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TOWN OF ARLINGTON



**MARIJUANA ESTABLISHMENT HOST COMMUNITY AGREEMENT (HCA)
LICENSE APPLICATION**

****Notice: The following application is for the limited purpose of vetting individuals and businesses seeking a Host Community Agreement with the Town of Arlington. Applicants are encouraged to read the Select Board's "Host Community Agreement Process & Criteria" for a full articulation of the HCA Selection Process in Arlington.****

Section 1. Applicant Information:

Business Legal Name: CALYX PEAK OF MA, INC

Business DBA, if different: N/A

Business Address: 3rd Floor, 502 Bedford St, Fall River, MA 02720

Phone: (646) 209-4533

Website: N/A

Federal Employer Identification Number (EIN): EIN 81-4672257

Does the business currently possess any type of marijuana license in the Town of Arlington? ☐ Yes ☒ No

If yes, describe: _____

Does the business currently possess any type of marijuana license in the Commonwealth? ☐ Yes ☒ No

If yes, describe: Applicant also applying for a cultivation and manufacturing license in the City of Worcester.
(please note, subsidiary companies must identify any and all marijuana licenses held by parent companies/corporations in Massachusetts)

Primary Contact Name: Edward Schmults

Mailing Address: 3rd Floor, 502 Bedford St, Fall River, MA 02720

Email: ed.schmults@calyxpeak.com

Phone: (646) 209-4533

Emergency Contact: Hyong-gue Michael Bang

Email: michael.bang@calyxpeak.com

Phone: (702) 605-2319

If you would like mail sent to a different Address, provide alternate mailing information below:

Mailing Contact Name: N/A

Mailing Address: _____

A. Business Organization

Check only one and provide names as indicated:

☐ **Sole Proprietor:** Name of Owner: _____

☐ **Partnership (Inc. LLP):** Name of Partnership: _____

Names of all Partners Who Own More Than 10%: _____

☐ **Trust:** Name of Trust: _____

Names of All Trustees Who Own More Than 10%: _____

☒ **Corporation (as registered):** CALYX PEAK OF MA, INC

Name of President: Hyong-gue Michael Bang

Name of Secretary: Edward M. Schmults Name of Treasurer: Paul Song

☐ **LLC:** Name of LLC: _____

Name of All Managers Who Own More Than 10%: _____

☐ **Other:** (Attach a Description of the Form of Ownership and the Names of Owners)

B. Proposed Marijuana Establishment

- ☒ Adult-Use Marijuana Retailer
- ☐ Registered Marijuana Dispensary/Medical Marijuana Treatment Center
- ☐ Co-Located Adult-Use/Medical Marijuana Retailer
- ☐ Marijuana Cultivator
- ☐ Craft Marijuana Cooperative
- ☐ Marijuana Product Manufacturer
- ☐ Independent Testing Laboratory
- ☐ Marijuana Research Facility

Section 2. Priority Status:

For Marijuana Retailers Only

- ☐ **Group A Priority.** Attach proof that the applicant is 1) an Economic Empowerment Applicant, 2) is owned by an Arlington resident(s) or entities with at least 50% of its ownership made up of Arlington residents, or 3) is a cooperatively-owned entity.

An Economic Empowerment Applicant is one who meets ***at least three (3)*** of the following criteria:

- (1) A majority of ownership belongs to people who have lived for 5 of the preceding 10 years in an area of disproportionate impact, as determined by the MA CCC;
- (2) A majority of ownership has held one or more previous positions where the primary population served were disproportionately impacted, or where primary responsibilities included economic education , resource provision or empowerment to disproportionately impacted individuals or communities;
- (3) At least 51% of employees or subcontractors reside in areas of disproportionate impact and by the first business day, the ratio will meet or exceed 75%;
- (4) At least 51% of the employees or subcontractors have drug-related CORI and are otherwise legally employable in cannabis enterprises;
- (5) A majority of ownership is made up of individuals of Black, African American, Hispanic or Latino descent;
- (6) Other significant articulable demonstration of past experience in or business practices that promote economic empowerment in area of disproportionate impact.

- ☐ **Group B Priority.** Attach proof that your company is a Registered Marijuana Dispensary currently operating in Arlington that will continue selling medicinal products.

- ☒ **No Priority.** All applicants who are not Group A or B should check here.

Section 3. Operating Questionnaire

The following questions provide applicants an opportunity to respond to the qualitative criteria established by the Select Board for considering applications, which are as follows:

- a. Completeness and quality of application;
- b. Demonstrated direct experience in the cannabis industry or a similar industry, such sensitive retail and related commercial uses – package stores, establishments with other types of alcohol licenses or age-restricted products;
- c. Relevant business experience in Arlington;
- d. Relevant business experience in the Commonwealth of Massachusetts;
- e. A sound preliminary business plan which evidences applicants' financial resources, proposed scale of operation, inventory sources and plans for inventory management, as well as anticipated costs and revenues;
- f. A strong employee training process and plan to ensure regulatory compliance;
- g. A sound preliminary security plan including inventory security;
- h. A sound preliminary traffic and parking plan demonstrating basic feasibility of the site and/or intended traffic and parking mitigation measures;
- i. For adult-use applicants, intention to co-locate RMD operations to ensure access to Arlington medical marijuana patients;
- j. Commitment to youth safety, abuse prevention, and community education;
- k. Commitment to diversity and local hiring; and
- l. Maintenance of geographic balance in the distribution of marijuana establishments.

Applicants are encouraged to provide specific information which speaks to each criterion/question. You may respond with separate attached documents as directed and needed.

1. Describe your direct experience in the cannabis industry or a similar industry (such as sensitive commercial retail enterprises such as package stores, nicotine products, etc.)

SEE ATTACHED

2. Describe your business experience in Arlington if any.

N/A

3. Describe your experience operating a business within the Commonwealth of Massachusetts.

SEE ATTACHED

4. Provide a preliminary business plan¹ with particular attention to your proposed scale of retail operation, inventory sources, products to be sold, plan for inventory management, financial resources, marketing expectations, and anticipated costs and revenues (*please attach your full preliminary plan*).

SEE ATTACHED.

5. Describe your employee training process and plan to ensure regulatory compliance. If available, provide copies of any employee training manuals or policies to employ or plan to employ.

SEE ATTACHED.

¹ Preliminary business, security, and traffic and parking plans need not provide the level of detail subsequent permitting processes will require such as a traffic study or all documents and information required by the Cannabis Control Commission for state licensure. The Select Board should however understand your basic business model and plans for addressing reasonable concerns about parking, security, and management of the flow of anticipated activity at your proposed location.

6. Provide a preliminary security plan identifying your priority security concerns and any site-specific security issues and proposed means of addressing them (please attach your full preliminary plan).
7. Provide a preliminary traffic and parking plan demonstrating basic feasibility of the site and/or intended traffic and parking mitigation strategies (please attach your full preliminary plan).
8. Describe how you will prevent and educate youth and families about dangers of underage exposure to, and the consumption of, recreational marijuana. Describe how the Applicant will sustain these efforts over time.

Calyx Peak of MA intends to work with the Town of Arlington or local non-profits to sponsor drug awareness programs or school-based drug education programs. Additionally, the retailer will feature large signage regarding the dangers of underage exposure to, and the consumption of, recreational marijuana. Any future website will recommend against recreational use prior to the age of 25 years. Dispensary agents will be trained on how to explain potential dangers.

9. Describe how you will inform customers about restrictions on public consumption and workplace use, the risk of second hand smoke, and dangers of operating a motor vehicle while impaired.

Calyx Peak of MA will prepare a pamphlet summarizing these restrictions and dangers. A copy will be placed into each purchase bag. Employees will be trained on pamphlet contents and to review contents with consumers who self-identify as new to marijuana consumption. The retailer facility will feature large signage repeating this information, as well as a sign reminding customers during their exit from the facility. No one will be permitted to consume marijuana on or near the site.

10. Describe the number and type of jobs expected to be created by your business in Arlington, and how you will attract a local workforce that is also reflects Arlington's commitment to diversity.

SEE ATTACHED

11. Describe how your business will support the unique character of your site location's neighborhood, as well as the Town's overall character, history, and culture.

SEE ATTACHED

Responsive applicants shall also be invited to make a 20 minute presentation to the Select Board after all applications have been received and examined by a Preliminary Review Team. In addition to the foregoing, the presentation will provide applicants an opportunity to address those matters you believe present the best case for your business seeking one of a limited number of licenses.

Calyx Peak of MA, Inc.

1. *Describe your direct experience in the cannabis industry or a similar industry (such as sensitive commercial retail enterprises such as package stores, nicotine products, etc.)*

Direct Experience in the Cannabis Industry or Similar Industry

Calyx Peak of MA, Inc. has extensive experience in the cannabis industry. We are part of a multi-state cannabis company, Calyx Peak Companies ("CPC"), and most of our executive team is involved in the leadership of CPC.

Calyx Peak Companies cannabis experience

CPC has successful operations in three states with regulated cannabis industries. CPC's executives lead additional licensed cannabis companies.

CPC has signed an agreement to purchase Magnolia Wellness, a retail dispensary located in Oakland, CA. CPC also owns and operates indoor cultivation facilities in Nevada and Ohio, as well as 180,000 square feet of greenhouse space in southern California. CPC has a state license to perform extraction and manufacturing of marijuana-infused products in California, and a provisional license for the same in Ohio. In addition, CPC has a state license to distribute marijuana throughout California.

The Ohio cultivation facility recently completed our first medical cannabis harvest and captured an estimated 30% of market share in the state's first months of sales. The California cultivation team recently earned 2nd and 9th place for the Josh D branded flower at the Emerald Cup, the state's premier cannabis competition, out of 340 entrants.

CPC's compliance team works closely with state regulators in order to ensure the compliance of these facilities. None of these facilities have been penalized by a cannabis regulatory agency for a compliance issue.

CPC plans to expand operations in Massachusetts and has received its Host Community Agreement for a cultivation and manufacturing facility in the City of Worcester, MA.

Executive team experience in cannabis or similar industries

With over 30 years of experience in the retail industry, **Calyx Peak of MA's CEO, Edward Schmulse**, has established robust operational teams and company infrastructure. While he has primarily focused on major global consumer brands, such as REI (Vice Chairman), Patagonia (COO), and FAO Schwarz (CEO), he is now the CEO of Calyx Peak Companies (CPC).

Calyx Peak of MA's Chief Medical Officer (CMO), Dr. Paul Song, is an accomplished physician and researcher with over 20 years of experience in the field of oncology. He serves as the CMO of CPC. Dr. Song is also the President and CMO for CPC Compassion,

Calyx Peak of MA, Inc.

Inc., a nonprofit corporation that was awarded a medical cannabis dispensary license in Santa Monica, California, pending an ongoing appeals process.

Dr. Song has actively integrated legal medical marijuana into his medical practice for nearly a decade in California, introducing patients and medical professionals to the entire spectrum of cannabinoid medicines that address specific symptoms and medical conditions.

Dr. Song is an advocate for patient needs and will ensure that all decisions at Calyx Peak of MA ultimately serve patients. For Dr. Song, increasing access to cannabis-based medicine is personal: Seven years ago, his father was diagnosed with cancer and treated with a cocktail of pharmaceutical medicines, including opioids. As a radiation oncologist who has in the past recommended medicinal cannabis to his patients, he encouraged his father to try medicated edibles. Dr. Song's father was able to replace opioids, which had negative side effects, with medicinal cannabis as his primary means of pain management. Dr. Song's father continued to use medicinal cannabis until he passed away at the Saint John's Health Center in Santa Monica.

Michael Bang, Calyx Peak of MA's Chief Investment & Strategy Officer, has more than 20 years of experience in the global financial sector. Michael is the Chief Investment Officer of CPC. At CPC, Michael oversees the spending strategies for the company's portfolio of over 280,000 square feet of cultivation space. Over the last 24 months, he has managed the fundraising and deployment of over \$25M into cannabis investments for CPC. This capital efficiency is quite high compared to competitors who have in some cases invested much higher figures to build a similar portfolio of assets.

Michael is also the CFO & COO for CPC's licensed cannabis cultivation operation in Nevada. In 2016, he played a critical role in turning around this struggling operation, successfully stabilizing the company's balance sheet, re-negotiating predatory deals into favorable terms, and securing sufficient investment. That operation received full approval to operate in November 2017. Additionally, he is the CEO of CPC's cultivation operations in Ohio and California.

Prior to his involvement in the cannabis industry, Michael worked as an Investment Analyst and Managing Director of Technology Research at Goldman Sachs Global Investment Research division. In this position, Michael excelled in fundamental bottom-up financial analysis, competitive analysis, and strategic financial planning. Michael also managed clients with total annual revenues of over \$400B. Michael's deep experience and knowledge were leveraged in the development of Calyx Peak of MA's financials, assuring that the financial requirements of the investments to date were carefully and mindfully prepared. His expertise results in greater investor confidence.

Calyx Peak of MA, Inc.

3. Describe your experience operating a business within the Commonwealth of Massachusetts.

Massachusetts Experience

Calyx Peak of MA's Director of Operations and Community Outreach, Mark Niedermeyer, is the East Coast Director of Sales for Overseas Food Distribution, a 35-year old company that distributes world-class products to food markets in the US and Canada. While the company is headquartered in California, Mark works out of Boston on behalf of their East Coast operations.

