



February 2020 Public Meeting

Packet B

Worcester Union Station

Worcester, MA

businesses, or challenging or questioning the validity or effectiveness of any Intellectual Property used or presently proposed to be used in the conduct of their respective businesses in each case which could reasonably be expected to result in a Material Adverse Change. Borrower has taken commercially reasonable steps to maintain the confidentiality of its Trade Secrets and, to the Borrower's knowledge, as of the Closing Date, there has been no misappropriation of any Trade Secrets by any Person which misappropriation could reasonably be expected to result in a Material Adverse Change.

4.12 **Title to Properties; Liens.** Borrower has good title to its material properties and assets, and none of such properties or assets is subject to any Liens, except as shown on Section 4.12 to the Disclosure Schedule. Borrower enjoys peaceful and undisturbed possession under all leases necessary in any material respect for the operation of such properties and assets, and all such leases are valid and subsisting and in full force and effect in each case, where the failure of the same could reasonably be expected to result in a Material Adverse Change. Borrower has obtained all material easements and material equipment rental or other material agreements necessary for the operation of its business as now conducted or presently proposed to be conducted.

4.13 **Management Agreements.** Borrower is not a party to any management or other similar agreement or arrangement (whether oral or written) giving the other party to such agreement the right to exercise the authority of the Borrower's Board of Directors.

4.14 **Financial Statements.** The most recent financial statements of the Borrower furnished to the Lender are, in each case, true, complete and correct and fairly present in all material respects the financial condition of the Borrower as of the date thereof, and are in accordance with GAAP (subject to year-end adjustments). There has been no change in the financial condition, operations or business of the Borrower from that set forth in such financial statements as of the date thereof that would reasonably be expected to result in a Material Adverse Change.

4.15 **Tax Returns and Payments; Other Fees.**

(a) All Federal and material state tax returns, reports and statements required by Law to be filed (including extensions) by or in respect of Borrower and its assets has been filed. All taxes, assessments and other governmental charges levied upon Borrower and any of its properties, assets, income or franchises that are due and payable have been paid, other than those presently payable without penalty or interest and other than any charge or claim being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which any reserve or other appropriate provision, if any, as shall be required by GAAP has been made therefor and, if the filing of a bond or other indemnity is necessary to avoid the creation of a Lien against any of the material assets of Borrower, such bond has been filed or indemnity posted and, if the filing of a bond or other indemnity is necessary to avoid the creation of a Lien against any of the material assets of Borrower, such bond has been filed or indemnity posted.

(b) Borrower has paid all material license and other material fees and charges that have become due pursuant to any license or permit in respect of its business and has made appropriate provision as is required by GAAP for any such material fees and charges which have accrued.

4.16 **Absence of Certain Liabilities.** Other than the liabilities under the Loan Documents, as of the date of this Agreement the Borrower has no other liabilities, fixed or contingent, exceeding \$56,000.00 in the aggregate.

4.17 **Absence of Restrictive Provisions.** Other than the restrictions contained in this Agreement or any Loan Document, Borrower is not subject or party to any agreement, lien or encumbrance, Organizational Document, regulatory or other provision (except for applicable statutory corporate law) restricting, directly or indirectly, the ability of Borrower to create, incur, assume or permit to exist any Lien on or with respect to any property or asset of Borrower.

4.18 **Environmental Compliance.** Except as could not reasonably be expected to result in a Material Adverse Change:

(a) None of the real property currently or previously owned or occupied by Borrower has ever been used by Borrower, to treat, produce, store, handle, transfer, process, transport, dispose or otherwise Release any Hazardous Substances in violation of any Environmental Law.

(b) There is no condition that exists on the real property owned or occupied by Borrower that requires Remedial Action.

(c) Borrower has not been notified in writing of, or has actual knowledge of any written notification having been filed with regard to, a Release on or about or into any real property now or previously owned or occupied by the Borrower in violation of Environmental Law.

(d) Borrower has not received a written summons, citation, notice of violation, administrative order, directive, letter or other written communication from any Governmental Authority concerning any intentional or unintentional action or omission related to the generation, storage, transportation, handling, transfer, disposal or treatment of Hazardous Substances in violation of any Environmental Law.

(e) There are no “friable” (as that term is defined in regulations under the Federal Clean Air Act) asbestos or asbestos-containing materials which have not been encapsulated, abated, removed or otherwise addressed in accordance with accepted guidelines promulgated by the United States Environmental Protection Agency or other applicable Governmental Authorities existing in any real property owned or occupied by the Borrower.

(f) No equipment containing polychlorinated biphenyls, including electrical transformers, is located on any real property owned or occupied by Borrower in levels that exceed those permitted by any and all applicable Governmental Authorities with jurisdiction over such premises and which are not properly labeled in accordance with requisite standards.

(g) Each of the tanks on any real property owned or occupied by the Borrower has been registered and tested to the extent required by, and in accordance with, any applicable Environmental Laws, and there is no evidence of leakage from any such tanks.

All tanks that have been removed or abandoned have been closed in accordance with applicable standards under Environmental Laws.

4.19 **Brokers.** No finder or broker acting on behalf of Borrower has brought about the obtaining, making or closing of the Loans, and Borrower has not or will not have any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

4.20 **Existing Indebtedness.** (a) Section 4.20(a) of the Disclosure Schedule lists all Indebtedness of Borrower as of the date of this Agreement (other than the Loans), and provides the following information with respect to each item of such Indebtedness: the obligor, each guarantor and each other Person similarly liable in respect thereof, the holder thereof, the aggregate amount of all commitments thereunder (and the allocation of such commitments, if any, as among revolving credit Indebtedness, term notes or similar Indebtedness and other credits such as letter of credit or banker's acceptance facilities), the approximate outstanding amount thereunder (and under each individual facility thereunder), and a description of the collateral securing such Indebtedness, if any.

(b) As of the date of this Agreement, except as set forth on Section 4.20(b) of the Disclosure Schedule, Borrower is not in default and no waiver of any such default will be in effect, in the payment of any principal or interest on any Indebtedness and no event or condition will exist as of the Closing Date with respect to any Indebtedness that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its regularly scheduled dates of payment.

4.21 **Accuracy and Completeness of Disclosure.** This Agreement and the other documents, certificates or instruments delivered to the Lender by or on behalf of Borrower in connection with this Agreement when taken as a whole do not contain any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained in this Agreement and in such other documents, certificates or instruments not misleading in light of the circumstances under which such statements were made.

4.22 **Disclaimer of Other Representations and Warranties.** The Lender, on its own behalf and on behalf of its Affiliates, acknowledges, represents, warrants and agrees that (i) the Borrower has not made any representation or warranty, express or implied, in respect of the Borrower or any of its assets, liabilities, or operations, and (ii) the Lender has not relied upon the accuracy or completeness of any express or implied representation, warranty, statement, or information of any nature made or provided by any Person on behalf of the Borrower, including without limitation in any confidential information statement, management presentation, or document made available in a dataroom, in each case other than the representations and warranties expressly set forth in this Article 4.

ARTICLE 4A

REPRESENTATIONS AND WARRANTIES OF LENDER

The Lender represents and warrants to the Borrower that the statements contained in this Article 4 are correct and complete as of the date of this Agreement, and will be correct and complete as of the Closing Date.

4A.1 The Lender is a limited liability company (or other entity) duly organized, validly existing, and in good standing under the laws of the jurisdiction of its formation.

4A.2 The Lender has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of the Lender, enforceable in accordance with its terms and conditions, except as such enforceability may be limited by applicable Debtor Relief Laws and by general principles of equity. The execution, delivery and performance of this Agreement, all other Loan Agreements and all other agreements contemplated hereby have been duly authorized by the Lender.

4A.3 Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (a) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge or other restriction of any Governmental Authority, (b) violate any provision of the Lender's organizational documents, or (c) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, instrument or other arrangement to which the Lender is a party or by which it is bound.

4A.4 The Lender is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act.

ARTICLE 5

REPORTING REQUIREMENTS AND NOTICES

The Borrower covenants that from the date of this Agreement, and for so long as any of the Obligations remain unpaid or unsatisfied (other than contingent indemnification and expense reimbursement obligations for which no claim has been made) or the Lender has an unexpired RC Commitment to lend hereunder, it shall comply with each of the covenants set forth in this Article 5.

5.1 **Financial Data and Reporting Requirements.**

5.1.1 ***Delivery of Quarterly Financial Statements.*** Within 30 days after the end of each month and within 45 days after the close of the first three fiscal quarters of each fiscal year of Borrower, the Borrower shall deliver to the Lender a management-prepared balance sheet, statement of income, and statement of cash flows of Borrower for each such month, and with respect to the quarterly statements, as at the end of and for (a) the period commencing at the end of the previous fiscal year and ending with the end of such quarter and (b) the period commencing at the end of the previous fiscal quarter and ending with the end of such currently reported quarter, setting forth in comparative form the corresponding figures for the appropriate periods of the preceding fiscal year and the corresponding figures in the projections previously delivered, certified on behalf of the Borrower (and not in their individual capacity) by the Chief Executive Officer or Chief Financial Officer of Borrower (or any person who has substantially similar duties) as (i) having been prepared in accordance with GAAP (with any material changes in accounting

policies discussed in reasonable detail and subject to the absence of footnotes) and (ii) presenting fairly in all material respects the financial condition and results of operations of Borrower as at the date and for the period specified (subject to normal recurring year-end audit adjustments), it being understood that footnotes may be omitted.

5.1.2 *Delivery of Annual Financial Statements.* Within 90 days after the close of each fiscal year of Borrower, the Borrower shall deliver to the Lender an audited consolidated balance sheet, statements of income and cash flow and changes in retained earnings, and statement of cash flows of Borrower, as at the end of and for the fiscal year just closed in reasonable detail and certified (without any “going concern” or like qualification or exception concerning the ability of the applicable Person and without any qualification or exception concerning the scope of the audit, provided that a qualification in respect of the maturity date of the Loans shall not be deemed a breach of the foregoing requirement) by independent certified public accountants selected by the Borrower and reasonably acceptable to the Lender.

5.1.3 *Delivery of Officer’s Compliance Certificates.* Together with the delivery of the financial statements required to be delivered in Subsections 5.1.1 and 5.1.2, the Borrower shall deliver to the Lender a compliance certificate certified by the Chief Executive Officer or Chief Financial Officer of Borrower (or any person who has substantially similar duties) certifying that, as at the date of such certificate, there existed no Event of Default and no Default, or, if any such Event of Default or Default existed, specifying the nature thereof, the period of existence thereof and what action the Borrower propose to take or have taken with respect thereto.

5.1.4 *Delivery of Information.* With reasonable promptness, the Borrower shall deliver such other information respecting the business, operations and financial condition of itself as the Lender may from time to time reasonably request.

5.1.5 *Auditors’ Reports.* Promptly upon receipt, the Borrower shall deliver to the Lender copies of all management letters, financial reports or written recommendations, if any, submitted to Borrower by its auditors in connection with each annual or interim audit or examination of its books by such auditors.

5.1.6 *Annual Budget.* Prior to the execution hereof, the Borrower has delivered to the Lender a management-prepared budget (an “**Operating Budget**”) for Borrower for 2018, in a form acceptable to the Lender, and no less than 30 days prior to the commencement of each fiscal year beginning with the fiscal year ending December 31, 2019, in each case, in form and substance satisfactory to the Lender (and each Operating Budget shall be materially consistent with the prior year’s Operating Budget (as long as the Borrower is a corporation)), except for such changes as are consistent with the Borrower’s business and are approved by the Lender, which approval shall not be unreasonably withheld and (b) accompanied by a certificate of Borrower, executed on its behalf by its Chief Executive Officer or Chief Financial Officer (or any person who has substantially similar duties), stating that (i) such projections and budgets (x) have been prepared in good faith based upon assumptions stated therein and (y) represent the Borrower’s reasonable estimate of the future financial performance of Borrower at the time made and (ii) such assumptions are believed by Borrower to be reasonable and fair in light of current business conditions and current facts known to Borrower (it being understood that projections are as to future events and are not to be viewed as facts and that actual results during the period or periods

covered by any such projections may differ from the projected results and such differences may be material).

5.2 **Notice of Defaults.** Upon a responsible officer of the Borrower obtaining actual knowledge thereof, the Borrower shall promptly, but in any event within three Business Days, give written notice to the Lender of any Default or Event of Default and what action the Borrower has taken, is taking or proposes to take with respect thereto.

5.3 **Notice of Disputes and Other Matters.** Promptly after obtaining actual knowledge thereof, the Borrower shall promptly give written notice to the Lender of the following matters:

5.3.1 ***Certain Litigation.*** Any actions, proceedings or claims commenced or asserted against Borrower in which the amount involved is \$100,000 or more and that is not fully covered by insurance, or which, if not solely a claim for monetary damages, could reasonably be expected to, if adversely determined, result in a Material Adverse Change;

5.3.2 ***Conditions Affecting Collateral.*** Any of the following conditions: (i) acquisition of property by Borrower not subject to a valid and perfected first priority Lien pursuant to the Loan Documents; or (ii) any change of name, type of business entity or jurisdiction of registration or any change of address of the chief executive officer of Borrower; and

5.3.3 ***Intellectual Property.*** Any of the following conditions: (i) any changes in and to the ownership of, or rights to use, any material Intellectual Property owned by Borrower; (ii) any change in the status of any material Trademark, domain names, or Copyright application or registration, or any Patent owned by the Borrower; (iii) the receipt of any knowledge regarding any infringement or misappropriation of any material Intellectual Property owned or licensed by the Borrower by any Person; (iv) the receipt of any written claim, demand or threat, or the institution of any proceeding, relating to any material Intellectual Property owned or licensed by the Borrower; or (v) any other material adverse change affecting or relating in any way to any Intellectual Property owned or licensed by the Borrower.

5.4 **Miscellaneous.** With reasonable promptness, the Borrower shall deliver such other information respecting the business, operations and financial condition of itself as the Lender may from time to time reasonably request.

ARTICLE 6

COVENANTS

The Borrower covenants that from the date of this Agreement, and for so long as any of the Obligations remain unpaid (other than contingent indemnification and expense reimbursement obligations for which no claim has been made) or the Lender has an unexpired RC Commitment to lend hereunder, it shall comply with each of the covenants set forth in this Article 6.

6.1 **Indebtedness; Expenses.** The Borrower shall not, directly or indirectly, create, incur, assume, guarantee, permit to exist or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, other expenses or liabilities other than obligations under the Loan

Documents and expenses incurred in the ordinary course of business and reflected in the then current Operating Budget.

6.2 **Liens and Licenses.** The Borrower shall not, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or assets of Borrower other than Liens created in favor of the Lender pursuant to the Loan Documents.

