

GTI-Massachusetts NP Corp/City of Holyoke, MA

Host Community Agreement

This Host Community Agreement for a Cultivation Location (this “Agreement”), is entered into this 12th day of April, 2017 (the “Effective Date”) by and between GTI-Massachusetts NP Corporation with a principal office address of 325 West Huron Street, Suite 230, Chicago, IL 60654 (“OPERATOR”) and the City of Holyoke, a Massachusetts corporation with a principal address of 536 Dwight Street, Holyoke, Massachusetts (“CITY”). The obligations of OPERATOR and the CITY recited herein are specifically contingent upon OPERATOR obtaining a Final Certificate of License and Registration for operation of a Cultivation Location in the CITY from the Department of Health (“DOH”) and upon OPERATOR obtaining municipal approvals for construction and operation of the Cultivation Location in the CITY.

WHEREAS, OPERATOR received Provisional Certificates of Registration on July 12, 2016 and November 16, 2016 to operate registered marijuana cultivation and retail operations in the Commonwealth of Massachusetts;

WHEREAS, OPERATOR wishes to locate a consolidated Cultivation Location in the CITY in accordance with regulations issued by the DOH and zoning ordinances issued by the CITY;

WHEREAS, OPERATOR is seeking a letter of exclusive endorsement from the CITY for the siting and operation of the Cultivation Location in the CITY; WHEREAS, OPERATOR intends to provide certain benefits to the CITY in the event that OPERATOR obtains a Final Certificate of Registration to operate a Cultivation Location in the CITY and has received all state and local approvals:

NOW, THEREFORE, in consideration of the above, OPERATOR offers the CITY and the CITY accepts this Host Community Agreement in accordance with G.L., Ch. 44, Section 53A:

1. In the event that OPERATOR obtains a Final Certificate of Registration from DOH and receives any and all necessary and required permits and licenses issuable by the CITY, which said permits and/or licenses allow OPERATOR to locate, occupy and operate Cultivation Location in the CITY, then OPERATOR agrees to pay the CITY a Community Host Fee according to the following terms:
 - OPERATOR will pay a one-time fee of FIFTY THOUSAND AND 00/100 DOLLARS (\$50,000.00) to the CITY within SIXTY (60) days of beginning operations in the CITY.
 - OPERATOR shall pay the CITY a percentage of gross revenue from all of OPERATOR'S operations in the City in accordance with the following schedule:
 - The greater of (i) Five Thousand and 00/100 dollars (**\$5,000.00**) per month of operation (ii) two percent (**2%**) of gross revenue from all of OPERATOR's operations in the City during the partial Calendar Year in which the OPERATOR begins its operations;
 - The greater of (i) Fifty Thousand and 00/100 dollars (**\$50,000.00**) or (ii) two percent (**2%**) of gross revenue from all of OPERATOR's operations in the CITY during the first full Calendar Year (1/1 – 12/31) after OPERATOR begins operations in the CITY (“Year 1”);

- The greater of (i) One Hundred Thousand and 00/100 dollars (**\$100,000.00**) or (ii) three percent (**3%**) of gross revenue from all of OPERATOR'S operations in the CITY during the second full Calendar Year of operations ("Year 2");
 - The greater of (i) One Hundred Thousand and 00/100 dollars (**\$100,000**) or (ii) three-and-a-half percent (**3.5%**) of gross revenue from all of OPERATOR'S operations in the CITY during the third and all subsequent Calendar Years of operation.
- Gross Revenue shall include the revenue from the sale of any and all products from the wholesale operations and retail products at all retail dispensary sites operated within the CITY pursuant to the License, regardless of whether those products contain, or facilitate the use, inhalation or ingestion of, medical marijuana.
 - The OPERATOR shall, within (60) days from the close of the calendar year, submit a report to the CITY certifying the gross revenue for the preceding calendar year. The report shall specify the Community Host Fee as calculated under this section and shall be prepared by Certified Public Accountant in accordance with generally accepted accounting principles ("GAAP").
 - Annual payments shall be due and payable no later than one hundred and twenty (120) days from the close of the calendar year.
 - During every full Calendar Year of OPERATOR'S operations in the CITY, OPERATOR will commit to donate a minimum of FIFTEEN THOUSAND AND 00/100 DOLLARS (\$15,000.00) to local charity and/or non-profit organizations after discussions with and upon the recommendation of the CITY council, specific Ward leaders and/or neighborhood associations.
 - In addition to the above referenced report to the CITY certifying gross revenue, the Operator shall provide the CITY with an annual report detailing the following information for the preceding Calendar Year: (i) the total number of patients served by the OPERATOR's operations in the CITY (provided same is not a privacy violation); (ii) descriptions of any incidents on-site at the Cultivation Facility and/or retail dispensary site operated within the CITY that required a public safety response; and (iii) other such information reasonably requested by the CITY.
2. At all times during the term of this Agreement, real property, owned or operated by OPERATOR shall be treated as taxable, and all applicable real estate and property taxes for that property shall be paid either directly by OPERATOR or by its landlord. OPERATOR shall not challenge the taxability of such property and shall not submit any applications for any statutory exemption from such taxes.