Mark has also held the following positions in other Massachusetts companies:

- Vice President of Institutional Sales and Trading at KCG Holdings Inc (2008-2011) in the Greater Boston Area
- Assistant General Manager of Winston Flowers (1999-2008) in the Greater Boston Area

Additionally, early in his career, CEO Edward Schmults worked at the Alliance Consulting Group in Boston.

Calyx Peak of MA is part of Calyx Peak Companies ("CPC"), a company that owns and operates licensed cannabis entities across the United States. CPC is currently in the process of moving its corporate headquarters to Massachusetts.

We look forward to growing CPC's presence here in the Commonwealth.

4. *Provide a preliminary business plan with particular attention to your proposed scale of retail operation, inventory sources, products to be sold, plan for inventory management, financial resources, marketing expectations, and anticipated costs and revenues (please attach your full preliminary plan).*

Business Plan

Executive summary

Calyx Peak of MA, Inc. is applying for an adult-use marijuana retail establishment in the Town of Arlington, MA. The proposed facility will be located at 1215 Massachusetts Ave, Arlington, MA. With approximately 2,500 square feet on the main floor and approximately 2,500 square feet in the basement, the currently vacant commercial use property is ideal for the use.

Calyx Peak of MA is uniquely qualified to meet the demands of the Massachusetts marijuana market. We have the requisite experience necessary to design, build, and operate a marijuana retail facility. We are part of Calyx Peak Companies (CPC), which has successful operations in three states with regulated cannabis industries, including Ohio, Nevada, and California. CPC currently operates 220,000 square feet of licensed cultivation. Our ability to consistently produce high-quality, safe marijuana products is among the top companies nationwide. In first quarter 2019, CPC signed an agreement to purchase Magnolia, a well-known dispensary in Oakland, CA. In addition, in December 2018, CPC's Chief Medical Officer Dr. Paul Song won a highly competitive process for a medical marijuana dispensary in Santa Monica, CA.

In part because of our partnership with multi-state operator CPC, Calyx Peak of MA will be a stable and well-capitalized business partner for the Town of Arlington. CPC is in the process of relocating its corporate headquarters to Massachusetts and looks forward to expanding its operations here. To that end, CPC and Calyx Peak of MA recently completed a Host Community Agreement (HCA) to operate a cultivation and manufacturing facility in the City of Worcester.

Calyx Peak of MA has assembled a world-class team of executives and experts who will oversee the renovation of the facility and create a strong brand image:

- Our CEO, Ed Schmults, has over 30 years of experience in global branded consumer products, product development, finance, and socially responsible businesses, including REI, Patagonia and FAO Schwarz. He also has strong operational experience, having set and improved warehouse, logistics, and technology infrastructure at five different companies. Ed is also the CEO of CPC.
- Our CFO, Hyong-gue Michael Bang, has more than 20 years of experience in the global finance sector, and is the principal founder of a commercial real estate company. Michael has leveraged his financial acumen to develop several cannabis entities. Michael is also the CIO of CPC.
- Our Chief Medical Officer, Dr. Paul Song, is a radiation oncologist who has been in practice for 20 years and has overseen clinical and regulatory aspects of clinical trials at a prominent biotech company. Dr. Song is also the CMO of CPC.

Calyx Peak of MA, Inc.

- Our Director of Operations and Community Outreach, Mark Niedermeyer, has experience in the highly-regulated securities industry, as well as logistics and delivery services, and has been associated with multiple nonprofits in Massachusetts.

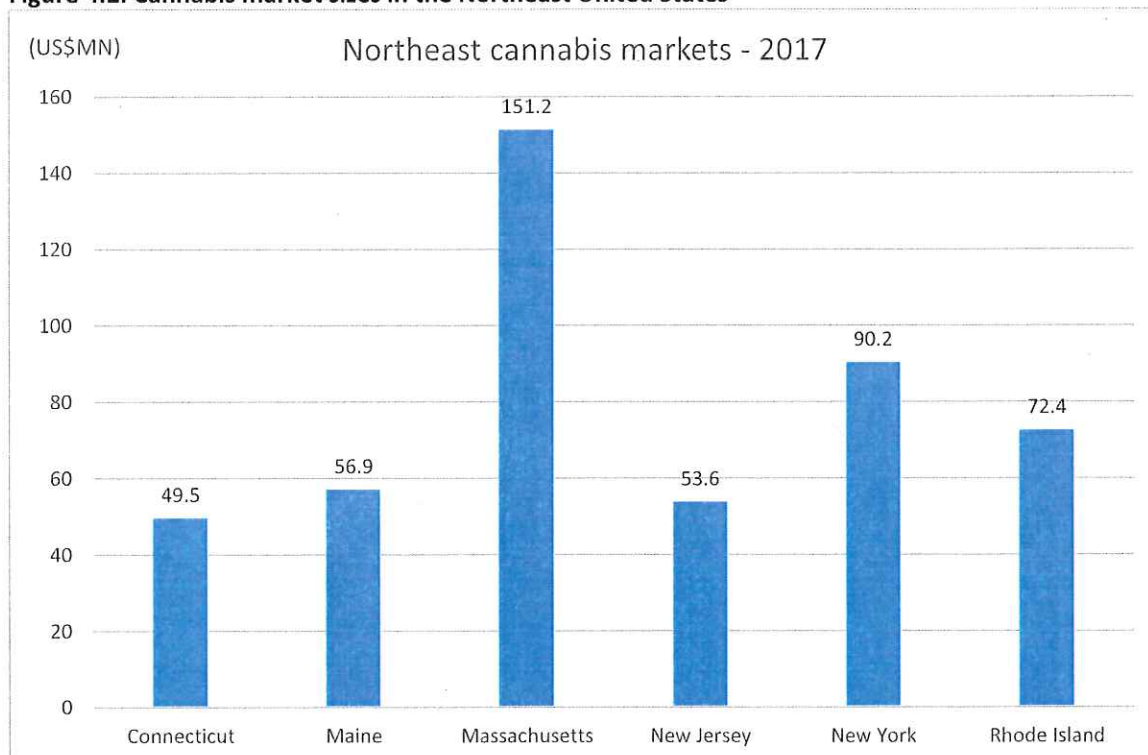
Calyx Peak of MA will work with existing operators to offer a variety of diverse strains and products for customers in the Town of Arlington. In addition, once Calyx Peak of MA establishes its own cultivation and manufacturing facility, the proposed retail location will be able to offer competitive pricing on CPC's signature brand, Josh D, which is one of the best-known heritage brands on the West Coast and has been quickly gaining recognition across the country.

To address customers focused on wellness, we will also carry the Song brand of flower and infused products that CPC offers in Ohio, and soon California and Nevada. Calyx Peak of MA will benefit from a national brand campaign that will be launched in the summer of 2019. We believe the Massachusetts market will be primed to welcome the product.

Opportunity

At \$151.2MN, up 51.2% year on year, the Massachusetts marijuana market was the largest in the northeast United States in 2017. We expect Massachusetts to remain the most significant market in the northeast as adult-use regulations are introduced and more Registered Marijuana Dispensaries (RMDs) are licensed and opened. Calyx Peak of MA expects the Massachusetts marijuana market to grow by 33.3% annually from \$151.2MN in 2017 to \$859.2MN in 2023 (refer to Figure 4.2).

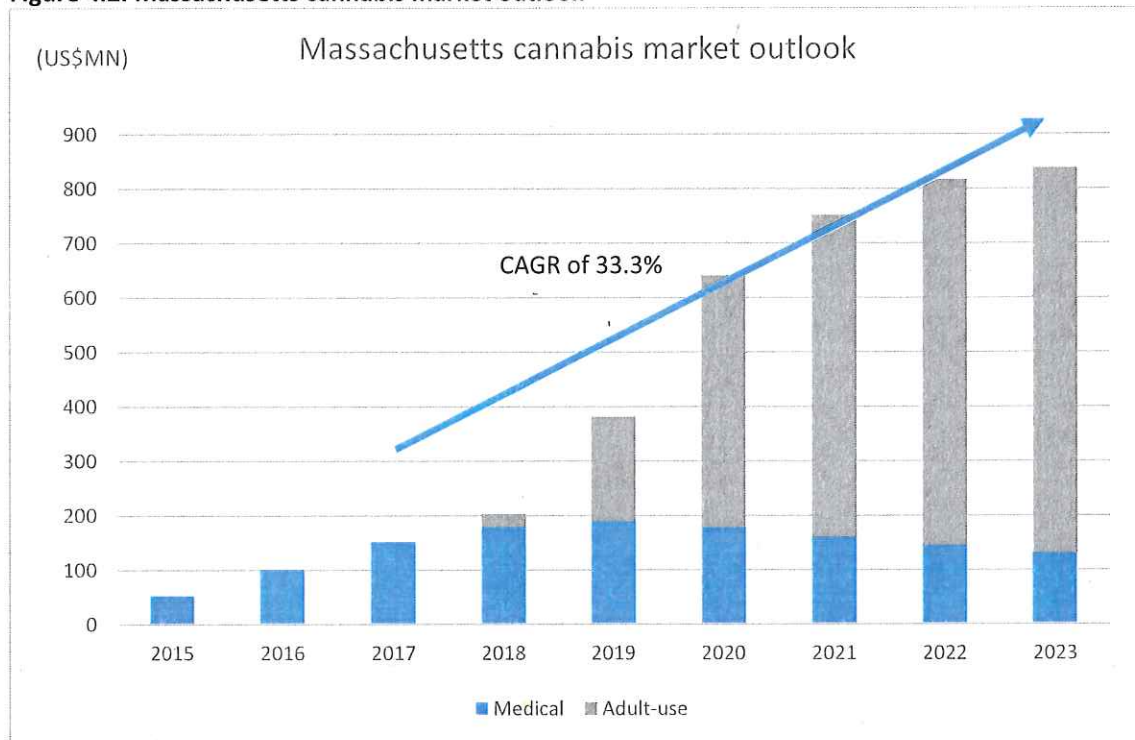
Figure 4.1. Cannabis market sizes in the Northeast United States



Source: Arcview

Calyx Peak of MA expects the key growth drivers to be the introduction of adult-use regulations, additional RMDs, and lower prices.

Figure 4.2. Massachusetts cannabis market outlook



Source: Arcview, Calyx Peak, Commonwealth of Massachusetts

Massachusetts introduced adult-use regulations on July 1, 2018. Unfortunately, cities and towns have been slow to adopt and implement adult-use regulations due to local politics and lack of clarity from regulators. As an example, only two adult-use RMDs had opened by November 20, 2018, according to WBUR News. This grew to eight adult-use RMDs by early 2019. However, both because the Cannabis Control Commission (CCC) took charge of the state marijuana program and because more towns are beginning to realize the potential economic benefits of the program, we expect many existing RMDs will be converted into adult-use stores. We also expect new adult-use stores to open.

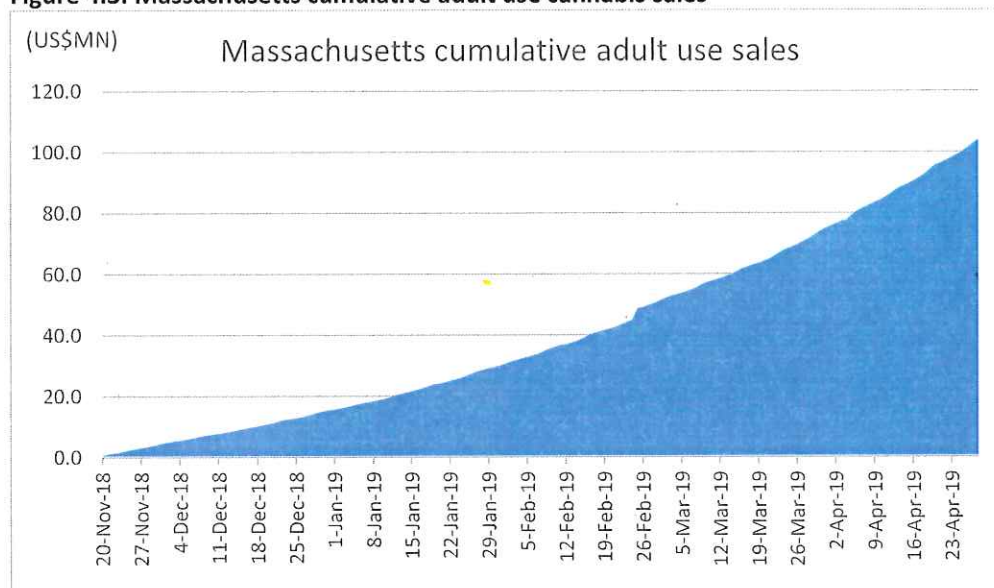
According to the CCC, adult-use sales reached \$15.3MN in 2018. However, we expect the adult-use market to grow by 119.7% annually, from \$15.3MN in 2018 to \$781.6MN in 2023. In other words, the adult-use market will be much more important to the growth of the Massachusetts cannabis market going forward than the existing medical program. Calyx Peak of MA expects the adult use program to account for 90.1% of the Massachusetts cannabis market in 2023, compared with 7.9% in 2018.