6.3 **Investments. Loans, Acquisitions. Etc.** The Borrower shall not, directly or indirectly, make or permit to exist any Investment or acquisition other than (i) bank deposits in the ordinary course of business as reflected in the Operating Budget, or (ii) as otherwise permitted by the Lender in its sole discretion.

6.4 **Mergers and Dispositions.** The Borrower shall not engage in any consolidation or merger with or into any other Person or divide, nor shall the Borrower, without the prior written consent of Lender, sell or otherwise transfer all or any substantial part of its assets.

6.5 **Management Arrangements.** The Borrower shall not (a) enter into or remain bound by any management, employment or consulting agreement with any Person giving such Person the right to exercise authority, or (b) directly or indirectly pay or accrue to any Person any sum or property for fees for management or similar services rendered in connection with the operation of a Permitted Business except as provided in the Master Services Agreement.

6.6 **Existence.** Borrower shall at all times preserve and keep in full force and effect its corporate existence and its good standing in all states in which it is formed or required to qualified to do business.

6.7 **Compliance with Law.** The Borrower shall comply with all Laws, and obtain or maintain all permits, franchises and other governmental authorizations and approvals necessary for the ownership, acquisition and disposition of its properties and the conduct of its business the failure of which could reasonably be expected to result in a Material Adverse Change.

6.8 **Payment of Taxes and Claims.** The Borrower shall pay all Federal and other material taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of its franchises, business, income or profits before any penalty or interest accrues thereon, and all claims (including claims for labor, services, materials and supplies) for sums that have become due and payable and that by Law have or would become a Lien upon any of its properties or assets, provided that no such charge or claim need be paid if being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor and, if the filing of a bond or other indemnity is necessary to avoid the creation of a Lien against any of the assets of the Borrower, such bond shall have been filed or indemnity provided.

6.9 **Insurance.**

6.9.1 *Casualty and Liability Insurance.*

(a) The Borrower shall maintain with financially sound and reputable insurers, insurance against loss or damage and liability of the kinds customarily insured against by Persons of established reputation engaged in the same or similar businesses and similarly situated and in such amounts as are customarily carried under similar circumstances by other such Persons and otherwise as Borrower determines in good faith to be prudent for Persons engaged in such business.

(b) Without limiting the generality of the foregoing clause (a), Borrower shall maintain public liability insurance, including, without limitation, commercial general liability insurance applicable to claims for personal injury and/or injury including death or property damage occurring upon, in or about the Leased Property, as a result of the construction of the Project.

(c) At all times during which structural construction, repairs or alterations are being made with respect to the Leased Property, Borrower shall maintain (or cause to be delivered) coverage all in form and substance and with limits, terms and conditions reasonably acceptable to Lender including (A) owner's contingent or protective liability insurance covering claims not covered by or under the terms or provisions of the above mentioned liability insurance; (B) casualty insurance written in a so-called builder's risk completed value form, including coverage for 100% of the total insurable costs of construction with an agreed amount endorsement waiving co-insurance provisions, (C) commercial general liability coverage for any contractor performing work for or related to the Leased Property, including, without limitation, products and completed operations and containing no "X", "C", "U" exclusion, and automobile liability insurance for owned, hired and non-owned automobiles, and (D) architect's and/or engineer's, as the case may be, professional liability insurance.

(d) With respect to each parcel of improved real estate included as Collateral that is located in a "Special Flood Hazard Area" as determined by the Federal Emergency Management Agency, the Borrower shall keep in full force and effect flood insurance policies issued pursuant to and in compliance with Applicable Laws.

(e) All such insurance shall name the Lender as lender loss payee and additional insured, and shall provide for at least thirty (30) days advance notice to the Lender prior to any non-renewal or cancellation (except, in the case of non-payment, notice may be ten days) and such other endorsements as the Lender may reasonably request. In addition, the Borrower shall maintain such other insurance as may be required by the Security Agreement and the other Loan Documents. Annually (and from time to time upon reasonable request of the Lender), the Borrower shall promptly furnish to the Lender evidence, in form and substance reasonably satisfactory to the Lender, of the maintenance of all insurance, indemnities or bonds required by this Section 6.9.

6.10 **Maintenance of Properties.** The Borrower shall: (a) maintain its properties in good repair, working order and condition, ordinary wear and tear excepted; and (b) make all appropriate and proper repairs, renewals, replacements, additions and improvements thereto, ordinary wear and tear excepted; and (c) keep all systems and equipment that may now or in the future be subject to compliance with any standards or rules imposed by any Governmental Authority in compliance in all respects with such standards or rules, except, in each case, for such failures that would not reasonably be expected to result in a Material Adverse Change. The

Borrower shall take all steps necessary to prosecute, maintain, preserve, defend and protect, and, when necessary, renew: (i) all franchises, licenses, permits, Patents, Trademarks, domain names, Trade Secrets, Copyrights and other general intangibles and Intellectual Property owned or licensed by any of them, including the payment of all necessary or useful maintenance fees and the filing of all statutory declarations, and (ii) all agreements to which any of them are parties that are necessary or useful to conduct the Borrower's business, in each case where the failure to do so could reasonably be expected to result in a Material Adverse Change.

6.11 **Maintenance of Records; Fiscal Year.** The Borrower shall maintain proper books of record and account to permit the preparation of financial statements in accordance with GAAP. The Borrower shall keep its books of account and financial statements in accordance with GAAP and to report on the basis of a fiscal year ending December 31.

6.12 **Inspection.** Upon reasonable notice (and for this purpose no more than two Business Days' notice shall be required under any circumstances) if no Event of Default shall exist, or at any time with or without notice after the occurrence and during the continuance of an Event of Default, the Borrower shall allow any representative of the Lender to visit and inspect any of the properties of the Borrower, to examine the books of account and other records and files of the Borrower (including the financial statements (audited and unaudited, to the extent prepared) and information with respect to each business operated by the Borrower), to make copies thereof and to discuss the affairs, business, finances and accounts of the Borrower with its personnel and accountants; provided, however, that so long as no Event of Default has occurred and is continuing, the Borrower shall bear the cost of no more than one (1) such visit, inspection and examination under this Section 6.12, per calendar year. Notwithstanding the foregoing, a representative of the Borrower shall be given the opportunity to be present for any communication with the Borrower and its personnel and accountants.

6.13 **Type of Business.** The Borrower shall not engage in any business other than a Permitted Business.

6.14 **Issuance of Equity.** Without the Lender's prior written consent, the Borrower shall not issue, authorize the issuance of, or obligate itself to issue any equity interests.

6.15 **Certain Actions.** The Borrower shall not, without the prior written consent of the Lender:

- (a) Change its name;
- (b) Change its registered office, chief executive office or principal place of business;
- (c) Change its fiscal year;
- (d) Appoint any new member to its board of directors;
- (e) Hire any new employees or increase the compensation payable to existing employees or the members of its board of directors other than as reflected in the then current Operating Budget;

- (f) Make any changes in the services or management firms engaged by the Borrower;
- (g) Acquire any equity interest in any Person; or
- (h) Make any capital expenditures other than as referred to in the then current Operating Budget.

6.16 **Environmental Matters.** The Borrower shall not:

- (a) cause a Release of any Hazardous Substance in material violation of any Environmental Law, or
- (b) permit to exist any Release of any Hazardous Substance on any real property owned or occupied by the Borrower in material violation of any Environmental Law, or
- (c) take any other action (or fail to take any action) in material violation of any Environmental Law.

6.17 **Completion of the Improvements.** Borrower shall use commercially reasonable efforts to achieve Completion of the Improvements on or before the Completion Date. Borrower shall pay all sums and perform such duties as may be necessary to achieve Completion of the Improvements, free from any liens (which may be discharged by bonding or other similar means reasonably satisfactory to Lender), claims or assessments (actual or contingent) asserted against the Leased Property for any material, labor or other items furnished in connection therewith. Evidence of satisfactory compliance with the foregoing shall be furnished by Borrower to Lender prior to the Completion Date.

6.18 **Correction of Defects.** Borrower shall promptly correct all defects in the Project or any material adverse departure from the Plans and Specifications. Borrower agrees that the advance of any proceeds of the Loan whether before or after such defects or departures from the Plans and Specifications are discovered by, or brought to the attention of, Lender shall not constitute a waiver of Lender's right to require compliance with this covenant.

6.19 **Change Orders.** Borrower shall not directly or indirectly, without the prior written consent of Lender:

- (a) modify or supplement the Plans and Specifications (except as provided in paragraph (c) below) or any permits granted to construct the Project in any respect;
- (b) amend, supplement or otherwise modify any Major Trade Contract, except as provided in paragraph (c) below, (A) to increase the amount payable by Borrower thereunder, (B) to lengthen the time for performance of any party thereto other than Borrower or (C) in any other way that could adversely affect, in any material respect, the Lenders; or
- (c) direct or permit the performance of any work pursuant to any revision (of whatever nature or form) of the Plans and Specifications, or any change order or

change bulletin or other instrument or understanding relating to the construction of the Improvements unless:

(i) such change order will not materially reduce the gross square feet or the net rentable square feet of the Project, or the basic layout of the Project, or involve the use of materials, furniture, fixtures and equipment that will not be at least equal in quality to the materials, furniture, fixtures and equipment originally specified in or required by the approved Plans and Specifications; and

(ii) such change order shall result in an increase or decrease in the cost of the Project of less than \$25,000.00.

Borrower shall submit Lender copies of all change orders entered into with respect to the Project within fifteen (15) days after the same are entered into, irrespective of whether the same require the prior approval of Lender pursuant to this Agreement.

6.20 **Further Assurances.** At its sole cost and expense, upon the request of the Lender, the Borrower shall promptly execute and deliver to the Lender such further instruments and do or cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Lender to carry out more effectively the provisions and purpose of this Agreement and the other Loan Documents.

ARTICLE 7

EVENTS OF DEFAULT

7.1 **Events of Default.**

“Event of Default” wherever used herein means any one of the following events (whatever the reason for such Event of Default, whether it shall be voluntary or involuntary or be effected by operation of Law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental instrumentality):

7.1.1 ***Failure to Pay Principal, Interest, Fees, Etc.*** If the Borrower shall fail to make any payment of (i) the principal of the Loans, (ii) interest on the Loan, or (iii) any other amounts owing hereunder (other than principal or interest) on the dates when the same shall become due and payable (as extended pursuant to any applicable grace period), whether at stated maturity or at a date fixed for any installment or prepayment thereof or otherwise; or

7.1.2 ***Misrepresentations.*** If any representation or warranty made or deemed made (a) by the Borrower in this Agreement or in any other Loan Document or (b) by the Borrower or any other Person (other than the Lender) in any document or certificate executed by or on behalf of Borrower and furnished pursuant to this Agreement or any other Loan Document, shall be false or misleading in any respect (or in any material respect if such representation or warranty is not by its terms already qualified as to materiality) when made or deemed made, and such breach is not cured within thirty (30) days following notice thereof by the Lender to the Borrower; or

7.1.3 ***Covenant Defaults.*** If there shall occur a default in the due performance or observance of any term, covenant or agreement to be performed or observed by the Borrower pursuant to this Agreement or any other Loan Document and (except with respect to the covenants set forth in Sections 6.1 through 6.6, 6.9, 6.12, 6.13, 6.14 and 6.15) such default shall not be cured within thirty (30) days after the occurrence thereof; or

7.1.4 ***Security.*** If the validity of this Agreement or any of the other Loan Documents shall have been challenged or disaffirmed by or on behalf of the Borrower; or if, other than as a direct result of any action of the Lender, any Liens created or intended to be created by any of the Loan Documents on any material Collateral shall at any time cease to be valid and perfected first priority Liens in favor of the Lender, subject to no equal or prior Liens; or if any material covenant, agreement or obligation of the Borrower contained in or evidenced by any of the Loan Documents shall cease to be enforceable in accordance with its terms; or if any Loan Document shall be cancelled, terminated, revoked or rescinded except in accordance with its terms; or if any court or other Governmental Authority shall issue a judgment, order, decree or ruling to the effect that any material covenant, agreement or obligation of the Borrower under any Loan Document is illegal, invalid or unenforceable; or

7.1.5 ***Custody or Control of Assets.*** If custody or control of any substantial part of the property of the Borrower shall be assumed by any Governmental Authority or any court of competent jurisdiction, or any other Person at the insistence of any Governmental Authority or any court of competent jurisdiction; or

7.1.6 ***Discontinuance of Business.*** If the Borrower shall suspend or discontinue its business; or

7.1.7 ***Insolvency.*** (a) If The Borrower shall (i) make an assignment for the benefit of creditors or a composition with creditors, (ii) admit in writing its inability to pay its debts as they mature, (iii) file a petition in bankruptcy, (iv) be adjudicated insolvent or bankrupt, (v) petition or apply to any tribunal for the appointment of any receiver, custodian, liquidator or trustee of or for it or any substantial part of its property or assets, or (vi) commence any proceeding relating to it under any Debtor Relief Law of any jurisdiction, whether now or hereafter in effect; or (b) if there shall be commenced against the Borrower any such proceeding (which is not dismissed within sixty (60) days of such commencement) or an order, judgment or decree approving the petition in any such proceeding shall be entered against the Borrower; or (c) if the Borrower shall have concealed, removed, or permitted to be concealed or removed, any part of its property, with intent to hinder, delay or defraud its creditors, or any of them, or shall have made or suffered a transfer of any of its property which may be fraudulent under any Debtor Relief Law, fraudulent conveyance or similar law; or (d) if the Borrower shall have made any transfer of its property to or for the benefit of a creditor which constitutes a preferential transfer under any Debtor Relief Law; or (e) if the Borrower shall have suffered or permitted, while insolvent, any creditor to obtain a lien upon any of its property through legal proceedings or distraint, and such lien is not removed within thirty (30) days following imposition; or (f) if the Borrower is not at any time Solvent.

7.1.8 ***Change of Control.*** If there shall occur a Change of Control.

7.1.9 ***Judgments.***

(a) If any judgment or judgments or assessment or assessments for the payment of money in excess of \$500,000 in the aggregate (excluding, without duplication, amounts covered by (x) insurance payable to Borrower, to the extent the relevant insurer has not denied coverage therefor or (y) indemnifications payable to Borrower, to the extent the relevant indemnitor has affirmatively confirmed coverage therefor) shall be rendered against the Borrower and such judgment remains either unstayed or unsatisfied for a period of thirty (30) days or more.

(b) If any one or more non-monetary judgments, orders or decrees shall be rendered against the Borrower, such judgment or order shall remain unstayed or unsatisfied for a period of thirty (30) days or more, by reason of a pending appeal or otherwise.

