened breach by the other Party of any covenant or obligation contained in this Agreement, the non-breaching Party shall be entitled (in addition to any other remedy that may be available to them, whether in law or equity, including monetary damages) to: (a) a decree or order of specific performance to enforce the observance and performance of such covenant or obligation, and/or (b) an injunction restraining such breach or threatened breach. Each Party further agrees that the other Party shall not be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 10.12, and each Party irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument.

**Section 10.12 Acknowledgement.** Each Party acknowledges that it or he and its or his attorneys have been given an equal opportunity to negotiate the terms and conditions of this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party or any similar rule operating against the drafter of an agreement shall not be applicable to the construction or interpretation of this Agreement.

*[signature page follows]*

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each of the Parties hereto as of the day and year first above written.

**BUYER:**

**SELLER:**

**DEP Nevada, Inc.**

By: /s/ Stephen 'Trip' Hoffman  
Name: Stephen 'Trip' Hoffman  
Its: Authorized Signatory

/s/ Cary Stiebel  
Cary Stiebel

SCHEDULE "A"

U.S. ACCREDITED INVESTOR CERTIFICATE

*This is a U.S. Accredited Investor Certificate relating to the acquisition of shares of common stock of Body and Mind Inc. (the "Company")*

**To: BODY AND MIND INC.**

This U.S. Accredited Investor Certificate (the "**Certificate**") is being completed in connection with the issuance of Consideration Shares and Additional Shares, if applicable, (the "**Securities**") to the undersigned pursuant to a Membership Interest Purchase Agreement entered into between DEP Nevada, Inc. and Cary Stiebel dated November 30, 2021.

The term "**U.S. Person**" means a U.S. person as defined in Regulation S promulgated under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and includes: (a) any natural person resident in the United States; (b) any partnership or corporation organized or incorporated under the laws of the United States; (c) any trust of which any trustee is a U.S. Person; (d) any partnership or corporation organized outside the United States by a U.S. Person principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organized or incorporated, and owned, by accredited investors (within the meaning assigned in Rule 501(a) of Regulation D promulgated under the U.S. Securities Act) who are not natural persons, estates or trusts; (e) any estate of which any executor or administrator is a U.S. Person. Capitalized terms not specifically defined in this Certificate will have the meaning ascribed to them in the Membership Interest Purchase Agreement to which this Certificate relates.

1. The undersigned covenants, represents and warrants to the Company that it is a U.S. Person and it is an "accredited investor" as defined in Regulation D by virtue of satisfying one or more of the categories indicated in Section 3 below.
2. The undersigned further covenants, represents and warrants to the Company that:
  - (a) it understands that the Securities have not been and will not be registered under the U.S. Securities Act, that the sale contemplated hereby is being made in reliance on the exemption from such registration requirement provided by Rule 506(b) of Regulation D, that as such the Securities will be "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act, and the undersigned is familiar with such rule and understands the resale limitations imposed thereby and the U.S. Securities Act;
  - (b) it acknowledges that it has not acquired the Securities as a result of any form of "general solicitation" or "general advertising" (as such terms are defined in Regulation D under the U.S. Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, television or the Internet, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
  - (c) acknowledges that it has not acquired the Securities as a result of, and will not itself engage in, any "directed selling efforts" (as defined in Regulation S under the U.S. Securities Act) in the United States in respect of the Securities which would include any activities undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the resale of such Securities;
  - (d) it understands and agrees that there may be material tax consequences to the undersigned of an acquisition, disposition or exercise of any of the Securities. The Company gives no opinion and makes no representation with respect to the tax consequences to the undersigned under United States, state, local or foreign tax law of the undersigned's acquisition or disposition of such Securities. In particular, no determination has been made whether the Company will be a "passive foreign investment company" ("**PFIC**") within the meaning of Section 1297 of the *United States Internal Revenue Code*;

- (e) it understands and acknowledges that upon the issuance thereof, and until such time as the same is no longer required under the applicable requirements of the U.S. Securities Act or applicable state securities laws and regulations, the certificates, or an ownership statement issued under a direct registration system or other electronic book-entry system, representing the Securities will bear a legend in substantially the following form:

**“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR APPLICABLE STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO AN EXEMPTION OR EXCLUSION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.**

provided, however, if any Securities are being sold, the legend may be removed by delivery to the registrar and transfer agent and the Company of an opinion of counsel, of recognized standing reasonably satisfactory to the Company, that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