Driving this robust growth will be a larger portion of the population shifting to recreational consumption (as a medical recommendation will no longer be necessary for purchase), and the opening of additional retail locations over time. Calyx Peak of MA expects that 8.5% of the Massachusetts population could become cannabis consumers by 2023. This compares with results from the 2016 National Survey on

Drug Use and Health that indicated that only 20.8% of adults aged 18 to 25 and 7.2% of adults 26 and older had used cannabis in the past month.

Early data already suggests that the adult-use market may eclipse the medical market as early as 2019 – the first full year of the program. Based on CCC data, 1Q19 adult-use sales reached US\$59.3MN and the first 28 days of April totaled US\$29.0MN. These quarterly and monthly run rates point to a full year revenue number in the \$200-300MN range. Calyx Peak of MA estimates \$218.8MN, up 1,330% year on year. The last state to transition from medical to adult-use regulations was in Nevada (California is a poor example given the loose medical regulations). The first 12 months of adult-use sales in Nevada reached over \$400MN; however, when Nevada transitioned over 50 adult-use dispensaries were already in operation. Massachusetts is already at \$30MN per month with less than 15 RMDs for the entire state at the end of 1Q19. Therefore, as more adult-use RMDs open in Massachusetts, it will result in greater market growth.

Figure 4.3. Massachusetts cumulative adult use cannabis sales



Source: CCC

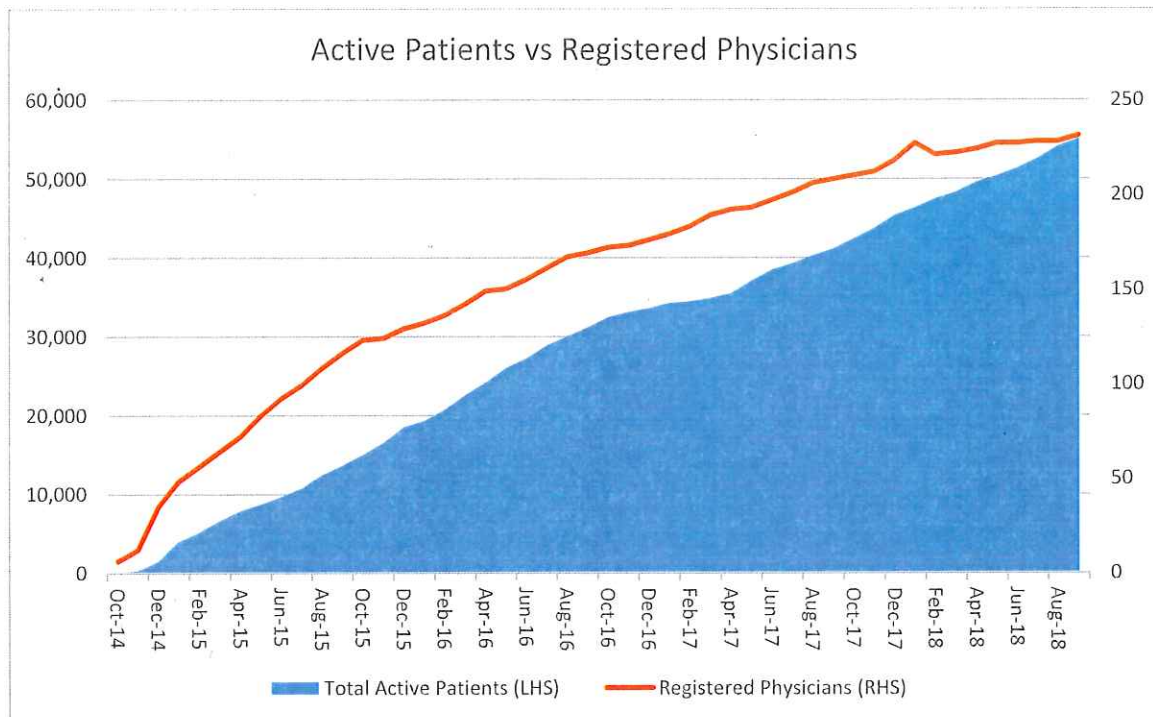
Massachusetts also enjoys a very healthy tourist industry. According to the Commonwealth of Massachusetts, more than 20MN people visit the state every year. However, unlike visitors to Las Vegas, Nevada, who may be there for conferences and/or leisure, we believe that a higher proportion of visitors to Massachusetts are family-oriented or historical discovery trips. Therefore, we believe that tourists may not have a significant impact on the Massachusetts adult-use cannabis market.

Unfortunately for the medical cannabis program, the shift towards the adult-use market coincides with trends witnessed in other states such as Nevada and Colorado that have transitioned from medical to adult-use regulations. Calyx Peak of MA's research has found that states' medical programs decline because adult-use products become much easier to obtain. Another factor is that many medical cannabis products are very similar to and even replicate adult-use cannabis products. Many patients opt to buy their medicine through the adult-use program to avoid the hassle of regular doctor's visits,

medical card fees, and the onus of registering personal information with the state. This holds true even despite the slightly higher prices the consumers pay because of retail sales taxes.

Therefore, we expect the Massachusetts medical cannabis market to peak in 2019 and then slowly decline over time. According to the Commonwealth of Massachusetts, the number of active medical marijuana patients reached 59,161 in January 2019, or roughly 0.9% of the population. Because access to adult-use products is still problematic (not enough dispensaries are licensed under adult-use regulations) we expect that the medical market will grow slowly into the early part of 2019. Calyx Peak of MA expects the Massachusetts active patient count to peak at around 60,000 active patients, about 0.9% of the population, in early 2019.

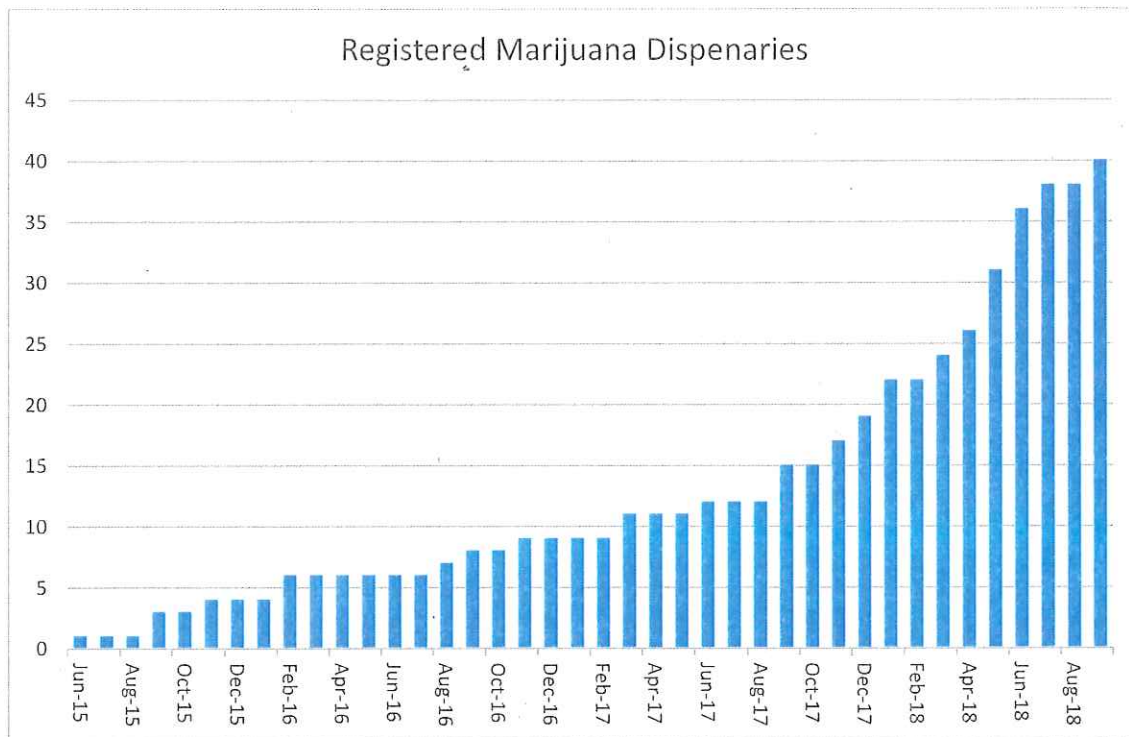
Figure 4.4. Active Marijuana Patients vs Registered Physicians in Massachusetts



Source: Commonwealth of Massachusetts

According to the Commonwealth of Massachusetts, 49 RMDs were operational at the end of January 2019, with 103 in the Provisional Certificate of Registration (PCR) stage. The number of operational RMDs doubled in 2018 as more companies were able to obtain necessary local agreements and complete state licensing. RMD licenses are vertical licenses (allowing for cultivation, extraction, and retail) and one entity is permitted to have ownership of 3 RMD licenses. Simply put, this means one business is permitted to have one cultivation/extraction facility and three dispensaries. Therefore, even though 49 RMDs are currently operational, it does not follow that 49 cultivations are operational. Based on data from the Department of Health (DPH), we estimate that 29 cultivations were licensed to sell as of 4Q18.

Figure 4.5. Number of Registered Marijuana Dispensaries in Massachusetts



Source: Commonwealth of Massachusetts

Based on a cannabis market size of more than \$600MN in 2020 (refer to Figure 4.2), we estimate that the Massachusetts market may be able to support up to 80 viable retail marijuana establishments. This would allow for an average total addressable market size per cultivation of roughly \$7.5MN in 2020 and more than \$10MN in 2023. While it is difficult to determine how many marijuana retailer (dispensary) licenses the state will award, Calyx Peak of MA believes that it will be well positioned to be a successful marijuana retailer.

Calyx Peak of MA hopes to open a licensed retail marijuana establishment. We believe that the site at 1215 Massachusetts Ave, Arlington, MA, is ideal to house a modern and welcoming facility for adult-use customers. This corner location has been vacant for some time, making it an ideal opportunity to contribute to neighborhood revitalization.

We believe Calyx Peak of MA is among the most qualified candidates to build and operate a licensed marijuana retailer in Massachusetts for the following reasons:

- Calyx Peak of MA's executive leaders have a strong history of success in retail environs, including CEO Ed Schmults' leadership roles at REI, Patagonia, and FAO Schwarz. Complementing this is the medical background of Chief Medical Officer Dr. Paul Song, a radiation oncologist who has been in practice for 20 years, and who has helped CPC develop the Song brand of medical marijuana and marijuana-infused products for specific wellness benefits.
- Calyx Peak of MA is well funded: we are part of Calyx Peak Companies (CPC), which has raised and deployed over \$40MN over the past 24 months.

- The Josh D brand is one of the best-known heritage brands in California. The brand has also been gaining recognition and momentum outside of California.
- By the time we begin construction at 1215 Massachusetts Ave, CPC will have had the opportunity to learn and apply dispensary best practices from the experience gained operating two dispensaries in California (Oakland and Santa Monica).
- Calyx Peak of MA plans to open a cultivation and manufacturing facility in Massachusetts, which will give the proposed retailer access to high-quality, safe cannabis and infused products at competitive rates.

For these reasons, we are quite confident in our ability to build and operate a compliant and welcoming adult-use retail marijuana establishment in the Town of Arlington.

Execution

Calyx Peak of MA estimates that constructing a secure 2,500 square foot dispensary at our proposed site would cost up to \$1,250,000. To bring the business to positive cash flow would take an additional \$620,112.98. This project would be financed by Calyx Peak Companies (CPC). The financing would be in the form of a four-year low-interest loan from CPC to Calyx Peak of MA.

CPC has raised and deployed over \$40MN of capital in the last 24 months and was the source of funding for Calyx Peak of MA's cultivation and manufacturing application in the City of Worcester, MA. Calyx Peak of MA should have ample access to capital to complete a buildout and become operational. Calyx Peak of MA estimates that the dispensary will be able to generate sufficient cash flow to redeem the debt and associated interest payment obligations even early in operations.

Figure 4.6. Building improvements & dispensary setup budget

Construction/equipment item	Cost (US\$)
Cost of property renovation	830,000.00
Shelving	60,000.00
Security system and safe	85,000.00
Design & planning	10,000.00
Construction permits	15,000.00
Point of sale system	15,000.00
Storage hardware	7,500.00
Display medium/TVs	12,500.00
Supplies	15,000.00
Furniture & office equipment	20,000.00
Software	15,000.00
Other equipment & fixtures	165,000.00
Total	1,250,000.00

Source: Calyx Peak Companies

Calyx Peak of MA expects that it will take 8 weeks or 2 months to retrofit the property located at 1215 Massachusetts Ave, Arlington, MA to a high-end retail dispensary. The size of facility would allow for at

least 6 point-of-sale terminals, high tech security system including security guard onsite during operations, and safe storage for inventory and sales receipts.

We believe that the Arlington dispensary construction project will provide at least 25 local construction and associated jobs. However, in line with guidance from the Town of Arlington, we expect that it will take at least nine months to attain the necessary licenses and permits before construction can even begin. If Calyx Peak of MA is fortunate enough to be awarded one of the three retail licenses in Arlington, our expected timeline for construction and operation will be as follows:

Weeks 1-36 (assume Week 1 is first week of May 2019): Attain Host Community Agreement from the Town of Arlington, conduct community outreach meeting, apply for adult-use retailer licenses with the Cannabis Control Commission, obtain special permits from the Arlington Redevelopment Board ("ARB") and the Board of Health ("BOH"), and obtain additional building permits required for renovation. Finally, hire the Head of Operations near the end of this period to give feedback and help with layout and design.