7.1.10 ***Completion of the Improvements.*** If Borrower fails to achieve Completion of the Improvements on or before the Completion Date, as such date may be extended by the mutual agreement of the Borrower and the Lender.

7.2 **Acceleration; Remedies.**

7.2.1 ***Acceleration upon Insolvency.*** Upon the occurrence and during the continuance of any event described in Section 7.1.7, the entire unpaid principal balance of the Notes, and interest accrued and premium, if any, thereon and all other amounts accrued hereunder or under the other Loan Documents, shall be immediately due and payable by the Borrower and the RC Commitment shall terminate without presentment, demand, protest, notice of protest or other notice of dishonor of any kind, all of which are hereby expressly waived by the Borrower.

7.2.2 ***Acceleration upon Other Defaults.*** Upon the occurrence and during the continuance of any Event of Default other than any event described in Section 7.1.7, or at any time thereafter if any Event of Default shall then be continuing, the Lender may (a) by written notice to the Borrower, declare the entire unpaid principal balance of the Notes, and interest accrued thereon and all other amounts accrued hereunder or under the other Loan Documents to be immediately due and payable by the Borrower, and/or (b) terminate the RC Commitment.

7.2.3 ***Remedies in General.*** In the event of acceleration pursuant to Section 7.2.1 or Section 7.2.2, all principal and interest, premium, fees, and other amounts shall thereupon become and be immediately due and payable, without presentation, demand, protest, notice of protest or other notice of dishonor of any kind, all of which are hereby expressly waived by the Borrower; and the Lender may proceed to protect and enforce its rights under the Loan Documents in any manner or order it deems expedient without regard to any equitable principles of marshalling or otherwise. In addition to all other rights hereunder or under Law, the Lender shall have the right to institute proceedings in equity or other appropriate proceedings for the specific performance of any covenant or agreement made in any of the Loan Documents or for an injunction against the violation of any of the terms of any of the Loan Documents or in aid of the exercise of any power granted in any of the Loan Documents or by Law or otherwise. All rights and remedies given by this Agreement, the Note and the other Loan Documents are cumulative and not exclusive of any of such rights or remedies or of any other rights or remedies available to the Lender, and no course of dealing between Borrower, on one hand, and the Lender, on the other hand, or any delay or

omission in exercising any right or remedy shall operate as a waiver of any right or remedy, and every right and remedy may be exercised from time to time and as often as shall be deemed appropriate by the Lender.

7.3 **Proceeds of Collateral.** Following an Event of Default and acceleration of the Obligations, the Lender shall apply proceeds of Collateral as follows:

First, to payment of that portion of the Secured Obligations constituting fees (including Management Fees), expenses (including expenses relating to attorneys' fees and other professionals' fees), indemnities and other amounts due to the Lender in its capacity as such;

Second, to payment of that portion of the Secured Obligations constituting accrued and unpaid interest, and then to that portion which constitutes unpaid principal amounts of the Loans;

Third, to payment of all other Secured Obligations; and

Finally, the balance, if any, after all of the Secured Obligations have been satisfied, to the Borrower or as otherwise required by Law.

ARTICLE 8

MISCELLANEOUS

8.1 **Notices; Effectiveness; Electronic Communication.**

8.1.1 ***Notices Generally.*** Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows:

(a) if to the Borrower, to it at 505 State Road, PO Box 1323, West Tisbury, MA 02575, Attn: Geoff Rose, (Email: geoff@pcmvv.com), with a copy (which shall not constitute notice) to Ruberto, Israel & Werner, P.C., 255 State St., 7th Floor, Boston. MA 02109, attn.: Louis C. Katz, Esq.;

(b) if to a Lender, at c/o Acreage Holdings, 366 Madison Avenue, New York, NY 10017, Attn: James Doherty, (Email: j.doherty@acreageholdings.com), with a copy (which shall not constitute notice) to Cozen O'Connor, One Liberty Place, 1650 Market Street, Philadelphia, PA 19103, Attention: Joseph C. Bedwick, (Email: jbedwick@cozen.com).

Notices sent by hand or overnight courier service shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient).

8.1.2 ***Change of Address, Etc.*** Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto.

8.2 **No Implied Waivers.** No failure or delay on the part of the Lender in exercising any right, power or privilege under the Loan Documents and no course of dealing between Borrower, on the one hand, and the Lender, on the other hand, shall operate as a waiver of any such right, power or privilege. No single or partial exercise of any right, power or privilege under the Loan Documents precludes any other or further exercise of any such right, power or privilege or the exercise of any other right, power or privilege. The rights and remedies expressly provided in the Loan Documents are cumulative and not exclusive of any rights or remedies which the Lender would otherwise have. No notice to or demand on Borrower in any case shall entitle Borrower to any other or further notice or demand in similar or other circumstances or shall constitute a waiver of the right of the lender to take any other or further action in any circumstances without notice or demand. Any waiver that is given shall be effective only if in writing and only for the limited purposes expressly stated in the applicable waiver.

8.3 **Severability.** Every provision of the Loan Documents is intended to be severable. If any term or provision of the Loan Documents shall be invalid, illegal or unenforceable for any reason, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby. Any invalidity, illegality or unenforceability of any term or provision of the Loan Documents in any jurisdiction shall not affect the validity, legality or enforceability of any such term or provision in any other jurisdiction.

8.4 **Amendments.** This Agreement and the other Loan Documents may not be amended or modified except by a written instrument describing such amendment or modification executed by the parties hereto.

8.5 **Successors and Assigns.** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender, and Lender may assign or otherwise transfer any of its rights or obligations hereunder (including all or a portion of its RC Commitment and the Loans at the time owing to it). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby) any legal or equitable right, remedy or claim under or by reason of this Agreement.

8.6 **Governing Law; Jurisdiction; Etc.**

8.6.1 ***Governing Law.*** This Agreement and the other Loan Documents and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement or any other Loan Document (except, as to any other Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the law of the Commonwealth of Massachusetts.

8.6.2 ***Jurisdiction.*** Each party hereto irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against the Lender, or any Related Party of the foregoing in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, in any forum other than the courts of record in the Commonwealth of Massachusetts, and of the United States located in the Commonwealth of Massachusetts, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such Massachusetts state court or, to the fullest extent permitted by applicable law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Borrower or its properties in the courts of any jurisdiction.

8.6.3 ***Waiver of Venue.*** Borrower irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 8.6.2 of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

8.7 **Maximum Lawful Interest Rate.** If, at any time, the rate of interest, together with all amounts that constitute interest and that are reserved, charged or taken hereunder as compensation for fees, services or expenses incidental to the making, negotiating or collecting of the Loans, shall be deemed by a court of law with competent jurisdiction, or other Governmental Authority with competent jurisdiction or a tribunal to exceed the maximum rate of interest permitted to be charged by the Lender to the Borrower under applicable Law, then, during such time as such rate of interest would be deemed excessive, that portion of each sum paid attributable to that portion of such interest rate that exceeds the maximum rate of interest so permitted shall be deemed a voluntary prepayment of the unpaid principal amount due pursuant to this Agreement and the Note.

8.8 **Counterparts; Integration; Effectiveness; Electronic Execution.**

8.8.1 ***Counterparts; Integration; Effectiveness.*** This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 3.1, this Agreement shall become effective when it shall have been executed by the Lender and when the Lender shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature

page of this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement.

8.8.2 *Electronic Execution of Assignments.* The words “execution,” “signed,” “signature,” and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

8.9 Expenses; Indemnity; Damage Waiver.

8.9.1 *Costs and Expenses.* The Borrower shall promptly pay (i) all the costs and expenses set forth in Section 3.1.6, (ii) all reasonable and documented out-of-pocket expenses incurred by the Lender and its Affiliates, in connection with the administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof, and (iii) all reasonable and documented out-of-pocket expenses incurred by the Lender in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made hereunder, including all such reasonable and documented out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

8.9.2 *Indemnification by the Borrower.* The Borrower shall indemnify the Lender and each Related Party of Lender (each such Person being called an “**Indemnatee**”) against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnatee), incurred by any Indemnatee or asserted against any Indemnatee by any Person other than the Borrower or an Indemnatee and/or its Related Parties arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, regardless of whether any Indemnatee is a party thereto; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of any Indemnatee or any of its Related Parties or (y) result from a claim brought by Borrower against an Indemnatee or any of its Related Parties for breach of such Indemnatee’s obligations hereunder or under any other Loan Document, if Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

8.9.3 ***Waiver of Consequential Damages, Etc.*** To the fullest extent permitted by applicable law, Borrower shall not assert, and Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in Section 8.9.2 shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

8.9.4 ***Payments.*** All amounts due under this Section shall be payable promptly (and in any event not later than ten days) after demand therefor.

8.9.5 ***Survival.*** Each party's obligations under this Section shall survive the Closing Date and continue in full force and effect for the period for bringing a breach of contract claim permitted under the statute of limitations in effect in the Commonwealth of Massachusetts.

8.10 ***Integration Clause.*** This Agreement, together with the other Loan Documents, any fee letters and any other documents incorporated herein or therein by reference and all related exhibits and schedules, constitutes the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

8.11 **Waiver of Jury Trial.** EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Agreement to be duly executed by their respective duly authorized officers as of the date first above written.

BORROWER:

**PATIENT CENTRIC OF MARTHA'S
VINEYARD, LTD.**

By: 

Name: Geoffrey Rose

Title: CEO

LENDER:

HIGH STREET CAPITAL PARTNERS, LLC

By: _____

Name: Kevin Murphy

Title: CEO

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Agreement to be duly executed by their respective duly authorized officers as of the date first above written.

BORROWER:

**PATIENT CENTRIC OF MARTHA'S
VINEYARD, LTD.**

By: _____
Name:
Title:

LENDER:

HIGH STREET CAPITAL PARTNERS, LLC

By:  _____
Name: Kevin Murphy
Title: CEO

Exhibit A

Form of Master Services Agreement

MANAGEMENT AND CONSULTING SERVICES AGREEMENT

This MANAGEMENT AND CONSULTING SERVICES AGREEMENT (the “Agreement”) is made and entered into on the 31st day of October, 2017 (the “Effective Date”) by and between MA RMD SVCS, LLC, (“Consultant”) and HEALTH CIRCLE, INC., (“Health Circle”), (each a “party” and collectively the “parties”).

WHEREAS, Health Circle has applied for one or more Certificate(s) of Registration to operate a Registered Marijuana Dispensary (“RMD”) in Massachusetts pursuant to applicable law and the regulations (the “Regulations”) issued by the Massachusetts Department of Public Health (“DPH”);

WHEREAS, Health Circle intends to provide a safe and lawful system of access to medical marijuana and related products for the benefit of registered qualifying patients in connection with the retail and cultivation and processing facilities developed by Health Circle (the “Facilities”);

WHEREAS, Consultant is experienced in medical marijuana agricultural and vegetative growth processes, cultivation methodologies, retail systems, quality control, facility design, marketing, inventory tracking, business operations systems and security systems, and can provide services, products and proprietary trade secrets and other intellectual property relating thereto, all of which would be beneficial to Health Circle (the “Consultant Services”); and

WHEREAS, Health Circle desires to obtain from Consultant certain Consultant Services, and Consultant is willing to provide to Health Circle such Consultant Services pursuant to the provisions set forth herein.

NOW, THEREFORE, in consideration of their mutual promises, the parties do hereby agree as follows:

1. CONSULTANT SERVICES

The Consultant Services shall consist of the following:

1.1 Design, Construction and Ongoing Maintenance of Facilities. Consultant shall, in consultation with Health Circle, arrange for and manage the design and construction of the Facilities. Consultant shall be responsible for initial planning, set-up, build-out, inspection and permitting of the Facilities, including specification and requisitioning of all equipment related thereto. Design and construction of the Facilities shall meet or exceed the requirements for such cultivation, processing and retail locations as set for the Regulations and will be consistent with Health Circle’s application(s) for a Certificate(s) of Registration. In addition, Consultant shall manage, in consultation with Health Circle, general internal and external maintenance of the Facilities on an ongoing basis.

1.2 Cultivation, Quality Control and Related Operations. Consultant shall advise Health Circle and provide guidance on the type, make, installation, implementation, handling and/or use of materials, equipment, processes, methodologies and other matters, as appropriate and necessary, in connection with Health Circle's cultivation, quality control and related operations needs with respect to the following specific items and matters:

- a. Selection of starter seeds and/or vegetation;
- b. Cultivation equipment, including lighting and that which is related to organic cultivation methodologies;
- c. Cultivation and processing methodologies (proprietary and/or otherwise) with respect to organic vegetative growing in soil, soil-less mediums and hydroponics;
- d. Nutrient lines, additives, enhancers and blooming agents;
- e. Environmentally sound processes for discarding biological waste matter and other sensitive materials;
- f. Combative methodologies to maintain the integrity of the man-made ecosystem within the cultivation and processing facility;
- g. Proprietary protocols, methods and instructions for developing and formulating alternative dosage forms, including marijuana-infused food products, tinctures, oils, and topical forms;
- h. Proprietary cultivation and processing operations manual;
- i. Packaging and labeling processes and materials;
- j. Implementation of point-of-sale systems and inventory control methodologies;
- k. Training to all applicable employees with respect to every aspect of cultivation; and
- l. Annual review and update of the foregoing, as appropriate.

1.3 Proprietary Protocols. Consultant will be provided certain proprietary marijuana-infused product and cultivation protocols by High Street Capital Partners, LLC ("HSCP"). HSCP is a holding company that owns substantial stakes in the cannabis industry. The Company is currently operating in the states of Arizona, California, Colorado, Connecticut, Florida, Illinois, Maine, Maryland, Massachusetts, New Hampshire, New York, Nevada, Oregon, Pennsylvania and Washington. The Company focuses on all aspects of the cannabis industry, and seeks to control the cultivation, processing and dispensing of its product in every state.

Consultant shall provide: (i) exclusive sublicensing rights to Health Circle for the generation and sale of marijuana-infused products created through the use of these proprietary protocols; and (ii) training to applicable employees of Health Circle with respect to the proprietary processing techniques utilized in the generation of these marijuana-infused products.

1.4 Information Technology Security Services. Consultant shall provide, install, and maintain, throughout the term of this Agreement, a proprietary information technology security system that reflects: (a) standard security best practices to protect information contained in its databases, including patient, point-of-sale and inventory control information; (b) “cloud” based technology if so desired by Health Circle; and (c) state-of-the-art security features and back-up reliability. This system shall provide for the maintenance of individual patient records and Consultant shall train all applicable employees on the maintenance and security of such records. Consultant shall also assist and provide guidance to Health Circle on an ongoing basis with respect to this system.