- (f) the undersigned acknowledges that the certificates representing the Securities will bear a legend in substantially the following form:

**“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE *[insert the date that is 4 months and a day after the distribution date].*”**

- (g) it is a resident of the state or other jurisdiction listed in its address as indicated below the undersigned’s signature hereto;
- (h) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Securities and it is able to bear the economic risk of loss of its entire investment;
- (i) the Company has provided to it the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and it has had access to such information concerning the Company as it has considered necessary or appropriate in connection with its investment decision to acquire the Securities;
- (j) it is acquiring the Securities for its own account, for investment purposes only and not with a view to any resale, distribution or other disposition of such Securities in violation of the United States securities laws;
- (k) if it decides to offer, sell or otherwise transfer any of such Securities, it will not offer, sell or otherwise transfer any of such Securities directly or indirectly, unless
- (i) the sale is to the Company;
  - (ii) the sale is made outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S under the U.S. Securities Act and in compliance with applicable local laws and regulations;

(iii) the sale is made pursuant to the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144 thereunder and in accordance with any applicable state securities or "Blue Sky" laws; or

(iv) the Securities are sold in a transaction that does not require registration under the U.S. Securities Act or any applicable state laws and regulations governing the offer and sale of securities;

and, in the case of clauses (iii) or (iv) above, it has prior to such sale furnished to the Company an opinion of counsel or other evidence of exemption in form and substance reasonably satisfactory to the Company;

(l) it understands that the Company is not obligated to file and has no present intention of filing with the U.S. Securities and Exchange Commission or with any state securities administrators any registration statement in respect of resales of the Securities in the United States; and

(m) it understands and acknowledges that the Company was previously a "shell company" as such term is defined in Rule 405 under the U.S. Securities Act and that if the Company is not in compliance with the requirements of Rule 144(i)(2) under the U.S. Securities Act that Rule 144 may not be available for resales of the Securities.

3. The undersigned further covenants, represents and warrants to the Company that it qualifies as an "accredited investor" as defined in Regulation D by virtue of satisfying one or more of the categories (please place your initials on the appropriate line(s) 1 through 23 below):

\_\_\_\_\_ Category 1. A bank, as defined in Section 3(a)(2) of the U.S. Securities Act, whether acting in its individual or fiduciary capacity; or

\_\_\_\_\_ Category 2. A savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act, whether acting in its individual or fiduciary capacity; or

\_\_\_\_\_ Category 3. A broker or dealer registered pursuant to Section 15 of the United States Securities Exchange Act of 1934, as amended; or

\_\_\_\_\_ Category 4. An investment adviser registered pursuant to section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state; or

\_\_\_\_\_ Category 5. An investment adviser relying on the exemption from registering with the United States Securities and Exchange Commission (the "**Commission**") under section 203(l) or (m) of the Investment Advisers Act of 1940; or

\_\_\_\_\_ Category 6. An insurance company as defined in Section 2(a)(13) of the U.S. Securities Act; or

\_\_\_\_\_ Category 7. An investment company registered under the United States Investment Corporation Act of 1940; or

\_\_\_\_\_ Category 8. A business development company as defined in Section 2(a)(48) of the United States Investment Corporation Act of 1940; or

\_\_\_\_\_ Category 9. A small business investment company licensed by the U.S. Small Business Administration under Section 301 (c) or (d) of the United States Small Business Investment Act of 1958; or

\_\_\_\_\_ Category 10. A rural business investment company as defined in section 384A of the Consolidated Farm and Rural Development Act; or