Weeks 37-41: Begin renovation of the proposed dispensary site. Hire the Compliance Officer and the Shift Manager to start work on compliant protocols. The Head of Operations and Shift Manager will then begin contacting third-party cultivators and infused products manufacturers to screen products for the retail facility.

Weeks 42-46: Construction continues and dispensary hardware and equipment is installed. Necessary Town of Arlington and Cannabis Control Commission inspections are conducted. Final state licensure is received. The first retail and reception staff are hired and trained.

Weeks 47-51: The rest of the dispensary staff are hired and trained. Final tests of the point of sale system, inventory tracking system, and security system are run. Inventory for resale is purchased. Operations begin.

Figure 4.7. Payroll and headcount

	Head Count	Salary
Head of Operations	1	\$85,000
Compliance Officer	1	\$45,000
Medical Advisor	1	\$70,000
Shift Manager	1	\$50,000
Retail Staff	8	\$40,000
Administrative/Bookkeeper	1	\$30,000
Administrative staff	1	\$30,000
Maintenance staff	1	\$35,000
Security	3	\$60,000

Source: Calyx Peak Companies

Calyx Peak of MA plans to hire locally whenever possible. For example, at our Ohio cultivation and extraction facility, 35 out of 36 employees are local hires. The one person who is not a local hire (the head extractor) was brought in because no one in the area had the necessary experience or expertise for the position. We expect that the Arlington dispensary will provide about 18 full-time positions with a

total annual payroll of about \$800,000 once fully operational. Calyx Peak of MA also plans to provide employee benefits, including health insurance. Section 10 of this application provides more details about our employee hiring plans.

Calyx Peak of MA plans to provide a diverse selection of both flower and infused products at its Arlington dispensary. Figure 4.8 provides a summary of product types Calyx Peak of MA plans to offer. Calyx Peak of MA will be in an advantageous position to offer customers of the Arlington dispensary a full complement of products as Calyx Peak of MA's Worcester cultivation will be completing its first harvest just before the Arlington dispensary becomes operational. The Worcester cultivation will be CPC's fourth cultivation facility in the US. Not only does CPC have experience in building high-tech indoor cultivations, but we also plan to grow our award-winning strains branded under the names Josh D (primarily focused on adult-use) and Song (primarily focused on wellness). This has already been a successful strategy in California and Ohio for CPC, garnering the company positive feedback and leading to above average market share gains.

Figure 4.8. Products to be offered by Calyx Peak of MA

Category	Products
Dried Flower	1/8 oz, 1/4 oz, 1/2 oz, and 1 oz packages of sativa, indica, and hybrid strains; pre-rolls in various package sizes
Infused products	cones, shatter, kief, distillate, vape pens, tanks/cartridges, tinctures, oil, edibles, beverages

However, the Arlington dispensary will not exclusively carry CPC brands; we plan to offer a wide array of products and brands. In terms of flower, we will carry 12 to 15 different strains, with varying price points. We will also carry pre-rolls that complement the strain library. In terms of infused products, we plan to carry our own brands as well as third-party brands. Similar to other markets, we expect consumer demand to be focused around vapes, oil, distillate, and edibles. To ensure consumer safety, we will obtain testing results of the products as well as examine the track record of products when possible.

In terms of inventory management, we plan to use the METRC seed to sale tracking system (or a similar state-approved system) at our cultivation and retail operations. CPC is very familiar with this system as we employ it in California, Nevada, and Ohio. We also plan to only work with third party suppliers that use a seed to sale tracking system and that use reputable state-approved testing labs. This will ensure best practices to track product through the system and help to ensure safety for consumers in case of recall or other incidents.

Our intention is to make our products accessible to all consumers who require them. To that end, we will not price our products at a premium over other retail marijuana establishments in Massachusetts. As Calyx Peak of MA intends to be a vertically-integrated operation in Massachusetts, the Arlington dispensary will be able to provide a wide array of products to consumers at accessible prices. The other benefit of being a vertical operation is that we can control the amount of inventory at the retail level. The maximum inventory we plan to stock at the retail level would be no more than two weeks' worth of sales of any product. As we monitor inventory through the seed to sale system daily we would identify

Calyx Peak of MA, Inc.

which inventory is moving slowly and could take action through promotions to move the inventory more swiftly.

As a retail operation, the number of customers that visit the Arlington dispensary and the number of transactions conducted per day will determine the success of the dispensary. However, unlike traditional retail businesses, there are restrictions in how Calyx Peak of MA will be able to advertise and market its services. Calyx Peak of MA fully intends to comply with state and local regulations surrounding advertising for a marijuana retailer. In order to promote what we believe will be the most robust and diverse selection of safe marijuana products, we plan to conduct customer appreciation days supported by our own brands as well as third-party brands, conduct education sessions for new consumers on site, hold various promotions for new consumers, and advertise on platforms allowed by the CCC and local regulations. It is our hope that a rich customer experience will result in word-of-mouth recommendations for the dispensary that will help drive traffic numbers above the all-important 200 transactions per day level.

Team

Calyx Peak of MA has assembled a world-class team of executives and experts to oversee the construction of the facility, bring product to market, and create a strong brand image.

Ed Schmults – CEO

Ed has over 30 years of experience in global branded consumer products, omnichannel retail, product development, finance, operations, IT, and green and socially responsible businesses. He is the CEO of both Calyx Peak of MA and CPC, the national cannabis company. He has leadership experience at some of the world's best-known omnichannel consumer brands, including CEO roles at FAO Schwarz and Wild Things Gear, and COO roles at Patagonia and Red Envelope, where product quality and customer experience drive the brands' success. In addition, Ed has strong operational experience having set up and improved warehouse, logistics, and technology infrastructure at five different companies. Ed began his career in investment banking at Goldman, Sachs & Company. Ed is also on the board of Vera Bradley (Nasdaq: VRA) and Board of Advisors of First Insight. Prior to his retail experience, Ed spent time in corporate finance and M&A at Goldman Sachs. Ed holds an MBA from Harvard Business School and a BA in Economics and Political Science from Yale University.

Hyong-gue Michael Bang – CFO

Michael has over 20 years of experience as a global financial expert and was last at Goldman Sachs as Managing Director of Technology Research. Michael is the CFO of Calyx Peak of MA and the CIO of CPC. He has worked on financial analysis, competitive analysis, and managed clients with total annual revenues of \$400BN. During his time in Korea, Michael also worked with the Korean Broadcasting Commission as an informal consultant on new CATV home shopping regulations and often provided feedback to the Korean Ministry of Commerce, Industry, and Energy on how to improve the operating environment for small and medium-sized businesses. In addition, Michael is principal and founder of a commercial real estate company in Ontario, Canada. Michael received his BA with Honors in Economics from Queen's University in Kingston, Ontario, Canada.

Dr. Paul Song – Chief Medical Officer

Dr. Song is a 20-year physician radiation oncologist. He is the CMO of both Calyx Peak of MA and CPC, as well as the President and CMO of CPC Compassion, a medical cannabis dispensary forthcoming in Santa Monica, CA. He has served as Chief Medical Officer (CMO) to ATGen Global and NKMax since 2014,

overseeing and providing clinical and regulatory support into the major aspects of clinical trials and investigational applications at this prominent biotech company. Dr. Paul previously acted as CMO for Cynvenio Biosystems in Thousand Oaks from 2015 to 2017, overseeing the application of Cynvenio's technology into daily clinical practice as well as directing clinical trials. In 2013, Dr. Paul was the first Visiting Fellow on health policy with the California Department of Insurance. He has also held numerous roles with increasing seniority at Berg Health. He was formerly Executive Chairman of the Courage Campaign, a progressive organization of 1,200,000 members. He is a board member of Physicians for a National Health Program and President of its California chapter. He held a position at the Cedars-Sinai Medical Center Radiation Oncology department. Dr. Paul completed his residency in Radiation Oncology from the University of Chicago Medical Center; completed a brachytherapy fellowship at the Institut Gustave Roussy in Villejuif, France; received an MD from the George Washington School of Medicine and Health Sciences; and earned a BA with honors in Biological Sciences from the University of Chicago.

Mark Niedermeyer – Director of Operations and Community Outreach

Currently, Mark serves as the East Coast Director of Sales for Overseas Food Distribution, a 35-year old company that distributes world-class products to food markets in the U.S. and Canada. He focuses on developing business opportunities, expanding product lines, and planning and executing presentations for store accounts and major food shows throughout the region. Mark previously served as Vice President of Institutional Sales Trading for Knight Capital Group, a highly regulated securities industry located in the greater Boston area. In this position, he was instrumental in bringing in new business to a highly saturated market, as well as servicing institutional accounts based in London and the U.S., trading domestic equities and American Depositary Receipts. Mark has also worked in logistics and delivery services for Winston Flowers of Massachusetts, the largest flower distributor/retailer in the U.S. In this position, he oversaw 40 full-time drivers/delivery trucks in a deadline-oriented workflow and was responsible for the execution and delivery of 400-500 orders per day. Mark has a background in non-profit organizations and is associated with multiple non-profit organizations such as Boston Gives, The Light Foundation, and other organizations that benefit the communities of Massachusetts. He has a BA in English Language and Literature from Boston College. Mark will take on a full-time day-to-day role at Calyx Peak of MA to execute the company's Community Outreach and Mission Statement.

Financial plan

Calyx Peak of MA expects to begin commercial operations at the Arlington retail marijuana establishment in 2Q20 based on the estimate the Town of Arlington has provided that at least 9-12 months are required to obtain all necessary government licenses and permits. The two key metrics for the Arlington dispensary to reach a net profit will be the number of customers visiting per day (or number of transactions) and the average purchase price per transaction. Based on market data from other established markets, early data released by the CCC, and CPC's experience with retail marijuana operations, we expect an average transaction price (before tax) in the \$85 range and approximately 100 customers per day to start. For the Arlington retail marijuana establishment, the breakeven level of customers per day is expected around the 215 level which we expect to reach in January 2021, about eight months after opening.

Therefore, we expect the Arlington retail marijuana establishment to be cash flow positive (defined as cash flow from operations before CAPEX, debt repayment, and dividends) from 1Q21. However, the retail marijuana establishment will be well-capitalized enough to endure this growing period and be

ready to begin repaying debt as soon as it is operational. We expect the \$2.5MN loan from CPC to be repaid according to a four-year schedule.

The Arlington retail marijuana establishment is expected to generate net revenue of \$2.9MN in 2020 and then grow by 28.2% annually and generate \$7.9MN in 2024. EBITDA is expected to reach \$0.1MN in 2020 and then grow by 98.7% annually to reach \$2.0MN in 2024. As a result, the expected net loss of \$0.5MN in 2020 should improve to a net profit of \$0.9MN in 2024. Please refer to Figures 4.9, 4.10, and 4.11 for annual income statement, balance sheet, and cash flow summaries.

The largest risk factor to our assumptions outside of government policies is competition from other retail marijuana establishments. As of end April 2019, there was only one medical dispensary in Arlington and only two other dispensaries (Revolutionary Clinics in North Cambridge and Sira Naturals in West Somerville) within a reasonable (3 mile) distance. However, the number of retail marijuana establishments will increase. We expect at least three retail marijuana establishments in Arlington alone by early 2020. In addition, according to the Cannabis Control Commission there were 34 marijuana license applications from Middlesex County. While it is difficult to determine how many retail marijuana establishment licenses will be granted it is safe to say that the number of dispensaries in the greater Arlington area will be greater than the three currently in operation.

Therefore, in order to stand out among the many dispensaries, Calyx Peak of MA plans to focus on:

- 1) Supplying high-quality safe consistent product;
- 2) Best in class customer experience; and
- 3) Competitive pricing.

We believe that we can achieve these goals as we will be supplying product from award winning cultivation and extraction strains and practices. In addition, our retail staff will be highly trained to interact with customers, including first-time consumers, as well as knowledgeable regarding cannabis products, methods of administration, and precautions concerning their use. It is our belief that a value-added customer experience combined with competitive pricing will result in repeat customer visits as well as attracting new customers. This should allow for the Calyx Peak of MA Arlington retail marijuana establishment to be successful long term and to become one of the most competitive retail marijuana facilities in Middlesex County.