1.5 Website Development Services. Consultant shall provide consultation and advice regarding development and ongoing maintenance of a comprehensive interactive website specific to and showcasing the Health Circle Facilities; and various Health Circle educational and health care resources and initiatives. Consultant will provide an IT professional who will generate content for the Health Circle website including regular newsletters and blog posts.

1.6 Marketing and Public Relations Services. Consultant will provide guidance on public relations and marketing activities, including hosting of various events and/or appearances at the Facilities. These services will include the education and training for physicians in the community concerning the use of medical marijuana for patients as well as the communication of information concerning the process and best practices with regard to certifying patients for the use of medical marijuana.

1.7 Business, Financial and Operations Services. Consultant shall advise Health Circle and provide guidance on the following specific business, financial and operations matters:

- a. Human resources matters, including recommendations on hiring, discipline and termination, and development of staffing requirements and schedules;
- b. Third-party vendor management;
- c. Running quarterly operational meetings to review the Facilities’ operations, identify issues, and, as appropriate, provide suggestions for improvement to operations;
- d. Establishment of ongoing feedback measures and assessment programs;
- e. Guidance on contracting with credit card companies; and

- f. Assisting with oversight of accounting, payroll, banking, tax return preparation and audits.

1.8 Operations Manual Services. Consultant shall provide and update throughout the term of this Agreement, an operations manual for Health Circle specific to the non-cultivation operations at the Facilities, and shall assist and provide guidance to Health Circle on an ongoing basis with respect thereto.

1.9 Inventory Services. Consultant will arrange and pay for the consulting services of one pharmacist and two pharmacy technicians who will train Health Circle's employees with respect to medical marijuana inventory best practices and protocols to ensure Health Circle's compliance with the Regulations.

1.10 Continuing Education Services. Consultant will provide on an ongoing basis continuing education with respect to: (i) new strains of marijuana that may be developed for use by patients; and (ii) training with respect to the individual qualities of each strain offering at the Health Circle Facilities including which strains may work best for certain medical indications.

2. COMPENSATION

2.1 Compensation. In consideration of the Consultant Services provided by Consultant, and subject to the provisions of Section 2.2, Health Circle shall compensate Consultant in the manner as described in Exhibit A attached hereto.

2.2 Grace Period. Health Circle shall be provided a grace period from the obligation to pay the compensation amounts described in Exhibit A until such time as Health Circle has a positive cash flow and is meeting all other obligations on a timely basis. During such grace period, deferred compensation shall accrue without interest or penalties.

2.3 Existing Liabilities to Lenders. In addition to the Grace Period described in Section 2.2, Consultant hereby agrees to provide the services described herein but defer, and allow to accrue, the compensation described in Exhibit A and owed to Consultant, until such time as the principal, and all accrued interest, of all loans made by Michael Westort and Lea Westort to Health Circle are repaid to those lenders. The loan agreements and promissory notes are attached as Exhibit B to this Agreement. An additional promissory note reflecting money lent to Health Circle by Lea and Michael Westort from February 2, 2017 until the date Health Circle is provided the first tranch of funding by High Street Capital Partners is hereby incorporated by reference.

3. COMPLIANCE WITH LAW

3.1 Services and Operations. Consultant's performance of the Consultant Services shall comply at all times with applicable laws and regulations, including but not limited to the DPH Regulations. In compliance with the foregoing, any cultivation, manufacturing and/or preparation with respect to any vegetative or vegetative-related products to be sold at the

Facilities must be conducted in Massachusetts at a Facility or at a site permitted under Massachusetts law.

3.2 Regulatory Matters. In recognition of Health Circle's status as a non-profit corporation and to assure Health Circle's compliance with the DPH Regulations, prior to the rendering of services in consideration of compensation to be paid by Health Circle pursuant to the terms specified in this Agreement, the parties shall demonstrate to DPH upon request that such compensation is commercially reasonable and at fair market value, taking into account comparable pricing in markets hosting a similar industry, relevant risk considerations, the uniqueness of the services being provided, and other pertinent factors.

3.3 Certain Amendments. In the event that the viability of Health Circle's business operations is threatened due to an average price change over the course of a time frame of at least six (6) months with respect to a Health Circle product that constitutes the majority of Health Circle's retail sales revenue, then the parties shall cooperate with each other in good faith to amend the foregoing financial matters in light of and with consideration given to the percentage average price change and the business operations viability threat at issue.

In the event that one or more "Triggering Events", as set forth in Section 3.4 below, require modifications to the foregoing financial matters in order to reasonably assure ongoing compliance with all applicable requirements governing the activities of Health Circle and the services being provided by Consultant, the parties shall cooperate with each other in good faith to amend the foregoing financial matters consistent with the standards and procedures set forth in this Section 3.3 and in Section 3.4.

The parties acknowledge and agree that establishing and maintaining the viability of Health Circle's business operations is a core priority of the parties. In negotiating and determining appropriate amendments to the foregoing financial matters, the parties shall act in good faith to preserve such core priority and to assure ongoing fulfillment of all applicable laws and pertinent regulatory standards.

3.4 Effect of Laws, Regulations, and Market Forces on Ongoing Operations. In the event of any of Triggering Events described in this Section 3.4, either party may give the other notice of request to amend this Agreement in order to: (i) accommodate the terms and intent of this Agreement to the greatest extent possible consistent with the requirements of pertinent laws and regulations, and (ii) achieve the least burdensome alternative for the parties which brings this Agreement into compliance with pertinent laws and regulations; provided, however, that the parties shall work together in good faith at all times to preserve the business operations of Health Circle, and to avoid Consultant from experiencing a material and adverse financial deviation, in the aggregate, from that which is contemplated in this Agreement. A "Triggering Event" shall mean:

- a. A provision of pertinent laws or regulations is adopted and implemented subsequent to the execution of this Agreement which would:

- i) Invalidate or otherwise be inconsistent with the terms of this Agreement;
or
 - ii) Cause one or both of the parties to be in violation of pertinent laws or regulations;
- b. A provision of this Agreement is ruled by a court or other tribunal of competent jurisdiction to be in violation of pertinent laws or regulations;
- c. A policy determination, ruling or enforcement determination on the part of a responsible and duly authorized state or federal official, subsequent to the execution of this Agreement, is made that deems some or all of the activities set forth in this Agreement to be contrary to pertinent laws or regulations governing such activities; or
- d. A change in the fair market value sales price of Health Circle's products that makes payments under this Agreement impossible for Health Circle, while Health Circle continues to pay its other obligations.

4. CONFIDENTIALITY

4.1 Confidential Information. For purposes of this Agreement "Confidential Information" shall mean all confidential and/or proprietary information and materials regarding the business affairs of a party to this Agreement, including, but not limited to, all technical data, trade secrets, know-how, marketing plans, products, business strategies, financial statements, and any other information that a party identifies to the other party in writing as being confidential or proprietary.

4.2 Obligations. Both parties agree to (a) maintain all Confidential Information that it receives in safekeeping and in confidence; (b) not disclose such Confidential Information to any third parties; (c) treat all Confidential Information with the same degree of care with which it treats and protects its own confidential information that it does not wish to disclose to third parties and, in any event, with all reasonable care; and (d) limit access to the Confidential Information to only those directors, officers, employees, other personnel, advisors and representatives who have a need to know such information in order to help the party carry out its duties and obligations under this Agreement.

4.3 Exclusions. Confidential Information does not include information that: (a) was already known to the receiving party at the time of disclosure as evidenced by written records; (b) is currently in the public domain by public use, publication or general knowledge; (c) after disclosure hereunder becomes general knowledge through no fault of the receiving party; (d) is lawfully received by the receiving party from a third party having a right of disclosure; (e) is independently developed by the receiving party without use of Confidential Information as evidenced by written records; and/or (f) is required to be disclosed pursuant to law or judicial or governmental subpoena or order.

5. REPRESENTATIONS AND WARRANTIES

5.1 Representation and Warranties. Consultant represents and warrants to Health Circle that the Consultant Services shall be performed in a good faith and workmanlike manner with the same degree of diligence and care that Consultant exercises with respect to its own businesses and affairs. Consultant agrees to make reasonable efforts to re-perform, free of additional charge, any and all Consultant Services not in material compliance with this representation and warranty after receiving notice from Health Circle of such non-compliance.

Consultant hereby represents and warrants that its compliance with the terms of this Agreement and provision of Consultant Services hereunder will not violate any duty which Consultant may have to any other person or entity under any written agreement, including obligations concerning providing services to and/or not competing with others, confidentiality of proprietary information and assignment of inventions, ideas, patents or copyrights, and Consultant agrees that Consultant will not do anything in the performance of Consultant Services that would violate any such duty existing under such written agreement.

5.2 Force Majeure. Notwithstanding anything to the contrary contained herein, a party shall not be liable for any failure of or delay in the performance of this Agreement for the period that such failure or delay is due to causes beyond its reasonable control, including but not limited to acts of God, war, strikes or labor disputes, embargoes, government orders or any other force majeure event.

6. INSURANCE

During the term of this Agreement, each party shall maintain policies or programs of insurance or self-insurance in amounts sufficient to cover its liabilities and obligations under this Agreement. In particular, Health Circle will maintain product liability and general liability insurance in accordance with the minimum levels required by the Regulations.

7. TERM AND TERMINATION

7.1 Term. This Agreement shall commence on the Effective Date and shall continue in full force and effect for an initial term of fifteen (15) years, and shall automatically renew for successive five (5) year terms, subject to earlier termination as follows:

- a. By the mutual written consent of the parties;
- b. A material breach of this Agreement by a party, which breach cannot be cured, or remains uncured for thirty (30) days after written notice of the breach is provided to the breaching party; or
- c. In accordance with and pursuant to the provisions of Section 7.2.

7.2 Termination. Either party may terminate this Agreement for cause upon written notice to the other party in the event that such other party shall:

- a. File, or have filed against it (which filing is not dismissed within 90 days), a petition to declare it insolvent or bankrupt, or make an assignment of substantially all of its assets for the benefit of its creditors;
- b. Be dissolved or liquidated; or
- c. Suffer or permit the appointment of a receiver for its business or assets.

7.3 Compensation upon Termination. Upon termination of this Agreement, and with respect to payment obligations arising specifically under this Agreement, Health Circle will pay Consultant for all Consultant Services actually performed up to the effective date of such termination.

7.4 Return of Confidential Information. Unless the parties agree to terms of an ongoing license, upon termination of this Agreement, the parties shall promptly return, delete or destroy (at each party's discretion) all copies of Confidential Information belonging to the other party disclosed or provided under this Agreement.

8. MISCELLANEOUS

8.1 Notices. Any notices required or provided under this Agreement shall be in writing and sent via electronic mail, certified U.S. mail, courier or facsimile, to such address as is designated by a party in writing to the other party, and shall be deemed to have been given five (5) calendar days from the date of postmark if sent via certified U.S. mail, or on the date of delivery if sent via email, courier or facsimile.

8.2 Independent Contractors. Nothing in this Agreement shall create or shall be deemed to create any joint venture, partnership, or contract or relationship of employment or agency between the parties, or render or be construed to render any of Consultant employees or agents of Health Circle, or to provide any of Consultant employees with any rights or benefits to which an employee of Health Circle may be entitled. Consultant assumes sole and full responsibility for withholding any and all appropriate taxes in connection with fees earned by Consultant under this Agreement.

8.3 Amendments. Any term of this Agreement may be amended, modified or waived only with the written consent of the parties. This Agreement, including any exhibits hereto, constitutes the sole agreement of the parties and supersedes all oral negotiations and prior writings with respect to the subject matter hereof.

8.4 Waiver. The failure of either party to enforce at any time any of the provisions or terms of this Agreement, or any rights in respect thereof, or the exercise of or failure to exercise by either party any rights or any of its elections herein provided, shall in no way be considered to be a waiver of such provisions, terms, rights or elections or in any way to affect the validity of

this Agreement or such party's right to exercise such provisions, terms, rights or elections at any other time.

8.5 Severability. If any provision of this Agreement or the application thereof to any person or entity or circumstance shall, to any extent, be held illegal, invalid and/or unenforceable by a court of competent jurisdiction, then (a) the remainder of this Agreement or the application of such provision to persons or entities or circumstances other than those as to which it is illegal, invalid and/or unenforceable, as the case may be, shall not be affected, (b) each provision of this Agreement shall be legal, valid and enforceable to the extent permitted by law, and (c) the offending provision or application thereof shall be modified or stricken solely to the extent necessary to make it legal, valid and/or enforceable. The illegality, invalidity and/or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the legality, validity and/or enforceability thereof in any other jurisdiction that is not affected by the court's declaration.

8.6 Assignment. Neither party may assign this Agreement, or any part hereof, without the prior written consent of the other party; provided, however that this Agreement may be assigned to any entity that either controls or is under common control with, or buys substantially all of the assets of a party, without obtaining the prior written consent of the other party.

8.7 Governing Law. This Agreement and the performance of all obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without reference to its conflict of laws principles.

8.8 Headings. All headings are for reference purposes only and shall not be considered in the construing of this Agreement.

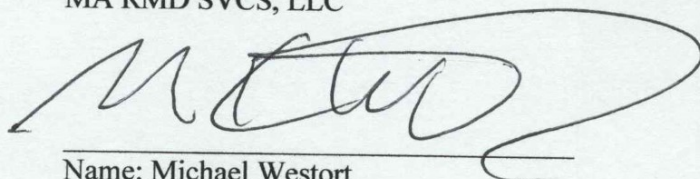
8.9 Counterparts. This Agreement may be executed in one or more counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

8.10 Limitation of Remedies. Notwithstanding any provision of this Agreement, Consultant hereby agrees that its rights and remedies following an Event of Default shall not include the seizure of assets protected by the Humanitarian Medical Use of Marijuana Act, Ch. 369 of the Acts of 2012, i.e. any product containing any amount of marijuana. Consultant shall not be entitled to a repayment or remedy that provides to the Consultant inventory of Health Circle that contains any amount of marijuana, in any form, whether flower or infused product. Consultant hereby forfeits any such remedy. In addition, Consultant hereby understands and agrees that a Certificate of Registration, whether provisional or final, is non-transferrable, and may not be assigned or transferred without prior Department of Public Health approval. Consultant agrees that Health Circle's Certificate of Registration is not an asset that may be seized by Consultant or available as a remedy for Health Circle's default of any provision of this Agreement, and hereby expressly waives any such remedy.

<signature page to follow>

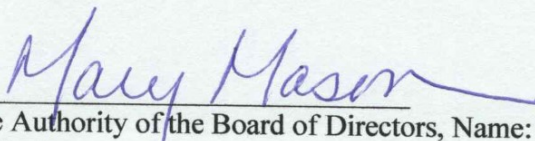
IN WITNESS WHEREOF, the parties by their duly authorized representatives have entered into this Agreement as of the Effective Date written above.