3. Notwithstanding Paragraph 2 above: (a) if real property owned or operated by OPERATOR is determined to be exempt for taxation or partially exempt, or (b) if 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, fair market value, then OPERATOR shall pay to the CITY 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, fair market value and at the otherwise applicable tax rate, if there had been no abatement or exemption. The payment described in this Paragraph 3 shall be in addition to the payments made by OPERATOR under Paragraph 1 of this Agreement.
4. In the event that OPERATOR becomes eligible for status as a charitable organization and a related decrease or elimination of real property taxes, and tax revenue from OPERATOR's location in the CITY is reduced or eliminated, OPERATOR will make the assessed, fair market value tax payment directly to the CITY as an additional payment under this Agreement.
5. If the CITY receives other payments from OPERATOR (other than additional voluntary payments made by OPERATOR including property taxes under Paragraphs 2, 3 and 4 above) or from the Department of Revenue or any other source, the funds for which have been collected by assessment against OPERATOR, including but not limited to taxes imposed by an act of the Massachusetts Legislature, or a mandate from the CITY for said payments, then the OPERATOR and the CITY shall promptly negotiate, in good faith, a commercially reasonable amendment to this Agreement to modify the terms hereof in light of the changed market dynamics and circumstances.
6. OPERATOR will endeavor to hire local, qualified employees to the extent consistent with law and with the demands of OPERATOR's business. OPERATOR will also endeavor in a good faith, legal and non-discriminatory manner to use local vendors and suppliers where possible.
7. OPERATOR shall coordinate with the Holyoke Police Department in the development and implementation of security measures, as required by the Commonwealth of Massachusetts, the DOH and otherwise, including in determining the placement of exterior security cameras. OPERATOR will maintain a cooperative relationship with the Police Department, including but not limited to periodic meetings to review operational concerns and communication to the Police Department of any suspicious activities on the site.
8. The purpose of this Agreement is to assist the CITY in addressing Community Impacts. "Community Impacts" means collectively, the following potential and actual impacts to the CITY directly or indirectly related to or resulting from the construction and operation of the CULTIVATION LOCATION such as: (i) increased use of CITY services; (ii) increased use of CITY infrastructure; (iii) the need for additional CITY infrastructure, employees and equipment; (iv) increased traffic and traffic congestion; (v) increased air, noise, light and water pollution; (vi)

issues related to public safety and addictive behavior; (vii) loss of CITY revenue from displacement of current businesses; (viii) issues related to education and housing; (ix) quality of life; and (x) costs related to mitigating other impacts to the CITY and its residents. The CITY shall use the above-referenced payments in its sole discretion consistent with the purpose of this Agreement. However, the CITY is under no obligation to use the foregoing payments in any particular manner.

9. This Agreement shall terminate immediately at the time that any of the following occurs: the CITY notifies OPERATOR of the CITY's termination of this Agreement for CAUSE (to be defined); OPERATOR ceases to operate the Cultivation Location in the CITY. CAUSE shall be defined as if OPERATOR willfully or negligently violates any laws of the Commonwealth with respect to the operation of the Cultivation Location, and such violation remains uncured for ninety (90) days following written notice to OPERATOR; or if OPERATOR fails to make payments to the CITY as required under this Agreement, and such failure remains uncured for ninety (90) days following written notice to OPERATOR.
10. This Agreement is binding upon the parties hereto, their successors, assigns and legal representatives. The Parties shall be prohibited from Assigning, in whole or in part, any portion of this Agreement without the written consent of the other party which shall not be unreasonably withheld conditioned or delayed.
11. OPERATOR shall comply with all laws, rules, regulations and orders applicable to the Cultivation Location pursuant to this Agreement, such provisions being incorporated herein by reference, and shall be responsible for obtaining all necessary licenses, permits, and approvals required for the operation of the Cultivation Location.
12. Should CITY enter into a Host Community Agreement with any other registered marijuana dispensary (RMD), or off-site medical marijuana dispensary (OMMD) for siting in Holyoke, Massachusetts at material terms more favorable to the operator of that facility than the terms of this Agreement are to OPERATOR, then this Agreement shall be modified to reflect those terms. In any event, if (i) any other RMD, or OMMD locates within the CITY; or (ii) OPERATOR has been unable to open a retail dispensary location within the CITY prior to the beginning of Year 2, then the OPERATOR and the CITY shall promptly negotiate, in good faith, a commercially reasonable amendment to this Agreement to modify the terms hereof in light of the changed market dynamics and circumstances. However, in no event shall this Agreement be modified to provide for a minimum annual payment from OPERATOR of less than \$50,000. Upon the mutual-agreement of the CITY and OPERATOR, this Agreement may be terminated at any time.
13. This Agreement applies solely to operations for cultivation, processing and retail operations for medical marijuana under the DPH License. If, during the term of this Agreement, the OPERATOR obtains authorization for cultivation, processing and retail operations of recreational marijuana or other purposes than those initially authorized by the DPH License, the parties shall