Figure 4.9. Income Statement

(US\$)	2019	2020	2021	2022	2023	2024
Gross revenue	0.00	3,430,364.19	6,682,824.56	7,661,655.25	8,477,260.39	9,269,725.23
Average patients per day	N/A	114	227	268	306	345
Average spend per patient	N/A	82.59	80.62	78.23	75.92	73.68
Net revenue	0.00	2,931,935.20	5,711,815.86	6,548,423.29	7,245,521.70	7,922,842.08
COGS	0.00	1,893,868.98	3,421,465.38	3,827,628.65	4,168,936.35	4,517,119.50
Depreciation	0.00	148,333.33	180,833.33	139,166.67	118,333.33	102,708.33
Raw materials for resale	0.00	1,465,967.60	2,855,907.93	3,274,211.64	3,622,760.85	3,961,421.04
Local tax	0.00	85,396.17	166,363.57	190,730.78	211,034.61	230,762.39
Labor and payroll expenses	0.00	156,171.88	169,685.55	173,927.69	178,275.88	182,732.77
Others	0.00	38,000.00	48,675.00	49,591.88	38,531.67	39,494.96
Gross profit	0.00	1,038,066.22	2,290,350.48	2,720,794.64	3,076,585.36	3,405,722.58
margin (%)	N/A	35.4	40.1	41.5	42.5	43.0
SG&A expenses	136,666.67	1,055,386.38	1,208,251.26	1,306,951.17	1,391,048.65	1,464,853.72
Labor and payroll expenses	0.00	431,380.21	657,412.11	719,993.25	770,797.76	811,109.37
Sales, marketing, & distribution expenses	0.00	271,256.17	142,795.40	163,710.58	181,138.04	198,071.05
Security-related	0.00	120,000.00	186,750.00	196,087.50	205,891.88	216,186.47
Rent	116,666.67	203,750.00	208,843.75	214,064.84	219,416.46	224,901.88
Others	20,000.00	29,000.00	12,450.00	13,095.00	13,804.50	14,584.95
Operating profit	-136,666.67	-17,320.16	1,082,099.23	1,413,843.47	1,685,536.71	1,940,868.85
margin (%)	N/A	-0.6	18.9	21.6	23.3	24.5
Pre-tax profit	-143,866.67	-218,083.14	871,931.93	1,270,876.35	1,618,668.14	1,937,194.93
margin (%)	N/A	-7.4	15.3	19.4	22.3	24.5
Tax paid (280E reflected)	0.00	306,568.67	687,105.14	816,238.39	922,975.61	1,021,716.77
Net profit	-143,866.67	-524,651.81	184,826.79	454,637.96	695,692.54	915,478.16
margin (%)	N/A	-17.9	3.2	6.9	9.6	11.6

Source: Calyx Peak Companies, Arcview, Commonwealth of Massachusetts

Figure 4.10. Balance Sheet

(US\$, year to December)	2019	2020	2021	2022	2023	2024
Balance sheet						
Cash & equivalents	46,133.33	98,337.47	48,239.35	55,425.63	109,743.26	943,723.26
Inventory	0.00	114,182.86	126,093.02	144,842.63	158,382.69	171,903.53
Total short term assets	46,133.33	230,200.70	193,665.53	222,696.06	292,650.33	1,142,443.73
Plant, property & equipment	0.00	1,076,666.67	895,833.33	756,666.67	638,333.33	535,625.00
Total long term assets	0.00	1,076,666.67	895,833.33	756,666.67	638,333.33	535,625.00
Total Assets	46,133.33	1,306,867.37	1,089,498.86	979,362.73	930,983.66	1,678,068.73
Trade payables	0.00	56,667.84	61,965.22	71,883.98	78,603.78	85,951.76
Short term debt	180,000.00	0.00	100,000.00	100,000.00	0.00	0.00
Total short term liabilities	180,000.00	56,667.84	161,965.22	171,883.98	78,603.78	85,951.76
Long term debt	0.00	1,908,718.00	1,401,225.33	826,532.48	175,741.07	0.00
Total long term liabilities	0.00	1,908,718.00	1,401,225.33	826,532.48	175,741.07	0.00
Total liabilities	180,000.00	1,965,385.84	1,563,190.55	998,416.46	254,344.86	85,951.76
Total shareholders' equity	-133,866.67	-658,518.47	-473,691.69	-19,053.73	676,638.81	1,592,116.97

Source: Calyx Peak Companies, Arcview, Commonwealth of Massachusetts

Figure 4.11. Cashflow Statement

(US\$)	2019	2020	2021	2022	2023	2024
Cash flow from operations						
Net income	-143,866.67	-524,651.81	184,826.79	454,637.96	695,692.54	915,478.16
Depreciation & Amortization	0.00	148,333.33	180,833.33	139,166.67	118,333.33	102,708.33
Change in Working capital	0.00	-75,195.39	-8,265.56	-11,925.49	-8,916.84	-8,465.42
Trade rec	0.00	-17,680.37	-1,652.78	-3,094.65	-2,096.58	-2,292.57
Inventory	0.00	-114,182.86	-11,910.16	-18,749.60	-13,540.07	-13,520.83
Trade payables	0.00	56,667.84	5,297.38	9,918.76	6,719.80	7,347.98
Other non-cash items from ops	0.00	0.00	0.00	0.00	0.00	0.00
Total cash flow from operations	-143,866.67	-451,513.86	357,394.56	581,879.13	805,109.03	1,009,721.07
Cash flow from investments						
Capex	0.00	-1,225,000.00	0.00	0.00	0.00	0.00
Other cash flow from investments	0.00	0.00	0.00	0.00	0.00	0.00
Total cash flow from investments	0.00	-1,225,000.00	0.00	0.00	0.00	0.00
Cash flow from financing						
Change in debt	0.00	1,908,718.00	-507,492.68	-574,692.85	-650,791.40	-175,741.07
Common equity	10,000.00	0.00	0.00	0.00	0.00	0.00
Dividend paid	0.00	0.00	0.00	0.00	0.00	0.00
Other cash flow from financing	0.00	0.00	0.00	0.00	0.00	0.00
Total cash flow from financing	190,000.00	1,728,718.00	-407,492.68	-574,692.85	-750,791.40	-175,741.07
Net change in cash	46,133.33	52,204.14	-50,098.12	7,186.28	54,317.62	833,980.00

Source: Calyx Peak Companies, Arcview, Commonwealth of Massachusetts

Calyx Peak of MA, Inc.

5. *Describe your employee training process and plan to ensure regulatory compliance. If available, provide copies of any employee training manuals or policies to employ or plan to employ.*

Employee Training Process

Pursuant to 935 CMR 500.105(2)(a), Calyx Peak of MA, Inc. will ensure that all dispensary agents complete training prior to performing job functions. Training will be tailored to the role and responsibilities of the job function. Dispensary agents will be trained for one week before acting as a dispensary agent. At a minimum, all staff shall receive eight hours of on-going training annually. New dispensary agents will also receive employee orientation prior to beginning work with Calyx Peak of MA. Dispensary Managers will be responsible for providing orientation for dispensary agents assigned to their departments. Orientation will include a summary overview of all the training modules.

In accordance with 935 CMR 500.105(2), all current owners, managers and employees of Calyx Peak of MA who are involved in the handling and sale of marijuana will successfully complete the Responsible Vendor Training Program, which qualifies the employee to be designated as a "responsible vendor." All new employees involved in handling and sale of marijuana will be required to complete this program within 90 days of hire. This program shall then be completed annually; those not selling or handling marijuana may participate voluntarily. Calyx Peak of MA will maintain records of responsible vendor training compliance, pursuant to 935 CMR 500.105(2)(b). Responsible vendor training shall include: discussion concerning marijuana's effect on the human body; diversion prevention; compliance with tracking requirements; identifying acceptable forms of ID, including medical patient cards; and key state and local laws.

All employees will be registered as agents, in accordance with 935 CMR 500.030. All Calyx Peak of MA employees will be duly registered as marijuana establishment agents and complete a background check in accordance with 935 CMR 500.030(1). All registered agents of Calyx Peak of MA shall meet suitability standards as outlined by 935 CMR 500.800.

Training will be recorded and retained in dispensary agents' files. Training records will be retained by Calyx Peak of MA for at least one year after an agent's termination. Dispensary agents will undergo continuous quality training and a minimum of eight hours of annual on-going training.

Plan to Ensure Regulatory Compliance

Calyx Peak of MA will ensure regulatory compliance through a multi-pronged approach:

- Employee training
- Facility compliance officer management
- Corporate compliance support team oversight
- Legal advisor counsel

Calyx Peak's of MA is part of Calyx Peak Companies (CPC), a multi-state cannabis operator. CPC owns and operates licensed cannabis companies in California, Ohio, and Nevada, and has never had a citation for a compliance issue from a cannabis regulatory agency. As indicated below, CPC will provide additional guidance and materials to ensure that Calyx Peak of MA maintains regulatory compliance.

Employee Training

As noted above, all dispensary agents will receive extensive initial and annual training, including modules on key state and local laws. The training approach, as implemented in other CPC operations, is to instill a culture of compliance, in which the ethos "Compliance is everyone's job" is integrated. Attached is a copy of a standard CPC training module.

During the training process, employees will learn how to report issues without fear of recourse. CPC is in the process of implementing an anonymous reporting mechanism. CPC also offers human resources support that includes advice and guidance to ensure the workplace is free of retaliatory practices.

Facility Compliance Officer

Every CPC facility has a Compliance Officer in charge of compliance for that facility: Duties include managing license renewals, monitoring changes to the regulations throughout the state, overseeing the updating and implementation of standard operating procedures, and periodically auditing the facility to ensure continuous compliance and preparation for any official inspections. In some cases, a single Compliance Officer will be assigned to monitor multiple retail facilities within the same jurisdiction.

Compliance officers report directly to the CPC Director of Regulatory Compliance, and not to the facility's internal management. This outside reporting structure contributes to the facility's accountability, allowing CPC to oversee and intervene in the event of compliance concerns.

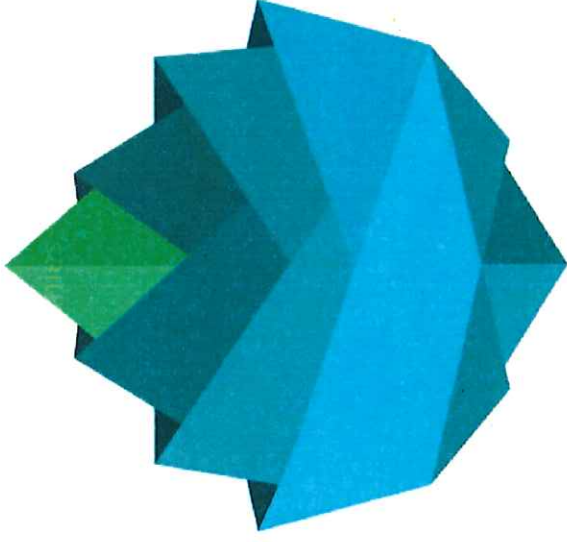
Corporate Compliance Support Team

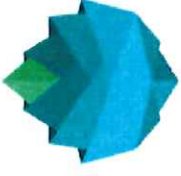
CPC maintains a compliance team under the Director of Regulatory Compliance. This compliance team offers support to all CPC operations, with team members who are independent of specific facilities. These team members are instrumental in supporting license renewals, conducting independent site compliance audits, and otherwise providing additional resources in the event of a compliance issue or concern. The compliance team also works with each facility to customize standard operating procedures that are consistent with applicable state regulations and that incorporate industry best practices. In the event of a gap between Facility Compliance Officers, the CPC compliance team is also available to provide interim support and guidance.

Legal Advisors

CPC works closely with attorneys in order to ensure continuous regulatory compliance of all CPC facilities. CPC already works with local Massachusetts law firms, including Lynch Associates, Inc and Smith, Costello & Crawford. In the event that a question regarding regulatory interpretation arises, CPC's Compliance Officer will work with the appropriate attorney to resolve the concern. CPC's compliance team has found that setting up these partnerships early facilitates rapid responses in the event of compliance concerns or regulatory questions later on.

Calyx Peak Companies Compliance





Basic terms and approach

Conforming to specifications, policies, and standards as set forth by cannabis-regulatory agencies, as well as other applicable city, state, and federal bodies

Calyx Peak Companies approach:

- "Compliance is Everybody's Job"
- "If You See Something, Say Something"



Why is Compliance Important ?

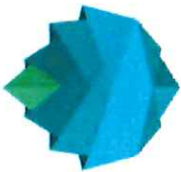
To protect our employees, our customers, and the public at large

Compliance = Success and Competitive Edge

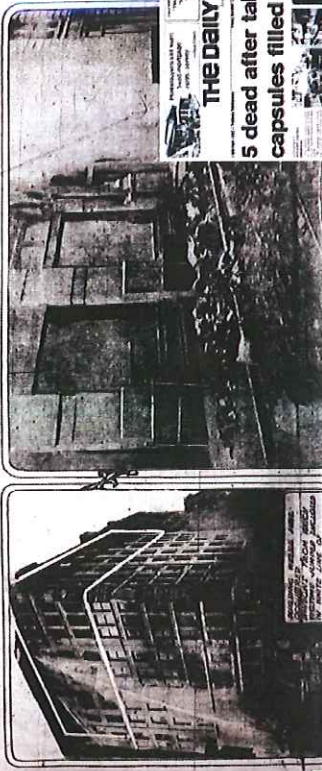
We have complex operations = complex sets of rules to follow, regulated by multiple agencies

Protecting our Customers, the Public, and Ourselves

Calyx Peak Companies



The Four Ts: Thalidomide, Tylenol
Murders, Triangle Factory
Fires...and Take-out



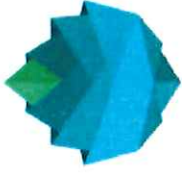
***E. coli 0157:H7
kills more than one
victim each day.
WHO IS NEXT?***



Cannabis Industry Specific

Feb 2019: Aurora Cannabis recalled 2,180 units of cannabis product sold between Dec. 14, 2018 and Jan. 28, 2019, in Alberta and Quebec. Incorrect labels.