MA RMD SVCS, LLC

A handwritten signature in black ink, appearing to read 'Michael Westort', written over a horizontal line.

Name: Michael Westort
Title: Managing Member

HEALTH CIRCLE, INC.

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

With the Authority of the Board of Directors, Name: Mary Mason
Title: Clerk

EXHIBIT A

Compensation

In consideration of the provision of the Consultant Services described in Sections 1.1 through 1.10 of this Agreement, Health Circle shall pay Consultant at the following rates:

Years 1-2: \$1,825 per pound of marijuana sold at the Facilities

Years 3-5: \$1,475 per pound of marijuana sold at the Facilities

Years 6-15: To be determined

Compensation owed to Consultant in connection with the Consultant Services described in Sections 1.1 through 1.10 shall be calculated on a monthly basis and paid one month in arrears.

The parties shall review the rate of compensation at least once every three (3) years during the term of this Agreement to ensure that the rate of compensation is consistent with the fair market value for the Consultant Services. In the event the rate of compensation is determined to be inconsistent with the fair market value, the parties agree to negotiate in good faith to amend the rate of compensation in a manner which is consistent with fair market value for the Consultant Services and to ensure its continued compliance with 105 CMR 725.100(A)(1).

REVOLVING LINE OF CREDIT AGREEMENT

This Revolving Line of Credit Agreement (the “AGREEMENT”) is made and entered into on October 31, 2017, by and between MA RMD SVCS, LLC, (the “Lender”), and HEALTH CIRCLE, INC., (the “Borrower”) (each a “party” and collectively the “parties”).

In consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

1. Line of Credit. Lender hereby establishes for a period extending to November 1, 2032 (the “Maturity Date”) a revolving line of credit (the “Credit Line”) for Borrower in the principal amount of Eight Million Dollars (\$8,000,000.00) (the “Credit Limit”). In connection herewith, Borrower shall execute and deliver to Lender a Promissory Note in the amount of the Credit Limit and in form and content satisfactory to Lender. All sums advanced on the Credit Line or pursuant to the terms of this Agreement (each an “Advance”) shall become part of the principal of the Promissory Note.

2. Secured Party. In connection with this Agreement and the Promissory Note, the parties shall enter into a Security Agreement.

3. Advances. Lender agrees to advance to Borrower an initial amount of One Million Dollars (\$1,000,000.00) no later than November 1, 2017. Additional requests for an Advance may be made from time to time and in such amounts as Borrower may choose; provided, however, any requested Advance will not, when added to the outstanding principal balance of all previous Advances, exceed the Credit Limit. Requests for Advances may be made in writing by the President of Borrower who is hereby authorized to request Advances. Except for the initial advance, Lender may refuse to make any requested Advance for good cause, or if an event of default has occurred and is continuing hereunder either at the time the request is given or the date the Advance is to be made, or if an event has occurred or condition exists which, with the giving of notice or passing of time or both, would constitute an event of default hereunder as of such dates.

The funds from the Advances will be used by the Borrower for operating and capital expenses in connection with the medical marijuana operations of the Borrower.

4. Interest. All sums advanced pursuant to this Agreement shall bear interest from the date each Advance is made until paid in full at the interest rate of Fifteen Percent (15%) per annum (the “Effective Rate”).

5. Repayment. During the fifteen (15) year term of this Loan, Borrower shall make interest-only payments on any outstanding principal balance. However, the entire principal and interest shall be repaid no later than fifteen (15) years from the date of this Agreement. Notwithstanding the foregoing, payment of interest-only payments shall be deferred until the Borrower begins to receive revenue from its operations.

6. Representations and Warranties. In order to induce Lender to enter into this

Agreement and to make the advances provided for herein, Borrower represents and warrants to Lender as follows:

a. Borrower is duly organized, validly existing, and in good standing under the laws of the Commonwealth of Massachusetts with the power to own its assets and to transact business in Massachusetts.

b. Borrower has the authority and power to execute and deliver any document required hereunder and to perform any condition or obligation imposed under the terms of such documents.

c. The execution, delivery and performance of this Agreement and each document incident hereto will not violate any provision of any applicable law, regulation, order, judgment, decree, article of incorporation, by-law, indenture, contract, agreement, or other undertaking to which Borrower is a party, or which purports to be binding on Borrower or its assets and will not result in the creation or imposition of a lien on any of its assets.

d. There is no action, suit, investigation, or proceeding pending or, to the knowledge of Borrower, threatened, against or affecting Borrower or any of its assets which, if adversely determined, would have a material adverse effect on the financial condition of Borrower or the operation of its business.

e. Borrower will not encumber its real or personal property to any third party during the term of this Agreement other than those encumbrances in existence as of the date hereof that have been disclosed expressly to the Lender.

7. Events of Default. An event of default will occur if any of the following events occurs:

a. Failure to pay any principal or interest hereunder within thirty (30) business days after the same becomes due;

b. Any representation or warranty made by Borrower in this Agreement or in connection with any borrowing or request for an Advance hereunder, or in any certificate, financial statement, or other statement furnished by Borrower to Lender is untrue in any material respect at the time when made;

c. Default by Borrower in the observance or performance of any other covenant or agreement contained in this Agreement, other than a default constituting a separate and distinct event of default under this Paragraph 7;

d. Upon the occurrence of a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects, of the Borrower; or (b) the validity or enforceability of this Agreement, the Promissory Note or the Security Agreement or the rights and remedies of the Lender;

e. Filing by Borrower of a voluntary petition in bankruptcy seeking reorganization, arrangement or readjustment of debts, or any other relief under the Bankruptcy Code as amended or under any other insolvency act or law, state or federal, now or hereafter existing; and

f. Filing of an involuntary petition against Borrower in bankruptcy seeking reorganization, arrangement or readjustment of debts, or any other relief under the Bankruptcy Code as amended, or under any other insolvency act or law, state or federal, now or hereafter existing, and the continuance thereof for sixty (60) days undismissed, unbonded, or undischarged.

8. Remedies and Acceleration. If any payments required by this Agreement or the Promissory Note made hereunder are not paid when due, the entire principal amount outstanding, accrued interest, and any fees thereon shall become due and payable at the option of the Lender ("Acceleration") twenty (20) days after notice of Acceleration has been given. This time period shall run concurrently with the right to cure, if any, required by the Uniform Consumer Credit Code, if applicable, or other applicable law. Such notice of Acceleration shall specify the amount of the nonpayment plus any unpaid late charges and other costs, expenses, and fees due under this Agreement. Until the expiration of said twenty (20) day period, the Borrower may cure all defaults consisting of a failure to make required payments by tendering the amounts of all sums due at the time of tender, without Acceleration, as specified by the Lender in such notice. Cure restores the Borrower to its rights under this Agreement as though defaults had not occurred. Except as otherwise stated in this Section 8, upon the occurrence of an event of default as defined above (excluding nonpayment in Section 7a.), Lender may declare the entire unpaid principal balance, together with accrued interest thereon, to be immediately due and payable without presentment, demand, protest, or other notice of any kind. To the extent permitted by law, Borrower waives any rights to presentment, demand, protest, or notice of any kind in connection with this Agreement. No failure or delay on the part of Lender in exercising any right, power, or privilege hereunder will preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided herein are cumulative and not exclusive of any other rights or remedies provided at law or in equity. Borrower agrees to pay all costs of collection incurred by reason of the default, including court costs and reasonable attorney's fees. Notwithstanding anything contained herein to the contrary, Lender may suspend or terminate any obligation it may have hereunder to make additional Advances upon the occurrence of any event of default.

9. Notice. Any written notice will be deemed effective on the date such notice is placed, first class, postage prepaid, in the United States mail, addressed to the party to which notice is being given and to the address designated by such party.

10. General Provisions. All representations and warranties made in this Agreement and the Promissory Note and in any certificate delivered pursuant thereto shall survive the execution and delivery of this Agreement and the making of any loans hereunder. This Agreement will be binding upon and inure to the benefit of Borrower and Lender, their respective successors and assigns, except that Borrower may not assign or transfer its rights or delegate its duties hereunder without the prior written consent of Lender. This Agreement, the

Promissory Note, and all documents and instruments associated herewith will be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Massachusetts. Time is of the essence hereof. This Agreement will be deemed to express, embody, and supersede any previous understanding, agreements, or commitments, whether written or oral, between the parties with respect to the general subject matter hereof. This Agreement may not be amended or modified except in writing signed by the parties.

<signature page to follow>

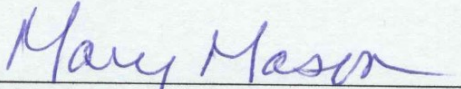
EXECUTED on the day and year first written above.

Borrower

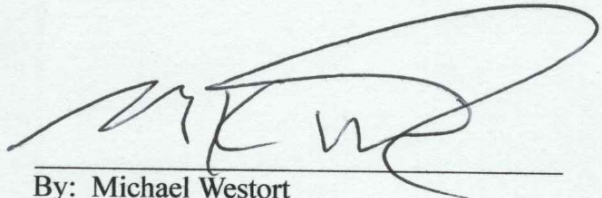
Lender

HEALTH CIRCLE, INC.

MA RMD SVCS, LLC



By: Mary Mason, With the Authority of the
Health Circle, Inc. Board of Directors
Title: Clerk



By: Michael Westort
Title: Managing Member

Through its wholly-owned subsidiaries Acreage Massachusetts, LLC; MA RMD SVCS, LLC; and South Shore Bio Pharma, LLC, Acreage Holdings, Inc. (“Acreage”) provides consulting services and capital funds to the cannabis industry. Acreage provides various levels of support depending on the needs of the individual business, including capital investment, cultivation infrastructure, real estate services, and application support, subject to regulatory review.

Acreage does not own or have direct or indirect control over the operations of these businesses nor any equity interests. The licensed entities may dismiss Acreage’s services at any time.

Marijuana Establishment Name	Marijuana Establishment Business Address	Application Locations
Health Circle, Inc.	21 Commerce Road Rockland, MA 02370	Rockland, MA Marshfield, MA Cambridge, MA
Mass Medi-Spa, Inc.	26 Brookside Drive Feeding Hills, MA 01030	Nantucket, MA
Patient Centric of Martha’s Vineyard, Ltd.	90 Dr. Fisher Road West Tisbury, MA 02575	West Tisbury, MA Vineyard Haven, MA Framingham, MA

HEALTH CIRCLE, INC.

MCN281787

MPN281533

MRN281426

BACKGROUND & APPLICATION OF INTENT REVIEW

1. Name and address of the proposed Marijuana Establishment:

Health Circle, Inc.
21 Commerce Road, Rockland, MA 02370

2. Type of license sought (if cultivation, its tier level and outside/inside operation):

Cultivation – Tier 3 / Indoor (10,001 to 20,000 sq. ft)
Product Manufacturing
Retail

3. Applicant is a licensee or applicant for other Marijuana Establishment license(s):

Applicant is not an applicant or licensee for any other Marijuana Establishment license.

4. List of all required individuals and their business roles in the Marijuana Establishment:

Michael Westort – Director
Lea Westort – Director
Mary Carle – Director
Elizabeth Peters – Director
James Welch – Director
Steven Inghutt – Close Associate
Kenneth Wolf – Close Associate
Robert Denn – Close Associate

5. List of all required entities and their roles in the Marijuana Establishment:

MA RMD Services – listed as a close associate providing consulting services.

6. Applicant's priority status and information pertaining to co-located operations:

Provisional License Executive Summary 1



RMD Priority

The MTC has a provisional license for dispensing, cultivation, and processing. The MTC business will be co-located with the adult-use business in Rockland.

7. The applicant and municipality executed a Host Community Agreement on August 15, 2018.
8. The applicant conducted a community outreach meeting on May 16, 2018 and provided documentation demonstrating compliance with Commission regulations.
9. The Commission received a municipal response from the municipality on March 11, 2019 stating the applicant was in compliance with all local ordinances and bylaws.
10. The applicant proposed the following programs for its Positive Impact Plan:
 - a. Institute hiring practices that prioritize the hiring of individuals from Abington, Braintree, Brockton, Quincy, and Randolph;
 - b. Partner with specifically listed organizations in areas of disproportionately impacted areas; and
 - c. Holding quarterly in-store donation drives, including direct giving and ongoing food and clothing drives.

SUITABILITY REVIEW

11. There were no concerns arising from background checks on the individuals or entities associated with the application.
12. There were no disclosures of any past civil or criminal actions, occupational license issues, or marijuana-related business interests in other jurisdictions.

MANAGEMENT AND OPERATIONS REVIEW

13. The applicant states that it can be operational within three (3) months of receiving their provisional license.
14. The applicant's proposed hours of operation are the following:

Monday – Saturday: 8:00 a.m. – 10:00 p.m.
Sunday – 10:00 a.m. – 7:00 p.m.
15. The applicant submitted all applicable and required summaries of plans, policies, and procedures for the operation of the proposed establishment. The summaries were determined to be substantially compliant with the Commission's regulations.



16. The applicant proposed the following programs for its Diversity Plan:

- a. Maintaining a diverse board of directors;
- b. Host career fairs in underrepresented and minority communities;
- c. Provide training on cultural sensitivity and recognizing unconscious bias; and
- d. Utilize vendors and suppliers who are also committed to diversity and inclusion.

17. Summary of cultivation plan (if applicable):

The applicant submitted a detailed cultivation plan that demonstrated the ability to comply with the Commission's regulations.

18. Summary of products to be produced and/or sold (if applicable):

- a. Dissolving tablets and strips;
- b. Tinctures;
- c. Nasal/oral sprays;
- d. Suppositories;
- e. Hash distillates;
- f. Oils;
- g. Waxes;
- h. Shatters;
- i. Budders;
- j. Live resin;
- k. Saps;
- l. Taffies;
- m. Crumbles;
- n. Moon rocks;
- o. Creams;
- p. Salves;
- q. Lotions;
- r. Body butters;
- s. Topicals;
- t. Dermal patches;
- u. Capsules;
- v. Cooking oils;
- w. Beverages;
- x. Sauces;
- y. Dips;
- z. Baked goods;
- aa. Confections;
- bb. Chocolates;
- cc. Candies;
- dd. Gums;



- ee. Sugars;
- ff. Salts;
- gg. Syrups;
- hh. Butters;
- ii. Mints; and
- jj. Teas.

19. Plan for obtaining marijuana or marijuana products (if applicable):

The applicant is a vertically integrated MTC that has applied for adult-use cultivation and product manufacturing licenses. The applicant plans to provide its own marijuana products.

20. ISO 17025 Certifying Body and Certificate Number (if applicable):

Not applicable.