- \_\_\_\_\_ Category 11. A plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, with total assets in excess of US\$5,000,000; or
- \_\_\_\_\_ Category 12. An employee benefit plan within the meaning of the United States Employee Retirement Income Security Act of 1974 in which the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or an employee benefit plan with total assets in excess of US\$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are U.S. Accredited Investors; or
- \_\_\_\_\_ Category 13. A private business development company as defined in Section 202(a)(22) of the United States Investment Advisers Act of 1940; or
- \_\_\_\_\_ Category 14. An organization described in Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended, a corporation, a limited liability company, a Massachusetts or similar business trust, a partnership, or limited liability company, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of US\$5,000,000; or
- \_\_\_\_\_ Category 15. Any director or executive officer of the Company; or
- \_\_\_\_\_ Category 16. A natural person (including an IRA (Individual Retirement Account) owned by such person) whose individual net worth, or joint net worth with that person's spouse or spousal equivalent (being a cohabitant occupying a relationship generally equivalent to that of a spouse), excluding the value of that person's primary residence net of any mortgage obligation secured by the property, exceeds US\$ 1,000,000 (**note:** for the purposes of calculating net worth: (i) the person's primary residence shall not be included as an asset; (ii) indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of the securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of the securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); (iii) indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability; (iv) for the purposes of calculating joint net worth of the person and that person's spouse or spousal equivalent, (A) joint net worth can be the aggregate net worth of the investor and spouse or spousal equivalent, and (B) assets need not be held jointly to be included in the calculation; and (v) reliance by the person and that person's spouse or spousal equivalent on the joint net worth standard does not require that the securities be purchased jointly); or
- \_\_\_\_\_ Category 17. A natural person (including an IRA (Individual Retirement Account) owned by such person) who had an individual income in excess of US\$200,000 in each of the two most recent years or joint income with that person's spouse or spousal equivalent in excess of US\$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or
- \_\_\_\_\_ Category 18. A trust, with total assets in excess of US\$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the U.S. Securities Act; or
- \_\_\_\_\_ Category 18a. A revocable trust which may be revoked or amended by its settlors (creators), each of whom is a U.S. Accredited Investor (**note:** if this category is selected, you must furnish a supplementary representation letter from each settlor confirming how such settlor qualifies as a U.S. Accredited Investor); or



\_\_\_\_\_ Category 19. Any entity in which all of the equity owners meet the requirements of at least one of the above categories.

*If you checked Category 19, please indicate the name and category of U.S Accredited Investor (by reference to the applicable number in this section 2(e)) of each equity owner:*

Name of Equity Owner	Category of U.S. Accredited Investor

**Note:** It is permissible to look through various forms of equity ownership to natural persons in determining the U.S. Accredited Investor status of entities under this category. If those natural persons are themselves U.S. Accredited Investors, and if all other equity owners of the entity seeking U.S. Accredited Investor status are U.S. Accredited Investors, then this category will be available.

\_\_\_\_\_ Category 20. An entity, of a type not listed in Categories 1-14, 18 or 19, not formed for the specific purpose of acquiring the securities offered, owning investments in excess of US\$5,000,000 (**note:** for the purposes of this Category 20, “investments is defined in Rule 2a51-1(b) under the Investment Company Act of 1940); or

\_\_\_\_\_ Category 21. A natural person holding in good standing one or more of the following professional certifications or designations or credentials from an accredited educational institution that the Commission has designated as qualifying an individual for U.S. Accredited Investor status, including an IRA (Individual Retirement Account) owned by such person: The General Securities Representative license (Series 7), the Private Securities Offerings Representative license (Series 82), and the Licensed Investment Adviser Representative (Series 65); or

\_\_\_\_\_ Category 22. A “family office,” as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940: (i) with assets under management in excess of US\$5,000,000, (ii) that is not formed for the specific purpose of acquiring the securities offered, and (iii) whose prospective investment is directed by a person (a “**Knowledgeable Family Office Administrator**”) who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment; or

\_\_\_\_\_ Category 23. A “family client,” as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940, of a family office meeting the requirements set forth in Category 23 above and whose prospective investment in the Company is directed by such family office with the involvement of the Knowledgeable Family Office Administrator.

The foregoing representations, warranties and covenants are true and accurate as of the date of this Certificate.

Dated: \_\_\_\_\_, 2021.

X \_\_\_\_\_  
Signature

\_\_\_\_\_  
Name of witness (if undersigned is an individual)

\_\_\_\_\_  
Name of undersigned (**please print**)

\_\_\_\_\_  
Name of authorized signatory (**please print**)

\_\_\_\_\_  
Signature of witness

\_\_\_\_\_  
Official capacity of authorized signatory (**please print**)

\_\_\_\_\_  
Address of undersigned (**please print**)

\_\_\_\_\_

SCHEDULE B

ASSIGNMENT

FOR VALUE RECEIVED, and pursuant to that certain Membership Interest Purchase Agreement dated as of \_\_\_\_\_, 2021 (the "Agreement") Cary Stiebel, an individual (the "Seller") hereby sells, assigns, and transfers unto DEP Nevada, Inc., aa Nevada corporation ("Buyer") twenty percent (20%) of the issued and outstanding membership interest (the "Subject Interest") in and to Canopy Monterey Bay, LLC, a California limited liability company.

INTENDING TO BE BOUND, Seller has caused this Assignment to be executed as of the Closing Date (as defined in the Agreement).

SELLER:

Cary Stiebel