CannTrust recalled approximately 714 units of Liiv THC cannabis oil; Bonify recalled approximately 5,883 units of product on Dec. 24 due to labeling errors and record-keeping issues with production documents



Calyx Peak Companies

Cannabis Industry Continued....

2018 Bloom Brand (CA): Vape cartridge manufacturer recalled 4 products due to batch contamination with pesticides; the product made it all the way to market.

Sequoia Lab (Sacramento, CA)— Faked test results, license revoked, shut down, criminal prosecution pending.

Future2 Health Labs (Fremont, CA): Propane ignition from cannabis extraction operation caused an explosion, badly burning and hospitalizing an employee; 10 Cal-OSHA violations, >\$50K in fines.

Sweet Leaf Case (Colorado): Decision to allow "looping" resulted in owners being sentenced to 1 year in prison; \$21M in asset forfeiture; budtenders also charged.



Advice from Colorado (5 years on)

Brian Vicente: "Running a marijuana business is all about compliance, compliance, compliance. It's crucial for these new businesses to understand and follow the law to a T."

Rachel Gillette: "Take compliance seriously. Substantial compliance is not enough; strict compliance with the laws and regulations should be the standard. Until the regulatory environment relaxes a bit, and cannabis is no longer stigmatized, it's important for business owners to understand they are under the microscope. Strict compliance includes not only regulatory compliance with the rules but compliance with other laws, including tax laws, employment laws, federal worker protection standards, food safety laws, to name a few."

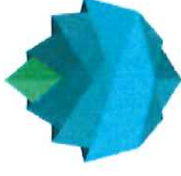


Regulation and Enforcement

We are making food and drugs; eventually our industry will be regulated by the FDA. Right now, still federally illegal.

Until that time, cannabis is licensed and regulated by state agencies. Absolute adherence to state regulations is required in order to provide the maximum protection available from federal enforcement.

Focus on shutting down illegal operators

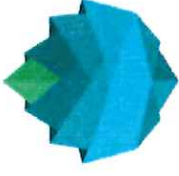


Calyx Peak Companies

Calyx Peak Companies Policies

Our company strictly prohibits the following conduct related to drugs and alcohol:

- Entering the Company's premises with alcohol or controlled substances (including employee's own marijuana regardless of prescription).
- Use of alcohol or use, possession, manufacture, distribution, or sale of controlled substances and/or illegal drugs (including marijuana regardless of prescription) *off the Company's premises* that might negatively affect the employee's work performance, his or her safety, the safety of others, or the Company's reputation in the community or with its clients.
- Diversion is a fireable offense.

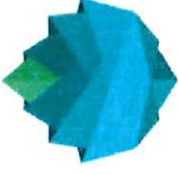


Take away messages

What should you do if you have questions about compliance? Email your direct supervisor, or Director of Regulatory Affairs/Compliance immediately.

It is better to ask permission than beg forgiveness. Asking will not put your employment in jeopardy. If in doubt, ask!

If something happens that you are not sure was compliant, it's MUCH better to tell us; the company would much rather find out from you vs. being contacted by a state agency.



Other helpful resources

For anyone in physical possession of cannabis, it is important to be prepared for an encounter with law enforcement: This website is highly recommended reading: https://www.safeaccessnow.org/knowing_your_rights

If you are a personal consumer of cannabis, it's important to understand the law regarding maximum purchase and carry limits, and safe use: Go to "[Let's Talk Cannabis](#)" to learn about legal possession limits, driving across state lines with cannabis, etc.



Calyx Peak of MA, Inc.

6. *Provide a preliminary security plan identifying your priority security concerns and any site-specific security issues and proposed means of addressing them (please attach your full preliminary plan).*

Security Plan

Calyx Peak of MA, Inc.'s security plan is to protect the premises, provide a safe environment for patients, caregivers, staff, visitors and the general public, and to deter and prevent theft and diversion of product. Calyx Peak of MA recognizes and prepares for both internal and external security threats; all employees will complete security training. Security plans will be reviewed and amended as needed. Violation of security policies by Calyx Peak of MA agents and employees is grounds for immediate dismissal.

The proposed facility in the Town of Arlington is a stand-alone building in a tidy neighborhood. As such, there are no out of the ordinary security concerns, but rather the concerns typical of any marijuana retailer regarding secure storage of product, secure receipt of wholesale product, concerns regarding unauthorized entrance and theft, and potential for product diversion.

As a former pizza parlor, the facility has no existing secure room for marijuana products. Calyx Peak of MA will build out this secure area during construction of the facility. Depending on final security assessment and architecture review, this will include creation of a vault room or a selection of secure safes.

The building does not have an interior garage or sally port that can be used for secure product receipt. Calyx Peak of MA will evaluate the possibility of installing a secure, enclosed area with a roll-up door that delivery vehicles could back or partially back into, in order to reduce visibility of product unloading. This option will rely on permitting approval and engineering solutions. In any event, deliveries will take place at the back entrance, where the facility's dedicated parking spaces are located. During all deliveries, Calyx Peak of MA will have security monitor the surrounding area. Product will be unloaded quickly and moved into an internal room where the delivery can be reviewed against the manifest in the presence of the delivery driver. The delivery vehicle will be attended and the parking area monitored throughout the delivery process.

Calyx Peak of MA will work with the Town of Arlington's Police Department to implement a comprehensive diversion prevention plan to prevent diversion, such plan to be in place prior to the sales commencement date. Such plan will include, but is not limited to,

- Training employees to be aware of, observe, and report any unusual behavior in customers or Calyx Peak of MA's marijuana establishment employees that may indicate the potential for diversion;
- Strictly adhering to CCC Regulations as to certification amounts and time periods;
- Rigorous customer identification and verification procedures required by the CCC; and
- Utilizing seed-to-sale tracking software to closely track all inventory.

Pursuant to 935 CMR 500.110(1)(a)-(o), Calyx Peak of MA will implement sufficient safety measures to prevent unauthorized entrance into the Calyx Peak of MA facility and theft of marijuana from occurring. These security measures include, but are not limited to: properly identifying individuals entering the Calyx Peak of MA facility to limit access to those 21 years or older; preventing loitering; properly disposing of marijuana products; securing entrances and establishing limited access areas for authorized personnel; ensuring proper storage of marijuana and marijuana products; keeping locks in good condition and preventing keys to said locks from being accessible to unauthorized individuals; ensuring proper lighting of the exterior of the Calyx Peak of MA facility; keeping marijuana products out of plain sight; developing emergency procedures; and sharing Calyx Peak of MA's security plan and procedures and relevant updates with law enforcement and fire services. If Calyx Peak of MA identifies alternate security provisions that might be regarded as adequate substitutes for any security requirements, Calyx Peak of MA will submit a request for acceptance of these provisions pursuant to 935 CMR 500.110(2).

Calyx Peak of MA will have limited access areas identified with clear signage designating the access point for authorized personnel only, pursuant to 935 CMR 500.110(4). Identification badges will be required to be worn at all times by Calyx Peak of MA employees while at the facility or engaged in transportation. All outside vendors, contractors and visitors shall be required to wear visitor badges prior to entering limited access areas and shall be displayed at all times. Visitors shall be logged in and be escorted while at the Calyx Peak of MA facility.

In accordance with 935 CMR 500.110(5), Calyx Peak of MA will have a security system to prevent and detect diversion, theft or loss of marijuana. Pursuant to 935 CMR 500.110(5)(a)-(f), Calyx Peak of MA's security system shall include, but is not limited to: perimeter alarms; failure notification system; duress alarm; video cameras in all areas containing marijuana; 24-hour recordings that are retained for at least 90 days, contain a date and time stamp and can be exported as still images; and the ability to remain operational during power outages. Additionally, the security system will be maintained in secure locations with a back-up alarm system provided by a company different than that provided by our primary system. Access to said systems will be limited to personnel essential to security operations, law enforcement, the security company and the Commission. All equipment shall be in good working order at all times.

Any incident occurring at the Calyx Peak of MA facility that is a breach of security shall be immediately reported within 24 hours to law enforcement and the Commission, pursuant to 935 CMR 500.110(7). Breaches include, but are not limited to: discovery of discrepancies of inventory; diversion, theft or loss of product; criminal action involving the Calyx Peak of MA facility; unauthorized destruction of marijuana or suspicious acts involving said marijuana; loss or alteration of records; and alarm activation or failure of the security system. Incident reports shall be submitted to the Commission within 10 days of the occurrence of the act and documentation of the incident will be maintained for at least one year or throughout the duration of any related investigation.

Calyx Peak of MA, Inc.

Calyx Peak of MA will annually obtain a security system audit by a vendor approved by the Commission and at Calyx Peak of MA's expense, pursuant to 935 CMR 500.100(8). Calyx Peak of MA will submit said report within 30 days after the audit is completed and, if areas of concerns are identified, Calyx Peak of MA will submit a mitigation plan to address the issue.

Calyx Peak of MA will additionally file a satisfactory security and emergency response plan with the Town of Arlington's Police Chief and Fire Chief which includes:

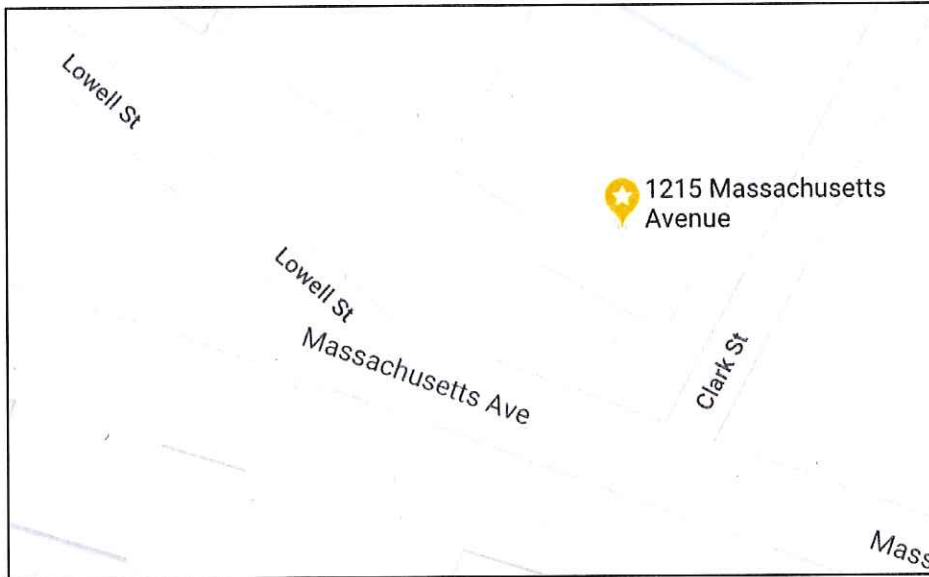
- A description of the location and operation of the security system, including the location of the central control on the premises;
- A schematic of security zones;
- The name of the security alarm company and monitoring company, if any;
- A floor plan or layout of the facility identifying all areas within the facility and grounds, including support systems and the internal and external access routes;
- The location and inventory of emergency response equipment and the contact information of the emergency response coordinator for the marijuana establishment;
- The location of any hazardous substances and a description of any public health or safety hazards present on site;
- A description of any special equipment needed to respond to an emergency at the cannabis establishment;
- An evacuation plan;
- Any other information relating to emergency response as requested by the Arlington Fire Department or the Arlington Police Department; and
- The location of security cameras within and outside of the marijuana establishments.

Calyx Peak of MA, Inc.

7. *Provide a preliminary traffic and parking plan demonstrating basic feasibility of the site and/or intended traffic and parking mitigation strategies (please attach your full preliminary plan).*

Preliminary Traffic and Parking Plan

The proposed site at 1215 Massachusetts Avenue has six dedicated off-street parking spaces. In addition, the site is on a corner near a unique intersection where Lowell St diverges at an angle from Massachusetts Ave (see image below).



This slight angle affords more nearby street parking, on both Lowell St and Massachusetts Ave. There are no adjacent commercial properties that will compete for this street parking.

Calyx Peak of MA does not anticipate issues with traffic or parking. In the event of a high volume of customers, Calyx Peak of MA will implement expediting procedures that will facilitate quick turnover and reduce the likelihood of parking issues or spillover into the street. These procedures will include a measure for taking express orders from customers in line who have already made purchasing decisions and don't require additional help from a retail employee, thus allowing those orders to be filled quickly.

10. Describe the number and type of jobs expected to be created by your business in Arlington, and how you will attract a local workforce that is also reflects Arlington's commitment to diversity.

Hiring Plan

As detailed in Figure 10.1 below, we expect the Arlington dispensary will provide about 18 full time positions with a total annual payroll of about \$800,000 once fully operational. Calyx Peak of MA also plans to provide employee benefits including health insurance.