RECOMMENDATION

Commission staff recommend provisional licensure with the following conditions:

1. Final license is subject to inspection to ascertain compliance with Commission regulations;
2. Final license is subject to inspection to ascertain compliance with applicable state laws and local codes, ordinances, and bylaws;
3. The applicant shall cooperate with and provide information to Commission staff;
4. Provisional licensure is subject to the payment of the appropriate license fee;
5. In order to ascertain further control over the Marijuana Establishment, and prior to the issuance of a final license, the licensee shall furnish to the Commission the following documentation:
 - a. Contractual and management agreements between Health Circle, Inc. and MA RMD SVCS, LLC;
 - b. Contractual and management agreements between MA RMD SVCS, LLC and Acreage Holdings that, implicitly or explicitly, involves or applies to Health Circle, Inc.;
 - c. A memorandum of position describing the relationship amongst Health Circle, Inc., MA RMD SVCS, LLC, and Acreage Holdings.
6. Final license is subject to the licensee revising its Positive Impact Plan to address the following and supplying it to Commission staff:
 - a. Stating the number of events that will be held as it pertains to its continuing efforts;
 - b. Removing any mention to programs that “may” be implemented and affirming the programs that it “shall” implement;
 - c. Providing stated goals for its plan;
 - d. Ensuring that all programs and actions will be taken on behalf of the establishment and not any individual person in their individual capacity.



The applicant has demonstrated compliance with the laws and regulations of the Commonwealth and suitability for licensure. Therefore, the applicant is recommended for provisional licensure.



July 11, 2019

Via email delivery

The Botanist, Inc.
c/o Christopher Tolford
200 Portland Street
5th Floor
Boston, MA 02114
c.tolford@acreageholdings.com

Acreage Holdings, Inc.
c/o Christopher Tolford
366 Madison Avenue
11th Floor
Boston, MA 10017

RE: Inquiry Notice

Dear Mr. Tolford:

On May 15, 2019, the Cannabis Control Commission, through its staff, issued an inquiry notice to The Botanist, Inc. requesting certain documents relating to contractual arrangements with licensed entities. On May 24, 2019, the Commission received a response to the inquiry notice. This letter intends to clarify and supplement the scope of requested materials. The request is applicable to Acreage Massachusetts, LLC and its parent companies, including Acreage Holdings, Inc., and their subsidiaries (including the Botanist) (collectively, the “Company”), and portfolio companies, associates and other investment interests.

In accordance with 935 CMR 500.300(2) and (4) and 935 CMR 501.300(2) and (4), the Commission requests production of the following information:

1. Any contract, written arrangement, management services agreement, or other agreement granting either the Company or any related party contractual rights to control decisions over the management or operations of an applicant for licensure or entity with a license from the Commission;
2. Any contract, written arrangement, management services agreement, or other agreement under which the Company or a related party receives consideration in the form of a percentage, portion, or fixed sum based on wholesale or patient/consumer sales of marijuana or marijuana products;
3. Any contract, written arrangement, management services agreement, or other agreement providing for exclusive intellectual property licensing rights associated with branding of the Company’s or a related party’s products, physical location, marketing or other commercial purposes, including but not limited to, agreements for exclusive inventory;
4. Any loan, bond, debt consolidation, or other financial instrument executed between the Company and a related party or between related parties;



5. Any lease, license, or interest in real property or personal property executed between the Company and a related party or between related parties and used in connection with either the Company's or related party's operations;
6. Annual financial statements of all compensation and revenues received or expended pursuant to any agreement responsive to the above requested documents, including but not limited to, audited financial statements and periodic reviews of the rate of compensation provided for under any responsive agreement.
7. Any Host Community Agreement or other agreement, including superseded or draft agreements, between the Company or a related party and a municipality providing for payments to a governmental entity or designated non-profit in conjunction with local approvals and permits to operate a Marijuana Establishment or Medical Marijuana Treatment Center and documentation of any such payment sufficient to identify the payor and payee.
8. Any other document that explicitly or implicitly refers to any agreement between the Company and a related party.

SCOPE OF REQUESTED DOCUMENTS

For purposes of this request, the "Company" shall mean the following:

- Acreage Holdings, Inc. (PubCo)
- Acreage Holdings America, Inc. (USCo)
- Acreage Holdings WC Inc.
- High Street Capital Partners, LLS
- Acreage Massachusetts, LLC
- The Botanist, Inc. f/k/a Prime Wellness Centers, Inc.
- MA RMD SVCS, LLC
- Prime Consulting Group, LLC
- South Shore Bio Pharma, LLC
- 1627 West Main, LLC

For purposes of this request, "related party" shall mean the following:

- Health Circle, Inc.
- Patient Centric of Martha's Vineyard, Ltd.
- Massachusetts Medi-Spa, Inc.
- Prime Wellness Centers, Inc. (former entity)
- Any other entity included within the twelve dispensaries and cultivation and processing facilities identified as part of the Company's operations portfolio on page 21 of the Annual Information Form filed with the Canadian Stock E
- Any other entity in which the Company, its parent companies or its subsidiaries exercise power, directly or indirectly, to govern the financial and operating policies of an entity and expose itself to the variable returns from the entity's activities



Unless otherwise specified, responsive documents should include superseded and executed agreements, but need not include draft agreements that did not result in an executed agreement.

Prior to submitting your response, please review the Commission's Guidance for Business located here: <http://mass-cannabis-control.com/wp-content/uploads/2018/07/Guidance-for-Business.pdf>.

These documents should be consolidated into a single PDF and emailed to the Commission **within fifteen (15) calendar days** to cannabislicensing@mass.gov.

If you should have questions regarding this notice, please contact the Commission by email at cannabislicensing@mass.gov.

WHAT WILL HAPPEN NEXT?

If the documentation requested is received **within fifteen (15) calendar days**, Commission staff will review the documentation according to applicable laws, regulations, and Commission guidance. Commission staff may also request further supporting documentation that it deems necessary to its review.

Documentation may affect the status of the Company's pending application. If the Commission finds, based on the information received and information available to the Commission, that any individual or entity is in a position to control the decision-making of a Marijuana Establishment and not previously disclosed on the application, you will be notified of this finding and the available options to remedy the discrepancy. These options will include the following:

1. If the application is pending and in a complete status, you may request that the application be reopened for the applicant to supplement the information. If this occurs, the application will be deemed incomplete, will be re-reviewed, and will need to be deemed complete once again. This process will restart the 90-day timeframe for the Commission to make a decision;
2. If the application is pending and in a complete status, you may request that the Commission consider your application as currently submitted. If it is found that an individual or entity fails to comply with the ownership or control limits under M.G.L. c. 94G, §16 and 935 CMR 500.050, the Commission may deny the application for licensure; or
3. If licensed previously by the Commission, the Commission reserves the right to institute an investigation and take any and all actions available to it under law and regulations.

If documentation is not received **within fifteen (15) calendar days**, and the application is pending and in a complete status, the Commission will deem the application incomplete.



If this notice is in regard to an application that has been deemed complete, please be on notice that the application will be deemed incomplete until the Commission completes review of this matter and any information received by the applicant/licensee.





2 SEAPORT LANE, 11TH FLOOR
BOSTON, MA 02210
TEL: 617.934.2121

July 26, 2019

Cannabis Control Commission
101 Federal Street, 13th Floor
Boston, MA 02110

Re: Supplemental Response to Inquiry Pertaining to Ownership / Control Interests

To Whom It May Concern:

Our firm is counsel to The Botanist, Inc. (“The Botanist”) and Acreage Holdings, Inc. (“Acreage”). As you are aware, on May 15, 2019, The Botanist received an Inquiry Notice (the “First Inquiry Notice”) from the Cannabis Control Commission (the “Commission”) as to The Botanist’s disclosures made in its Marijuana Establishment applications. On May 24, 2019, The Botanist responded with correspondence to the Commission regarding the same. On June 13, 2019, in response to an unrelated inquiry from The Botanist to the Commission regarding The Botanist’s pending Registered Marijuana Dispensary inspection, The Botanist received email correspondence from the Commission indicating that the Botanist’s May 24, 2019 response was insufficient. After further communication with the Commission, the Commission provided an additional Inquiry Notice on July 11, 2019 (the “Second Inquiry Notice”, and together with the First Inquiry Notice the “Inquiry Notices”) clarifying the documentation requested by the Commission. Therefore, on behalf of The Botanist and Acreage, we provide this supplemental response.

Background

In the First Inquiry Notice, the Commission indicated that entities with direct or indirect control “may not have been disclosed in the original application” and requested additional information as to The Botanist’s relationship to Acreage Holdings, Inc., Acreage Holdings America, Inc., High Street Capital Partners, LLC, Acreage Holdings WC Inc., Acreage Massachusetts, LLC (together the “Acreage Entities”), and “any other individual or entity.”

Acreage Holdings, Inc., a corporation existing under the laws of the Province of British Columbia, is the indirect parent company of all Acreage Entities. Both Acreage Holdings America, Inc. and Acreage Holdings WC, Inc. are U.S. companies formed for tax purposes. Acreage Holdings America, Inc. is owned 100% by Acreage Holdings, Inc., and currently owns approximately 75% of High Street Capital Partners, LLC. Acreage Holdings WC, Inc. is owned

approximately 23% by Acreage Holdings, Inc. and the remainder by certain former members of High Street Capital Partners, LLC, and currently owns approximately 2% of High Street Capital Partners, LLC. High Street Capital Partners, LLC is the 100% owner of both Acreage Massachusetts, LLC and The Botanist, Inc. Acreage Massachusetts, LLC, a wholly-owned subsidiary of High Street Capital Partners, LLC, is a stand-alone services company which currently does not provide services to any Marijuana Establishments (although such services are currently being contemplated, as described further below).

Through its wholly-owned subsidiary, The Botanist, Inc., Acreage Holdings, Inc. owns and controls a total of three (3) vertically integrated RMD licenses. Additionally, High Street Capital Partners, LLC and two of its wholly owned subsidiaries, have entered into management services agreements (“*MSA[s]*”) with unaffiliated and unowned Massachusetts non-profit and for-profit corporations to provide consulting and other necessary services: Health Circle, Inc., Mass Medi-Spa, Inc., and Patient Centric of Martha’s Vineyard, Ltd. (collectively, the “*MSA Affiliates*”).

The following are the MSA Affiliates and the current corresponding Company subsidiary party to the MSA:

MSA Affiliate/License Applicant	Massachusetts Company Subsidiary
Health Circle, Inc.	MA RMD SVCS, LLC
Mass Medi-Spa, Inc.	South Shore Bio Pharma, LLC
Patient Centric of Martha’s Vineyard, Ltd.	South Shore Bio Pharma, LLC pursuant to reassignment from High Street Capital Partners, LLC

The Company and its subsidiaries neither own nor control their MSA Affiliates pursuant to 935 CMR 500.050(1)(b). Each MSA Affiliate is independently owned and operated by individuals who have ultimate responsibility and authority for managing the overall business and affairs of the business and who oversee the management and reporting of finances. The Company does not currently and will not occupy any seats on any MSA Affiliate’s board of directors¹, nor do its members hold officer positions with any MSA Affiliate. Furthermore, the Company does not possess any equity, voting or otherwise, in any MSA Affiliate.

The MSAs enable the relevant Company subsidiary, in its role as a consultant, to provide enumerated services as agreed upon by the MSA Affiliate and the Company. The agreements do not contain any provisions requiring the MSA Affiliates to implement the advice and strategy provided by the Company. The relevant Company subsidiaries maintain an independent contractor relationship with the MSA Affiliates as their consulting services provider, and they do not directly

¹ Please note that Christopher Tolford and Anita Ganesan, currently affiliated with Acreage Holdings and George Allen, formerly of Acreage Holdings, served on the Board of Directors of Mass Medi-Spa, Inc. from May 21, 2018 until September 7, 2018.

or indirectly control the MSA Affiliates. Moreover, the MSA Affiliates have not entered into any agreement granting veto rights to the Company, its subsidiaries, or to any third party. Accordingly, the MSA Affiliates have not abdicated control of their licenses, businesses, or operations to the Company, or to any third party.

With respect to the First Inquiry Notice's suggestion that The Botanist was not fully forthcoming in its Marijuana Establishment applications, The Botanist provided all information responsive to the applications submitted to the Commission. The responses included in this letter and the attached documents were not provided with the applications because they are not responsive to the questions presented in the applications.

Responses to Second Inquiry Notice

The scope of the responses and documents included herewith are agreements and activities relating to operations within the Commonwealth of Massachusetts,² as our understanding is that agreements and information relating to activities outside of the Commonwealth are beyond the scope of the present inquiry. Please also note that some documents requested pursuant to the Second Inquiry Notice are in the control of MSA Affiliates, and therefore the document production included herewith represents the Company's best efforts to provide all responsive documentation that it is able to obtain with the consent of MSA Affiliates.

- 1. Any contract, written arrangement, management services agreement, or other agreement granting either [Acreage Massachusetts, LLC and its parent companies, including Acreage Holdings, Inc., and their subsidiaries (including the Botanist) (collectively, the "Company")] or any related party contractual rights to control decisions over the management or operations of an applicant for licensure or entity with a license from the Commission;*

The Botanist is controlled by its Board of Directors and executive management team, all of whom have been previously disclosed to the Commission, which previous disclosures are hereby incorporated by reference. The Botanist's sole shareholder, High Street Capital Partners, LLC, has authority to appoint the Board of Directors, among other shareholder rights. Indirectly, Acreage Holdings, Inc. (and by extension its shareholders) have influence over the authority of High Street Capital Partners, LLC. The applicable for-profit conversion documents, which effected the issuance of all of the outstanding shares of The Botanist to High Street Capital Partners, LLC, are provided herewith.

Aside from The Botanist, The Company does not have any contractual rights to control decisions over the management or operations of an applicant for licensure or entity with a license from the Commission.

² We note that 1627 West Main, LLC is a Rhode Island entity registered as a foreign company in Massachusetts for the sole purpose of banking and conducts no other business therein.

2. *Any contract, written arrangement, management services agreement, or other agreement under which the Company or a related party receives consideration in the form of a percentage, portion, or fixed sum based on wholesale or patient/consumer sales of marijuana or marijuana products;*
 - i. Assignment and Assumption Agreement, dated January 8, 2019, by and between High Street Capital Partners, LLC; South Shore BioPharma, LLC; and Patient Centric of Martha's Vineyard, Ltd.
 - ii. Master Services Agreement, dated November 30, 2018, by and between High Street Capital Partners, LLC and Patient Centric of Martha's Vineyard, Ltd.
 - iii. Management and Consulting Services Agreement, dated October 31, 2017, by and between MA RMD SVCS, LLC and Health Circle, Inc.
 - iv. Management and Consulting Services Agreement, dated June 17, 2018, by and between South Shore Biopharma, LLC and Mass Medi-Spa, Inc.