promptly negotiate, in good faith, a commercially reasonable amendment to this Agreement to modify the terms hereof in light of the changed market dynamics and circumstances.

14. Any and all notices, or other communications required or permitted under this Agreement shall be in writing and delivered postage prepaid mail, return receipt requested; by hand; by overnight delivery service; or by other reputable delivery services, to the Parties at the addresses set forth on the first page of this Agreement or furnished from time to time in writing hereafter by one party to the other party. Any such notices or correspondence shall be deemed given when so delivered by hand, if so mailed, when deposited with the USPS or, if sent by private overnight or other delivery service, when deposited with such delivery service.
15. If any term or condition of this Agreement or any application thereof shall to any extent be held invalid, illegal or unenforceable, then the validity, legality, and enforceability of the remaining terms and conditions of this Agreement shall not be deemed affected thereby unless one or both of the Parties would be substantially or materially prejudiced.
16. This Agreement shall be governed by, construed and enforced in accordance with the laws of the Commonwealth of Massachusetts.
17. The OPERATOR shall maintain its books, financial records, and other compilations of data pertaining to the requirements of this Agreement in accordance with standard GAAP and all applicable guidelines of the DPH. All records shall be kept for a period of at least seven (7) years. In the event OPERATOR determines it is unable to sustain the payments under this Agreement, OPERATOR shall notify the CITY of the OPERATOR's basis for inability to sustain payments under the Agreement and provide reasonable evidence of unsustainability based upon the books, financial records or other compilations of data referenced above. Upon receipt of such notice, the OPERATOR and CITY shall promptly negotiate, in good faith, a commercially reasonable amendment to this Agreement to modify the terms hereof.
18. In the event the parties reopen negotiations under any provision in this Agreement and are unable to successfully negotiate an amendment or extension within ninety (90) days, the Parties agree to refer the matter to an arbitrator. The Parties agree that any disputes are to be arbitrated through the American Arbitration Association and the Parties agree to abide by the rules of the Commercial Arbitration Rules of the American Arbitration Association in the Commonwealth of Massachusetts. Any decision or award as a result of any such arbitration shall be issued in writing and the arbitrator shall be mutually selected pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Any arbitration award may be confirmed in a court of competent jurisdiction.

19. This Agreement, including all documents incorporated therein by reference, constitutes the entire integrated agreement between the parties with respect to the matters described. This Agreement supersedes all prior agreements, negotiation and representations, either written or oral and it shall not be modified or amended except by a written document executed by the Parties hereto.

20. This Agreement shall be in effect for a period of TEN (10) years commencing on the Effective Date (the "Expiration Date"), except as may otherwise be provided herein. In the event OPERATOR does not commence operations of the Cultivation Location within the CITY, then this Agreement shall automatically terminate, become void and be of no further force or affect as to either party. In the event OPERATOR ceases operations in the CITY prior to Expiration Date, this Agreement shall terminate on such date OPERATOR ceases operations. Payments due for that Calendar Year shall be prorated based on the number of days of operation during that quarter. OPERATOR shall not be required to cease operations upon the Expiration Date of this Agreement, unless for CAUSE as defined in Paragraph 10.

For:
CITY OF HOLYOKE, MASSACHUSETTS

For:
GTI-MASSACHUSETTS NP Corp.

By:  _____

Alex Morse, Mayor

By:  _____

Pete Kadens, Chief Executive Officer