Figure 10.1. Payroll and headcount

	Head Count	Salary
Head of Operations	1	\$85,000
Compliance Officer	1	\$45,000
Medical Advisor	1	\$70,000
Shift Manager	1	\$50,000
Retail Staff	8	\$40,000
Administrative/Bookkeeper	1	\$30,000
Administrative staff	1	\$30,000
Maintenance staff	1	\$35,000
Security	3	\$60,000

Source: Calyx Peak Companies (CPC)

Calyx Peak of MA plans to hire locally whenever possible.

To the extent that such a practice and its implementation are consistent with federal and state laws and regulations, Calyx Peak of MA plans to hire locally whenever possible. This will require the company to work in a good faith, legal and nondiscriminatory manner to give reasonable preference to qualified Arlington residents. Calyx Peak of MA will also endeavor in a good faith, legal and non-discriminatory manner to use local vendors and suppliers where possible.

We are a part of Calyx Peak Companies (CPC), which has proven at its facilities across the nation that it prioritizes local hires. For example, at the CPC Ohio cultivation and extraction facility, 35 of 36 employees are local hires. The one person who is not a local hire (the head extractor) was brought in because no one in the area had the necessary experience or expertise for the position.

Additionally, we strongly believe that our staff should reflect the community. The Calyx Peak of MA executive team includes two Asian individuals, who make up half the leadership team. CPC's leadership nationally also has a strong representation of women in leadership positions. If possible, we will work with local groups, such as the Arlington MA Diversity Task Group, to promote diversity in our team.

In order to achieve our goals, we will advertise for positions locally. By offering competitive salaries with benefits to all employees as well as appropriate job training, we anticipate that we will achieve our goals to hire a diverse, local workforce.

- 11. Describe how your business will support the unique character of your site location's neighborhood, as well as the Town's overall character, history, and culture.*

Business Vision & Neighborhood Compatibility

The proposed facility at 1215 Massachusetts Ave, Arlington, MA, is a former pizza parlor situated on a quiet corner of Arlington Heights. While under its prior use the facility had a conspicuous awning and bright neon signs, Calyx Peak of MA proposes to renovate the storefront and landscape the surrounding area. We will also clean up the back patio to make it more visually appealing.

In keeping with the aesthetics of Calyx Peak Companies ("CPC"),¹ we intend to create an updated architectural presence. Our CEO, Ed Schmults, likens this to offering the storefront as a "gift to the street"—the result of a process of evaluating the environs and the facility in order to come up with a façade that enhances the street. Our intention is to propose a storefront in keeping with the tone of Arlington Heights that also reflects our quality and the elegance of our brand, that tastefully attracts customers.

In any event, Calyx Peak of MA will ensure that any proposed designs or changes are in line with the Town of Arlington Environmental Design Review (EDR) standards.

In particular, Calyx Peak of MA will:

- Preserve the landscape, through improvements that are in line with aspirational standards in the area;
- Consider the relation of the building to the environment in all proposed renovations;
- Monitor traffic, parking, and pedestrian patterns to ensure the facility does not negatively impact circulation;
- Work with appropriate professionals to ensure no renovations have a negative impact on surface water drainage, if applicable;
- Abide by all applicable restrictions and regulations on advertising features; and
- Carefully plan and work with the Town of Arlington's Police and Fire Departments to ensure the safety of the premises and its patrons and staff.

¹ As detailed elsewhere in this application, our parent company is a part of Calyx Peak Companies ("CPC"). Most of the executive team of Calyx Peak of MA Inc. also hold leadership roles with CPC.

Section 5. Zoning Compliance

HCA Applicants are reminded that the Arlington Zoning Bylaw permits marijuana business only in those districts set forth in tables 5.5.3 and 5.6.3 subject to special permit requirements and review, and further by default do not permit marijuana establishments within 500 feet of k-12 schools, within 300 feet of Town playgrounds and recreational facilities, and/or within 200 feet of a public library.²

HCA applicants must certify that the site described in Section 4, to the best of their knowledge complies with sections 5.5.3, 5.6.4, and 8.3 of the Arlington Zoning Bylaw with respect to siting restrictions.


I Edward Schmults, owner or duly authorized agent of Calyx Peak of MA, Inc (legal name of Applicant, hereby certify that:

☒ The proposed site of the Marijuana Establishment as described in this application is within an allowable Zoning District for my intended use.

☒ The proposed site of the Marijuana Establishment as described in this application is **not within:**

- 500 feet of a k-12 public or private school;
- 300 feet of Town of Arlington playgrounds or recreational facilities; and/or
- 200 feet of a Town of Arlington public library.*

**If a proposed site is within one of the buffer zones set forth in the Zoning Bylaw, applicants must provide a clear statement providing substantial evidence that an exception (which is purely within the discretion Arlington Redevelopment Board) is feasible due to site-specific conditions.*

Owner Signature:  Date: May 2, 2019

Print Name: Edward Schmults

Title (Owner, Present, Agent, Etc.): CEO

Email: ed.schmults@calyxpeak.com Phone: 646-209-4533

² Marijuana Establishments are also not permitted within 2,000 feet of another like establishment. The Arlington Redevelopment Board may, but is not required to grant relief from buffer zone requirements as set forth in section 8.3.B.2 of the Zoning Bylaw.

Calyx Peak of MA, Inc

Section 6. Local & State Regulatory Compliance Information:

Each individual (e.g. partner, trustee, manager) with a 10% or greater ownership stake in the business must complete a separate copy of this form.

Calyx Peak of MA, Inc. has the following ownership above 10%:

- Mark Niedermeyer (10%)
- CPC-CPOG 2017 LLC (80.01%)

The next pages include a copy of the Section 6 form for each of these owners.

Section 6. Local & State Regulatory Compliance Information:

Each individual (e.g. partner, trustee, manager) with a 10% or greater ownership stake in the business must complete a separate copy of this form.

Owner's Name: Mark Niedermeyer Ownership Stake (%) 10%

1. Has the Owner ever obtained a marijuana related license in any jurisdiction? ☐ Yes ☒ No

If yes, explain: _____

2. Has the Owner ever had any type of license denied, revoked or Suspended in any jurisdiction? ☐ Yes ☒ No

If yes, explain: _____

3. Has the Owner ever received a Notice of Violation in any jurisdiction? ☐ Yes ☒ No

If yes, explain: _____

4. Has the Owner been in compliance for the last 3 years (or since being in business in Massachusetts, whichever is less), and is the Applicant currently in compliance, with all laws and regulations of the Commonwealth of Massachusetts? ☒ Yes ☐ No

If no, explain: _____

5. Has the Owner been in compliance for the last 3 years (or since being in business in Arlington, whichever is less), and is the Applicant currently in compliance, with all laws and regulations of the Town of Arlington? ☒ Yes ☐ No

If no, explain: _____

6. Has the Owner been charged in any jurisdiction with any form of wage theft in the last three (3) years? ☐ Yes ☒ No

If yes, explain: _____

Section 6. Local & State Regulatory Compliance Information:

Each individual (e.g. partner, trustee, manager) with a 10% or greater ownership stake in the business must complete a separate copy of this form.

Owner's Name: CPC-CPOG 2017 LLC Ownership Stake (%) 80.01%

1. Has the Owner ever obtained a marijuana related license in any jurisdiction? ☒ Yes ☐ No

If yes, explain: SEE ATTACHED

2. Has the Owner ever had any type of license denied, revoked or Suspended in any jurisdiction? ☐ Yes ☒ No

If yes, explain: _____

3. Has the Owner ever received a Notice of Violation in any jurisdiction? ☐ Yes ☒ No

If yes, explain: _____

4. Has the Owner been in compliance for the last 3 years (or since being in business in Massachusetts, whichever is less), and is the Applicant currently in compliance, with all laws and regulations of the Commonwealth of Massachusetts? ☒ Yes ☐ No

If no, explain: _____

5. Has the Owner been in compliance for the last 3 years (or since being in business in Arlington, whichever is less), and is the Applicant currently in compliance, with all laws and regulations of the Town of Arlington? ☒ Yes ☐ No

If no, explain: _____

6. Has the Owner been charged in any jurisdiction with any form of wage theft in the last three (3) years? ☐ Yes ☒ No

If yes, explain: _____

Calyx Peak of MA, Inc.

CPC-CPOG 2017 LLC

CPC-CPOG 2017 LLC ("CPC-CPOG 2017") owns 80.01% of Calyx Peak of MA LLC.

CPC-CPOG 2017 also has an interest in the following cannabis-related businesses in other states:

- JDF CM1 LLC, owned 70% by CPC-CPOG 2017. This entity is licensed by the State of California to manufacture and distribute cannabis products. It holds permit numbers C11-18-0000245-TEMP and CDPH-T00001400.
- JDF CPC MGMT CO LLC, owned 70% by CPC-CPOG 2017. This entity does not hold any cannabis licenses but currently leases employees to JDF CM1 LLC (listed above).
- ATCL Productions LLC, owned 59% by CPC-CPOG 2017. This entity does not hold a marijuana license, but it provides services to ATCPC of Ohio LLC. ATCPC of Ohio is licensed in the state of Ohio to cultivate medical marijuana (permit number MMCPC00019) and has received provisional licensure for manufacturing medical marijuana products.

Calyx Peak of MA, Inc

Section 7. Proposed Host Community Agreement Terms

Applicants are invited to provide their own draft HCA proposals with the minimum requirements and restrictions.

Enclosed on the following pages is Calyx Peak of MA's draft HCA proposal.

**HOST COMMUNITY AGREEMENT FOR MARIJUANA ESTABLISHMENTS
BETWEEN CALYX PEAK OF MA, INC. AND
THE TOWN OF ARLINGTON, MASSACHUSETTS**

This HOST COMMUNITY AGREEMENT FOR MARIJUANA ESTABLISHMENTS ("Agreement") is entered into pursuant to M.G.L. c. 94G, §3(d) on this _____ day of May, 2019 by and between **CALYX PEAK OF MA**, a Massachusetts limited liability corporation with a principal office address of 3rd Floor, 502 Bedford St, Fall River, MA 02720 ("OPERATOR") and the **TOWN OF ARLINGTON** a Massachusetts town with a principal address of 730 Mass Ave. Arlington, MA 02476, by and through its Town Administrator ("TOWN").

WHEREAS, On November 8, 2016 Massachusetts voters approved the legal cultivation, processing, distribution, sale and use of marijuana for adult use through Chapter 334 of the Acts of 2016, an Act for The Regulation and Taxation of Marijuana; and

WHEREAS, On July 28, 2017, Governor Baker signed the General Court's revised law on the subject, "An Act to Ensure Safe Access to Marijuana" adopted as Chapter 55 of the Acts of 2017 (the "Act"); and

WHEREAS, Massachusetts, acting through the Cannabis Control Commission (the "CCC") implemented regulatory framework for the regulation of the adult use of marijuana establishments through 935 CMR 500.000 et. seq. on March 23, 2018 (the "CCC Regulations"); and

WHEREAS, A "marijuana establishment" as defined in the CCC Regulations means a Marijuana Cultivator, Craft Marijuana Cooperative, Marijuana Product Manufacturer, Marijuana Retailer, Independent Testing Laboratory, Marijuana Research Facility, Marijuana Transporter, or any other type of licensed marijuana-related business, except a medical marijuana treatment center; and

WHEREAS, OPERATOR seeks licensure as a Marijuana Retailer to locate and operate a marijuana establishment in the TOWN at 1215 Massachusetts Ave, Arlington, MA, in accordance with applicable CCC regulations and such approvals as may be issued by the TOWN in accordance with its Zoning Bylaw and other applicable regulations in effect at the time that the CCC deems that the OPERATOR's application is complete; and

WHEREAS, OPERATOR intends to provide certain benefits to the TOWN upon receipt of CCC licensure to operate its Marijuana Retailer business in the TOWN and upon receipt of all required local approvals to do so; and

WHEREAS, OPERATOR and TOWN agree that the OPERATOR's Marijuana Retailer business will impact TOWN resources in ways unique to such businesses and will draw upon

TOWN resources such as TOWN's road system, law enforcement, fire protection services, inspectional and permitting services, public health services in a manner not shared by the general population and shall cause additional unforeseen impacts upon the TOWN; and

WHEREAS, M.G.L. c. 94G, §3 (d) requires "that a marijuana establishment or a medical marijuana treatment center seeking to operate or continue to operate in a municipality which permits such operation shall execute an agreement with the host community setting forth the conditions to have a marijuana establishment or medical marijuana treatment center located within the host community which shall include, but not be limited to all stipulations of responsibilities between the host community and the marijuana establishment or a medical marijuana treatment center"

NOW, THEREFORE, in consideration of the above and the mutually agreed promises contained herein, the OPERATOR and the TOWN agree as follows:

1. **Licensure:** All rights and obligations under this Agreement are expressly conditioned upon the OPERATOR's receipt of license from the CCC allowing the operation of its marijuana establishment within TOWN and upon OPERATOR's obtaining all local approvals for the same. If OPERATOR fails to secure licensure from the CCC or any required local approvals, this Agreement shall be null and void.
2. **Compliance and Cooperation:** OPERATOR shall comply with all state laws, regulations and orders applicable to marijuana establishments, and all municipal laws, bylaws, regulations and orders applicable to the operation of marijuana establishments in TOWN, such provisions being incorporated herein by reference.
 - a. OPERATOR shall be responsible for obtaining all necessary licenses, permits, and approvals required for the operation of its marijuana establishment and shall work cooperatively and in good faith with the TOWN in securing the prompt and efficient siting, planning, permitting and preparation for opening of its marijuana establishment.
 - b. OPERATOR agrees and understands that the TOWN'S execution of this Agreement shall not: (i) require or obligate the TOWN or its departments or boards to issue such permits and approvals as may be necessary for the OPERATOR to operate its marijuana establishments in the TOWN; (ii) affect, limit, or control the authority of TOWN boards, commissions, councils, and departments from carrying out their respective powers and duties to decide upon and to issue, deny, or otherwise act on applicable permits and other approvals under the laws and regulations of the Commonwealth, or the TOWN's bylaws and regulations; or (iii) cause the TOWN to refrain from enforcement action against

the OPERATOR for violations of the terms and conditions of such permits and approvals, or such laws, regulations and/or bylaws.