Please note that the Company is in the process of negotiating amended services agreements with the MSA Affiliates, which are in draft form. These draft agreements will, in some cases, replace services agreements that have been previously executed. The Second Inquiry Notice expressly asked that draft agreements not be provided unless specified, but the Company is willing to provide any such documentation that the Commission deems relevant to its Inquiry Notices upon request.

3. *Any contract, written arrangement, management services agreement, or other agreement providing for exclusive intellectual property licensing rights associated with branding of the Company's or a related party's products, physical location, marketing or other commercial purposes, including but not limited to, agreements for exclusive inventory;*
 - i. License of Intellectual Property Rights, dated January 11, 2019, by and between Acreage IP Massachusetts, LLC and Acreage IP Holdings, LLC
 - ii. Assignment and License of Intellectual Property Rights, dated February 7, 2019, by and among Acreage IP Holdings, LLC, The Botanist, Inc., and Acreage IP Massachusetts, LLC
 - iii. Assignment and License of Intellectual Property Rights, dated June 3, 2019, by and among Acreage IP Holdings, LLC, High Street Capital Partners LLC, Acreage IP Massachusetts, LLC, and Acreage Massachusetts, LLC
 - iv. Assignment and License of Intellectual Property Rights, dated June 3, 2019, by and among Acreage IP Holdings, LLC, MA RMD SVCS, LLC, Acreage IP Massachusetts, LLC, and Acreage Massachusetts, LLC

- v. Assignment and License of Intellectual Property Rights, dated June 3, 2019, by and among Acreage IP Holdings, LLC, South Shore Bio Pharma, LLC, Acreage IP Massachusetts, LLC, and Acreage Massachusetts, LLC
 - vi. *See also* Management and Consulting Services Agreement, dated October 31, 2017, by and between MA RMD SVCS, LLC and Health Circle, Inc.³
 - vii. *See also* Management and Consulting Services Agreement, dated June 17, 2018, by and between South Shore Biopharma, LLC and Mass Medi-Spa, Inc.⁴
 - viii. Assignment and License of Intellectual Property Rights, dated February 7, 2019, by and among Acreage IP Holdings, LLC, The Botanist, Inc., Acreage IP Massachusetts, LLC, and Acreage Massachusetts, LLC
4. *Any loan, bond, debt consolidation, or other financial instrument executed between the Company and a related party or between related parties;*
- i. Assignment and Assumption Agreement, dated January 8, 2019, by and between High Street Capital Partners, LLC; South Shore BioPharma, LLC; and Patient Centric of Martha's Vineyard, Ltd.
 - ii. Security Agreement, dated November 30, 2018, by and between Patient Centric of Martha's Vineyard, Ltd. and High Street Capital Partners, LLC
 - iii. Loan Agreement, dated as of November 30, 2018, by and between High Street Capital Partners, LLC and Patient Centric of Martha's Vineyard, Ltd.
 - iv. Promissory Note executed by Patient Centric of Martha's Vineyard, Ltd. in favor High Street Capital Partners, LLC, dated November 30, 2018
 - v. Mass Medi-Spa Inc. Letter of Intent for Loan Agreement, dated December 11, 2018⁵
 - vi. Revolving Line of Credit Agreement, dated October 31, 2017, by and between Health Circle, Inc. and MA RMD SVCS, LLC
 - vii. Security Agreement by and between Health Circle, Inc. and MA RMD SVCS, LLC

³ We note that the sentence referring to "exclusive sublicensing rights" in Section 1.3 contains a typographical error and should have been "non-exclusive." The sublicensing rights granted under this agreement are non-exclusive.

⁴ We note that the sentence referring to "exclusive sublicensing rights" in Section 1.3 contains a typographical error and should have been "non-exclusive." The sublicensing rights granted under this agreement are non-exclusive.

⁵ We note that the parties have not yet entered into, or executed, the Loan Agreement contemplated therein.

5. *Any lease, license, or interest in real property or personal property executed between the Company and a related party or between related parties and used in connection with either the Company's or related party's operations;*
- i. First Amendment and Assumption of License Agreement, dated January 9, 2019, by and between Hanna Enterprises, Mass Medi-Spa, Inc., and Patient Centric of Martha's Vineyard, Ltd. for the premises located at 85 Worcester Road, Framingham, MA
 - ii. License Agreement, dated December 2018, by and between Hanna Enterprises and Mass Medi-Spa, Inc. for the premises located at 85 Worcester Road, Framingham, MA
 - iii. Indenture of Lease, dated June 1, 2017, by and between 2013 Realty, LLC⁶, and Prime Wellness Centers, Inc. (as amended by that certain Amendment to Indenture of Lease, dated July 1, 2017) for the premises located at 65 Pullman Street, Worcester, MA
 - iv. Indenture of Lease, dated June 1, 2017 by and between 2013 Realty, LLC and Prime Wellness Centers, Inc. (as amended by that certain Amendment to Indenture of Lease, dated July 1, 2017) for the premises located at 1775 Lock Drive, Leominster, MA
 - v. Please be advised that Acreage Holdings purchased a property on Nantucket, MA on September 18, 2018. This property was purchased with the intention of leasing the property to MSA Affiliate Mass Medi-Spa, Inc. Mass Medi-Spa was permitted to utilize the property for a competitive license application to operate a Marijuana Establishment.

Please note that the Company has only included documentation for properties in which it has a legal interest. To the extent to which the Commission seeks information about the property interests held by the MSA Affiliates where the Company is not a party, such information can be sought from those organizations directly by the Commission.

6. *Annual financial statements of all compensation and revenues received or expended pursuant to any agreement responsive to the above requested documents, including but not limited to, audited financial statements and periodic reviews of the rate of compensation provided for under any responsive agreement.*

The Company has provided loans and expended monies on behalf of the affiliates in the following amounts:

- i. MA RMD SVCS, LLC to Health Circle, Inc.: \$2,553,576.32

⁶ 2013 Realty, LLC is the current landlord to the Company's Worcester and Leominster retail locations. It is owned by the former Chief Executive Officer of The Botanist, John P. Glowik, Jr., who has equity ownership in High Street Capital Partners, LLC.

- ii. South Shore BioPharma, LLC to Patient Centric of Martha's Vineyard, Ltd.: \$3,323,270.87
- iii. South Shore BioPharma, LLC to Mass Medi-Spa, Inc.: \$ 338,753.49

To date, no revenues have been received from the affiliates pursuant to any agreement responsive to the above requested documents.

- 6. *Any Host Community Agreement or other agreement, including superseded or draft agreements, between the Company or a related party and a municipality providing for payments to a governmental entity or designated non-profit in conjunction with local approvals and permits to operate a Marijuana Establishment or Medical Marijuana Treatment Center and documentation of any such payment sufficient to identify the payor and payee.*
 - i. Host Community Agreement, dated February 9, 2016, by and between Town of Rockland and Health Circle, Inc.
 - ii. Host Community Benefit Agreement, dated June 1, 2016, by and between Town of Nantucket, Massachusetts and Mass Medi-Spa, Inc.
 - iii. Prime Wellness Center⁷ Host Community Agreement with City of Leominster, dated May 7, 2018
 - iv. Community Host Benefit Agreement, dated March 28, 2016, by and between City of Worcester and Prime Wellness Centers, Inc.
 - v. Host Community Agreement, dated July 18, 2018, by and between City of Worcester and Prime Wellness Centers, Inc.
 - vi. The Community Benefit Agreement, dated November 24, 2015, by and between the Town of Shrewsbury and Prime Wellness Centers, Inc.
 - vii. Host Community Agreement, dated July 10, 2018, by and between the Town of Shrewsbury and Prime Wellness Centers, Inc.
 - viii. Consent to Assignment of Host Agreements, dated June 7, 2019, by and between Town of Shrewsbury and The Botanist, Inc.
 - ix. Host Community Agreement, dated July 25, 2018, by between the Town of West Tisbury and Patient Centric of Martha's Vineyard, Ltd.
 - x. Host Community Agreement, dated January 14, 2019, by and between the Town of Marshfield and Health Circle, Inc.

⁷ This company is now known as The Botanist, Inc.

- xi. Draft Host Community Agreement by and between the City of Framingham and Patient Centric of Martha's Vineyard, Ltd.
- xii. Host Community Agreement, dated September 9, 2015, by and between the Town of Sterling and Prime Wellness Centers, Inc.
- xiii. Affirmation of Host Community Agreement with Town of Sterling, dated January 22, 2019
- xiv. Documentation of The Botanist, Inc.'s payment of Host Community Agreement in Worcester, MA in January 2019 and June 2019
- xv. Documentation of The Botanist, Inc.'s payment of Host Community Agreement in Sterling, MA on December 5, 2018
- xvi. Documentation of payments made by The Botanist, Inc. to nonprofit organizations

Please note that many of the requested documents above are in the control of MSA Affiliates. Accordingly, the document production included herewith represents the Company's best efforts to provide all responsive documentation that it is able to obtain with the consent of MSA Affiliates. To the extent to which the Commission seeks information about any agreements not listed above, such information can be sought from those organizations directly by the Commission.

7. Any other document that explicitly or implicitly refers to any agreement between the Company and a related party.

The Company acknowledges that there are likely additional collateral documents that may explicitly or implicitly refer to agreements between the Company and the MSA Affiliates. To the extent to which the Commission has those documents in its possession, the Company incorporates those by reference. The Company incorporates any document in the public domain by reference as well. However, with respect to the relationship between the Company and MSA Affiliates, which is the subject of the Inquiry Notice, the documents included herewith and the information provided above describe the extent of such relationships. Should the Commission seek further documentation, the Company will provide any such documentation upon request.

The Company would like the Commission to be aware that the Company intends to have wholesale supply arrangements with a number of entities that have applied or are preparing to apply to the Commission for Marijuana Establishment licenses. Discussions regarding wholesale arrangements are preliminary and have not yet resulted in final or draft agreements.

Conclusion

The Company has made best efforts to provide the Commission with information that is responsive and relevant to the Inquiry Notices. The Company reserves the right to supplement its response to the Inquiry Notices with additional documents and information should the need arise.

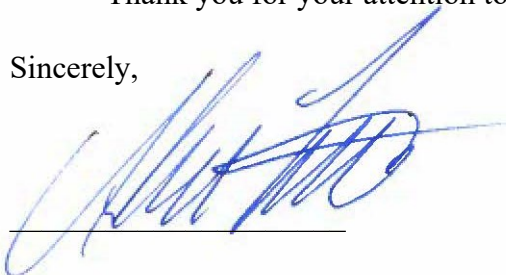
Further, by providing this information to the Commission, the Company waives no rights to which it is entitled, all of which are hereby expressly reserved.

As noted previously, in response to the First Inquiry Notice's suggestion that The Botanist was not fully forthcoming in its Marijuana Establishment applications, The Botanist provided all information responsive to the applications questions in the form and manner requested by the Commission. The responses included in this letter and the corresponding documents were not provided with the applications because they are not responsive to the application questions. Nonetheless, it has always been The Botanist's understanding that the types of commercial arrangements contemplated by The Botanist and its MSA Affiliates, as described above, would be subject to regulatory approval, but that such approval would not be given until the matter is in front of the Commission. As such, the Company is appreciative of the opportunity to review all of their proposed commercial arrangements with the Commission as the regulations in Massachusetts continue to evolve.

The Company respectfully requests an opportunity to meet with representatives of the Commission participating in this inquiry to discuss the concerns referenced in the Inquiry Notices and to ensure that the Company proceeds in their Massachusetts operations in a manner acceptable to the Commission and would welcome such an opportunity.

Thank you for your attention to this matter.

Sincerely,

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

Adam Fine, Esq.

September 24, 2019

Mass Medi-Spa, Inc.
26 Brookside Drive
Feeding Hills, MA 01030
Attn: Kevin Flynn

RE: MUTUAL TERMINATION OF MASTER SERVICES AGREEMENT

Dear Mr. Flynn:

This letter serves as written notice of our mutual agreement to terminate that certain Master Services Agreement by and between South Shore Bio Pharma LLC and Mass Medi-Spa Inc. (the "Parties," each a "Party"), dated and effective as of June 17, 2018, as provided herewith as Exhibit A (the "MSA"). As of the date hereof, pursuant to Section 7.1(a) of the MSA, the Parties agree that the MSA is hereby terminated, and no further obligations are required by either Party pursuant to the MSA, including no further obligation for payments to South Shore Bio Pharma LLC or any of its affiliated entities pursuant to the MSA. Further, the Parties agree to waive the provisions of Section 7.3 of the MSA and agree that all funds advanced or issued to Mass Medi-Spa Inc. by South Shore Bio Pharma LLC or any of its affiliated entities pursuant to the MSA or any agreement related to or contemplated thereby shall be forgiven and no re-payment obligation shall exist for Mass Medi-Spa Inc. Additionally, as of the date hereof the Parties have each returned all intellectual property of the other respective Party in accordance with the provisions of Section 7.4 of the MSA.

Kindly execute this letter on the space provided below and return a copy of such to us at your earliest convenience.

Warm Regards,


By: Kevin Murphy, Manager of South Shore Bio Pharma, LLC

AGREED & ACCEPTED:


By: Kevin Flynn, President of Mass Medi-Spa, Inc.

SWORN AFFIDAVIT OF KEVIN MURPHY

I, the undersigned, being the Chairman and Chief Executive Officer of Acreage Holdings Inc., a British Columbia corporation ("Acreage"), and President of The Botanist, Inc. ("The Botanist"), a Massachusetts corporation, do hereby swear, as of the date set forth below, that:

1. I have knowledge of the matters sworn below;
2. I am authorized to make this affidavit on behalf of Acreage and The Botanist;
3. Acreage and its subsidiaries are aware of and acknowledge the licensure limitations currently imposed pursuant to Chapter 94G Section 16 of the General Laws of Massachusetts and 935 CMR 500.050(1)(b) (the "Control Limitations"), which prohibit any individual or entity from being a controlling person over, or otherwise being in a position to control the decision-making of, more than three licenses in a particular class of license;
4. Acreage and The Botanist have and shall continue to conduct their businesses in full compliance with the Control Limitations, as they have and may be further amended from time-to-time.

To the best of my knowledge and belief, the information contained herein is true, correct, and complete.

Signed under penalty of perjury in

New York

NY

COUNTY

STATE

on 9/24/19

DATE


Kevin Murphy

Chairman and Chief Executive Officer, Acreage Holdings, Inc.
President, The Botanist, Inc.