3. **Community Impact Fee:** OPERATOR shall pay a community impact fee as allowed by M.G.L. c. 94G, § 5 (d) ("Impact Fee") in the amounts and under the terms provided herein. OPERATOR shall pay the sum of 3% of Gross Sales, due as follows:
 - a. For the first year of this Agreement, upon receipt of Licensure as set forth in Paragraph 1 above, and prior to commencing operations, OPERATOR shall pay to the TOWN the sum of \$20,000 and shall pay the balance of the 3% of gross sales no later than 90 days after OPERATOR's full fiscal year end, which is December 31.
 - b. For the second through fifth years of this Agreement, OPERATOR shall pay to the TOWN the sum of 3% of Gross Sales no later than 90 days after OPERATOR's full fiscal year end.
4. **Application of Impact Fee:** OPERATOR expressly acknowledges and agrees that the TOWN is under no obligation to use the payments made hereunder in any particular manner and that the payments are classified as General Fund under M.G.L. c. c. 44, § 53.
5. **Filing of Financial Statements with the Town:** Upon request, financial statements will be filed with the Town. If required to do so, OPERATOR will file financial statements on an annual basis.
6. **Maintenance of Books and other Financial Records:** OPERATOR shall maintain its books, financial records and other compilations of data pertinent to the requirements of this Agreement in accordance with standard accounting practices and the regulations or guidelines of the CCC. All records shall be retained for a period of at least seven (7) years.
7. **Payment as Condition of Operation, Default and Remedy.** Payment as set forth above is necessary for OPERATOR's continued operation in the TOWN. Failure to make the required payments as scheduled and a failure to cure the failure to pay within 30 days of the due date, shall constitute breach of this Agreement and may serve as cause for TOWN's immediate review, upon 10 business days' notice to OPERATOR by the Board of Selectman. OPERATOR shall be in default of this Agreement if any of the following occur:
 - a. OPERATOR fails to make the required payments pursuant to Paragraph 3 above, and such failure is not cured within ten (10) business days of written notification from TOWN; or

- b. OPERATOR breaches any other provision of this Agreement, and such failure is not cured within thirty (30) days of written notification from TOWN

As remedy for any such breach, the TOWN may, among other remedies, revoke or limit the permission of the OPERATOR to operate in the TOWN and to issue an order to cease and desist with all operations upon such written notice from the TOWN. Payment means any payment paid from the OPERATOR to the TOWN pursuant to the terms of this Agreement.

8. **Reporting:** OPERATOR shall provide the TOWN with all copies of its publicly available filings to the Cannabis Control Commission, Secretary of the Commonwealth's Corporations Division, and the Massachusetts Department of Revenue, as requested.
9. **Confidentiality:** To the extent permitted by M.G.L. c. 66, § 10, (the "Public Records Law") OPERATOR may provide to the TOWN certain financial information, investment materials, products, plans, documents, details of company history, know-how, trade secrets, and other nonpublic information related to OPERATOR, its affiliates and operations (collectively, the "Confidential Information"). TOWN (inclusive of its employees, agents, representatives or any other of its affiliated persons) shall not, at any time during the term of this Agreement or thereafter, disclose any Confidential Information to any person or entity, except as may be required by court order or law. Further, the address of a marijuana establishment's cultivation or production facilities and any documents describing, depicting or otherwise outlining a licensee's security schematics or global positioning system coordinates, physical layout, as well as policies, procedures, practices, and plans pertaining to security are exempt from M.G.L. c. 66.
10. **Term:** The term of this Agreement is five years, terminating on _____, 2024, unless sooner terminated by:
 - a. revocation of OPERATOR's license by the CCC; or
 - b. OPERATOR's voluntary or involuntary cessation of operations; or
 - c. the TOWN's termination of this Agreement for breach of the conditions contained herein that remain uncured 60 days from the date of notice of such breach.
11. **Renegotiation/Applicability:** The terms of this Agreement shall continue in full force and effect unless the parties reach accord on a subsequent agreement, provided, however, that in no event shall OPERATOR be permitted to continue to operate its marijuana establishments after termination as set forth in paragraph 8a., 8b. or 8c., above.
12. **Security and Public Safety:** The OPERATOR shall work with the TOWN's Police Department and the TOWN's Fire Department to determine the placement of interior and

exterior security cameras, so that at least two cameras are located to provide an unobstructed view in each direction of the public way(s) on which the Facility is located. OPERATOR will maintain a cooperative relationship with the Police Department and the Fire Department, including but not limited to meetings with the Departments, as required, to review operational concerns, cooperate in investigations, and communication to Police Department of any suspicious activities on or in the immediate vicinity of the site. Such camera(s) may be altered by the CCC during their security and architectural review process.

13. Prevention of Diversion: OPERATOR shall work with the TOWN's Police Department to implement a comprehensive diversion prevention plan to prevent diversion, such plan to be in place prior to the sales commencement date. Such plan will include, but is not limited to, (i) training employees to be aware of, observe, and report any unusual behavior in customers or OPERATOR's marijuana establishment employees that may indicate the potential for diversion; (ii) strictly adhering to CCC Regulations as to certification amounts and time periods; (iii) rigorous customer identification and verification procedures required by the CCC; and (iv) utilizing seed-to-sale tracking software to closely track all inventory.

14. Emergency Response Information: OPERATOR shall file a satisfactory security and emergency response plan with the TOWN's Police Chief and Fire Chief which includes: (i) A description of the location and operation of the security system, including the location of the central control on the premises; (ii) a schematic of security zones; (iii) the name of the security alarm company and monitoring company, if any; (iv) a floor plan or layout of the facility identifying all areas within the facility and grounds, including support systems and the internal and external access routes; (v) the location and inventory of emergency response equipment and the contact information of the emergency response coordinator for the marijuana establishment; (vi) the location of any hazardous substances and a description of any public health or safety hazards present on site; (vii) a description of any special equipment needed to respond to an emergency at the cannabis establishment; (viii) an evacuation plan; (ix) any other information relating to emergency response as requested by the Arlington Fire Department or the Arlington Police Department; and (x) the location of security cameras within and outside of the marijuana establishments.

15. Local Hiring: To the extent that such a practice and its implementation are consistent with federal and state laws and regulations, OPERATOR will work in a good faith, legal and nondiscriminatory manner to give reasonable preference in the hiring of employees for its marijuana establishment to qualified Arlington residents. OPERATOR will endeavor to hire local, qualified employees and diverse employees to the extent

consistent with law and with the demands of OPERATOR's business. OPERATOR will endeavor in a good faith, legal and non-discriminatory manner to use local vendors, suppliers and diverse businesses where possible.

16. **Assignment:** OPERATOR shall not assign or transfer this Agreement, in whole or in part, or grant any license, concession or permission therein without 30 days' prior written notice of its intent to do so. If this Agreement shall be so assigned or transferred, TOWN shall be entitled to receive payments from such assignee or transferee. No such assignment or transfer shall be deemed a waiver or release of the assignee or transferee from full performance hereunder, and the Agreement shall be binding upon any such assignee or transferee. This Agreement is binding upon the parties hereto, their successors, assigns and legal representatives.

17. **Property Valuation and Taxation:** OPERATOR shall not object or otherwise challenge the taxability of such property, as long as the valuation is fair and reasonable and consistent with other commercial properties within the TOWN and shall not seek a non-profit exemption from paying such taxes and that, notwithstanding the foregoing, in the event the OPERATOR files as a non-profit:

- a. any real or personal property owned or operated by OPERATOR is determined to be non-taxable or partially non-taxable, or
- b. the value of such property is abated with the effect of reducing or eliminating the tax which would otherwise be paid if assessed at full value, or
- c. OPERATOR is determined to be entitled or subject to exemption with the effect of reducing or eliminating the tax which would otherwise be due if not so exempted, then

OPERATOR shall pay to the TOWN an amount which when added to the taxes, if any, paid on such property, shall be equal to the taxes which would have been payable on such property at full assessed value and at the otherwise applicable tax rate, if there had been no abatement or exemption; this payment shall be in addition to the Impact Fee made by OPERATOR under this Agreement. The OPERATOR shall not request any tax credits or subsidy from the TOWN for the Facility including, but not limited to, any request for a tax exemption or abatement as a non-profit entity and shall not object or otherwise challenge the taxability of its entity and shall not object or otherwise challenge the taxability of the Facility.

18. **Agreement as to Agricultural Exemption:** OPERATOR agrees to comply with all laws, rules, regulations and orders applicable to the facility, such provisions being incorporated herein by reference, and shall be responsible for obtaining all necessary licenses, permits and approvals required for the performance of such work. The OPERATOR agrees not

to assert or seek exemption as an agricultural use under the provisions of from the requirements of the TOWN's Zoning Bylaws pursuant to M.G. L. c. 40A, § 3.

19. **Notice:** Any and all notices or other communications required or permitted under this Agreement, shall be in writing and delivered by hand or mailed postage prepaid, return receipt requested, by registered or certified mail, or delivered by other reputable delivery service, to the parties as set forth below or furnished from time to time in writing hereafter by one party to the other party. Any such notice or correspondence shall be deemed given when so delivered by hand; if so mailed, when deposited with the U.S. Postal Service; or if sent by private overnight or other delivery service, when deposited with such delivery service.

If to TOWN:	If to OPERATOR:
Adam Chapdelaine, Town Manager Town of Arlington 730 Mass Ave. Arlington, MA 02476 Telephone: (781) 316 - 3010 Fax: (781) 316 - 2019 Email: achapdelaine@town.arlington.ma.us	Edward Schmults, CEO 3rd Floor, 502 Bedford St, Fall River, MA 02720 Telephone: (646) 209-4533 Email: ed.schmults@calyxpeak.com

20. **Governing Law:** This Agreement shall be governed by, construed and enforced in accordance with the laws of the Commonwealth of Massachusetts and the parties hereto submit to the jurisdiction of any of its appropriate courts for the adjudication of disputes arising out of this Agreement.
21. **Integration of Writings.** This Agreement, including all documents incorporated herein by reference, constitutes the entire integrated agreement between the parties with respect to the matters described. This Agreement supersedes all prior agreements, negotiations and representations, either written or oral, and it shall not be modified or amended except by a written document executed by the parties hereto.
22. **Third Parties:** Nothing contained in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party against either TOWN or the OPERATOR.
23. **Waiver:** The obligations and conditions set forth in this Agreement may be waived only by a writing signed by the party waiving such obligation or condition. Forbearance or indulgence by a party shall not be construed as a waiver, nor limit the remedies that would otherwise be available to that party under this Agreement or applicable law. No waiver of any breach or default shall constitute or be deemed evidence of a waiver of any subsequent breach or default. The failure of either Party to enforce any provision of this

Agreement shall not be construed as a waiver or limitation of that Party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.

24. **Retention of Regulatory Authority:** By entering into this Agreement, TOWN does not waive any enforcement rights or regulatory authority it currently holds over any business in TOWN.
25. **Severability:** If any term or condition of this Agreement or any application thereof shall to any extent be held invalid, illegal or unenforceable by the court of competent jurisdiction, the Massachusetts Attorney General or the Cannabis Control Commission, the validity, legality, and enforceability of the remaining terms and conditions of this Agreement shall not be deemed affected thereby unless one or both parties would be substantially or materially prejudiced.
26. **Amendment:** This Agreement may only be amended by a written document duly executed by the parties hereto. No modification or waiver of any provision of this Agreement shall be valid unless duly authorized as an amendment hereof and duly executed by the TOWN and the OPERATOR.
27. **Headings:** The article, section, and paragraph headings in this Agreement are for convenience only, are no part of this Agreement and shall not affect the interpretation of this Agreement.
28. **Counterparts:** This Agreement may be signed in any number of counterparts all of which taken together, shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing one or more counterparts.
29. **Signatures:** Digital signatures affixed to this Agreement shall have the same weight and authority as an original signature.

IN WITNESS WHEREOF, this Agreement has been executed on the date below, as a sealed instrument by OPERATOR's duly authorized officer, and by the Town of Arlington.

[SIGNATURE ON FOLLOWING PAGE]

Town of Arlington, Massachusetts by its
Select Board

Calyx Peak of MA, Inc:

Diane M. Mahon
Chair

By: Edward M. Schmults
CEO

Daniel J. Dunn
Vice Chair

Joseph A. Curro, Jr.
Member

Stephen W. DeCoursey
Member

John V. Hurd
Member