January 3, 2020

Via email delivery

Acreage Holdings, Inc.
d/b/a Acreage Massachusetts, LLC
366 Madison Avenue
11th Floor
Boston, MA 10017
valerio@vicentesederberg.com
adam@vicentesederberg.com

Patient Centric Martha's Vineyard
PO Box 1323
West Tisbury, MA 02575
geoff@pcmvy.com

RE: Request for Responses

The Commission requests certain information from Acreage Massachusetts, LLC and its parent and subsidiary companies (the "Entity") in connection with an investigation into the Entity's controlling interests in Patient Centric of Martha's Vineyard, Ltd. (the "Affiliate" or "PCMV"). Please provide a response to the requested information within ten (10) calendar days in writing to Cannabis Control Commission, c/o Paul Payer, Enforcement Counsel, 2 Washington Square, Worcester, MA 01604 or via email at paul.payer@cccmass.com. Please provide a documentation index if submitting any supporting documentation as a consolidated PDF.

On July 11, 2019, the Commission issued an Inquiry Notice to the entity requesting production of certain information related to contractual agreements with affiliate entities either licensed by the Commission or seeking licensure from the Commission.

On July 26, 2019, the Entity provided the Commission with certain documentation requested by the Commission, including but not limited to the following:

1. Assignment & Assumptions Agreement between Hight Street Capital Partners, LLC ("HSCP" or "the Entity"), South Shore Bio Pharma and PCMV (page 39 of consolidated PDF)
2. Master Services Agreement between HSCP and PCMV (45) (the "MSA")
3. Assignment and License of Intellectual Property Rights between Acreage Massachusetts, LLC, Acreage IP Massachusetts, LLC, and South Shore Bio Pharma LLC (dated June 3, 2019) (the "IP Agreement")
4. Assignment and Assumption Agreement (98)
5. Security Agreement (104)
6. Loan Agreement between HSCP and PCMV (dated November 30, 2018) (the "Loan Agreement") (132)
7. Promissory Note (215)



On September 20, 2019, the Commission and representatives from the Entity conducted an investigative conference. The request for responses contained below follows-up on discussions occurring at the conference and subsequent discussions regarding the nature of the agreement through counsel.

On November 1, 2019, the Commission promulgated regulations which include revised language clarifying the definition of Persons or Entities with Direct or Indirect control.

Unless otherwise expressly stated, the inquiries stated herein seek to ascertain the Entity's present basis for construing the agreements with MSA affiliates relative to the Commission's current regulations governing ownership and control interests. Each requested response references certain contractual provisions from the Loan Documents provided by the Entity. The Entity's responses need not be confined to these provisions.

For ease of reference, excerpts of relevant regulatory provisions are enclosed as Attachment A.

In accordance with 935 CMR 500.301(3) and (4) and 935 CMR 501.301(3) and (4), the Commission requests the Entity provide responses to the following inquiries:

- 1. Provide a response whether the Entity has the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments . . . to make major marketing, production, and financial decisions . . . or to execute significant or exclusive contracts.”**

In preparing your response please review the following provisions:

- a. Loan Agreement, Article 6.5: “The [Affiliate] covenants that from the date of this Agreement, and for so long as any of the Obligations remain unpaid (other than contingent indemnification and expense reimbursement obligations for which no claim has been made) or [the Entity] has an unexpired RC Commitment to lend hereunder, . . . [The Affiliate] shall not (a) enter into or remain bound by any management, employment or consulting agreement with any Person giving such Person the right to exercise authority, or (b) directly or indirectly pay or accrue to any Person any sum or property for fees for management or similar services rendered in connection with the operation of a Permitted Business except as provided in the Master Services Agreement”
- b. MSA, Article 1.1(a): “[Affiliate] hereby retains [the Entity] as an independent contractor to provide to [Affiliate] the following services . . . General management services, including (i) the services of executive, operating, legal and financial officers, human resources and other personnel; (ii) advice concerning the preparation of budgets, forecasts, capital expenditures, financing, and long range strategic planning; and (iii) such other general management services as may from time to time be reasonably requested by [Affiliate].”
- c. MSA, Article 1.1(a): “[Affiliate] hereby retains [the Entity] as an independent contractor to provide to [Affiliate] the following services . . . General



administrative and technical services, advice and direction, including (i) accounting, including cost accounting, inventory control, tax compliance, reporting systems services and back-office financial support; (ii) legal, trademark and patent advice; (iii) market servicing, product pricing and cost controls and evaluations; (iv) preparation of advertising and publicity literature and other materials; (v) providing training and supervising sales representatives and support staff and providing guidelines and policies for sales representatives.”

- d. MSA, Article 1.3: “If any license, approval or permit shall be required for the proper and lawful performance of the Services, [the Entity], at [the Entity’s] expense, shall duly and timely procure and thereafter maintain such license. [The Entity], at [the Entity’s] expense, shall at all times comply in all material respects with the terms and conditions of each such license.”
- e. Loan Agreement, Article 3.2.11: “No [Revolving Credit] Loan shall be required to be made unless on the date of each [Revolving Credit] Loan . . . [the Entity] shall have received and approved the architect’s agreement, the general contractor’s agreement and all material subcontracts necessary for the completion of the construction of the Project.”
- f. Loan Agreement, Article 6.19(c)(i), (ii): Affiliate must obtain prior written consent of the Entity prior to making any change order or amend Major Trade Contracts unless “such change order will not materially reduce the gross square feet or the net rentable square feet of the Project, or the basic layout of the Project, or involve the use of materials, furniture, fixtures and equipment that will not be at least equal in quality to the materials, furniture, fixtures and equipment originally specified in or required by the approved Plans and Specifications; and such change order shall result in an increase or decrease in the cost of the Project of less than \$25,000.00.”
- g. Loan Agreement, Article 5.1.6: “The [Affiliate] covenants that from the date of this Agreement, and for so long as any of the Obligations remain unpaid or unsatisfied . . . or the [Entity] has an unexpired RC Commitment to lend hereunder, it shall . . . deliver[] to the [Entity] a management-prepared budget (an “Operating Budget”) . . . no less than 30 days prior to the commencement of each fiscal year beginning with the fiscal year ending December 31, 2019, in each case, in form and substance satisfactory to the [Entity] (and each Operating Budget shall be materially consistent with the prior year’s Operating Budget (as long as the [Affiliate] is a corporation)), except for such changes as are consistent with the [Affiliate’s] business and are approved by the [Entity], which approval shall not be unreasonably withheld.”
- h. Loan Agreement, Article 6.15: “The [Affiliate] shall not, without the prior written consent of the [Entity]: (a) Change its name; (b) Change its registered office, chief executive office or principal place of business; (c) Change its fiscal year; (d) Appoint any new member to its board of directors; (e) Hire any new employees or increase the compensation payable to existing employees or the members of its board of directors other than as reflected in the then current Operating Budget; (f)



Make any changes in the services or management firms engaged by [the Affiliate]; (g) Acquire any equity interest in any Person; or (h) Make any capital expenditures other than as referred to in the then current Operating Budget.”

2. **Specify which services, if any, identified in MSA Article 1 are reasonably expected to include utilization of the Entity’s intellectual property and/or confidential information. Further specify what, if any, financial obligation Affiliate would have to make pro-rated payments for services rendered or enter into a license for continued operations developed based on the Entity’s intellectual property (e.g., cultivation practices) and/or confidential information.**

In preparing your response, please reference the following provisions:

- a. IP Agreement, page 1: “defining South Shore IP as “all right, title and interest in, to and under all trademarks, copyrights, patents, trade secrets, know-how, methods, and any other intellectual property rights that South Shore Bio Pharma LLC (“South Shore”) may have owned and/or controlled up to and including the date of this Letter Agreement, including, without limitation, all intellectual property rights regarding and/or related to cannabis genetics, cannabis cultivation, employee training in cannabis matters, creation of cannabis infused products and acquisition and maintenance of equipment for cannabis products.”
 - b. MSA, Article 4.1: “For purposes of this Agreement “Confidential Information” shall mean all confidential and/or proprietary information and materials regarding the business affairs of a party to this Agreement, including, but not limited to, all technical data, trade secrets, know-how, marketing plans, products, business strategies, financial statements, and any other information that a party identifies to the other party in writing as being confidential or proprietary.”
 - c. MSA, Article 5.3: “Upon termination of this Agreement, and with respect to payment obligations arising specifically under this Agreement, [the Affiliate] will pay [the Entity] on a pro-rated basis for all Services actually performed up to the effective date of such termination.”
 - d. MSA, Article 5.4: “Unless the parties agree to terms of an ongoing license, upon termination of this Agreement, the parties shall promptly return, delete or destroy (at each party’s discretion) all copies of Confidential Information belonging to the other party disclosed or provided under this Agreement.”
3. **Provide a response whether the Entity has the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent.**

In preparing your response, please reference the following provisions:

- a. MSA, Article 1.1(a): “[The Entity] will approve an employment agreement for Geoff Rose as CEO of [the Affiliate], which employment agreement will contain such terms and conditions as are acceptable to [the Entity] and [the Affiliate], and which will include, without limitation, a provision providing for a \$1,000,000 three year retention bonus.”



- 4. Provide a response whether the Entity has the right to control or authority to appoint more than 50% of the directors of the Affiliate.**

In preparing your response, please reference the following provision:

- a. Loan Agreement, Article 6.15(d): “[The Affiliate] shall not, without the prior written consent of [the Entity] Appoint any new member to its board of directors”

- 5. Provide a response whether the Entity has the authority to earn 10% or more of the Affiliate’s profits or collect more than 10% of the Affiliate’s dividends.**

In preparing your response, please reference the following provisions:

- a. MSA, Article 3.1: “[The Affiliate] shall pay to [the Entity] as compensation for the Services a monthly management fee equal to the sum of (i) one and one half percent (1.5%) of [the Affiliate] revenue plus (ii) ten thousand dollars (\$10,000) (together with item (i), the “Monthly Management Fee”).
- b. MSA, Article 3.1: “In addition to the Monthly Management Fee, [the Affiliate] shall pay to [the Entity] as compensation for the Services twenty-five percent (25%) of [the Affiliate’s] quarterly EBITDA, as measured by an outside audit firm as selected by [the Entity] in [the Entity]’s sole discretion.”

- 6. Provide a response to whether the loan agreement requires only repayment of the loan and does not have any ownership or direct or indirect authority to control the Affiliate. In preparing your response, please address the following provisions:**

- a. MSA, Article 3.1: “To the extent that [the Affiliate] is unable to pay either the Monthly Management Fee or the EBITDA Management Fee when due, such outstanding balances will be treated as an advance of an RC Loan (as defined in the Loan Agreement) made pursuant to that certain Loan Agreement (the “Loan Agreement”), dated as of November 30, 2018, between [the Affiliate], as borrower and [the Entity], as lender and shall be added as part of the principal debt under the Note (as defined in the Loan Agreement) relating to the RC Loans.”
- b. Loan Agreement, Article 2.8.1: “On any date after completion of the RTO Transaction but prior to the tenth (10th) anniversary of the date of this Agreement (the “Conversion Date”), the Notes (and the indebtedness owed thereunder and all other Obligations of [the Affiliate]) then outstanding shall be, at [the Entity]’s sole option, converted into a 100% equity interest in [Affiliate] . . . Notwithstanding the foregoing, [the Entity] and [Affiliate] agree that if any statute, regulation or other applicable law prohibits the implementation of any of the above terms of the Conversion or otherwise imposes requirements which would materially impair (a) the implementation of the terms of the Conversion as contemplated above or (b) the benefits intended to be granted thereunder, [the Entity] and [Affiliate] shall negotiate in good faith to modify the terms of the Conversion so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner.”



7. Provide a response to whether any expiration, breach and/or termination of the MSA affects the validity of the Loan Agreement or other Loan Documents. In preparing your response, please address the following provisions:

- a. Loan Agreement, Article 7.1.3 (Defining Event of Default of the Loan Agreement as the event of “a default in the due performance or observance of any term, covenant or agreement to be performed or observed by [the Affiliate] pursuant to this Agreement or any other Loan Document and . . . such default shall not be cured within thirty (30) days after the occurrence thereof.”)
 - i. Loan Agreement, Article 1 (defining “Loan Documents” as “[the Loan Agreement], the Notes, the Security Agreement, the Master Services Agreement and any and all agreements and instruments executed by [the Affiliate]”)
- b. Loan Agreement, Article 6.15(f): “[The Affiliate] shall not, without the prior written consent of [the Entity] . . . [m]ake any changes in the services or management firms engaged by [the Affiliate].”

8. Provide a response whether the Entity’s consent or approval is required prior to a merger, change in ownership and/or execution of a financial interest between the Affiliate and a third-party. In preparing your response, please address the following provisions:

- a. Security Agreement, Article 4(h)(2): “[Affiliate] will not change its type of organization, jurisdiction of organization or other legal structure without prior written consent of [the Entity].”
- b. Security Agreement, Article 4(i): “[Affiliate] shall not sell, assign, transfer, encumber or otherwise dispose of any Collateral without the prior written consent of [the Entity] and [the Entity] does not authorize any such disposition. For purposes of this provision, “dispose of any Collateral” shall include, without limitation, the creation of a security interest or other encumbrance (whether voluntary or involuntary) on such Collateral, which is not permitted under the Loan Agreement.”
- c. Loan Agreement, Article 7 “Event of Default” wherever used herein means any one of the following events (whatever the reason for such Event of Default, whether it shall be voluntary or involuntary or be effected by operation of Law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental instrumentality) . . . If there shall occur a Change of Control.”
- d. Loan Agreement, Article 6.1: “[The Affiliate] shall not, directly or indirectly, create, incur, assume, guarantee, permit to exist or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, other expenses or liabilities other than obligations under the Loan Documents and expenses incurred in the ordinary course of business and reflected in the then current Operating Budget.”



- e. Loan Agreement, Article 6.3: “[The Affiliate] shall not, directly or indirectly, make or permit to exist any Investment or acquisition other than (i) bank deposits in the ordinary course of business as reflected in the Operating Budget, or (ii) as otherwise permitted by [the Entity] in its sole discretion.”
- f. Loan Agreement, Article 6.4: “[The Affiliate] shall not engage in any consolidation or merger with or into any other Person or divide, nor shall [the Affiliate], without the prior written consent of [the Entity], sell or otherwise transfer all or any substantial part of its assets.”
- g. Loan Agreement, Article 6.15(g): “[The Affiliate] shall not, without the prior written consent of [the Entity] . . . [a]cquire any equity interest in any Person.”

[* * *]



Attachment A – Regulatory Excerpts

“Persons or Entities Having Direct Control means any person or entity having direct control over the operations of a Marijuana Establishment, which satisfies one or more of the following criteria:

- (a) An Owner that possesses a financial interest in the form of equity of 10% or greater in a Marijuana Establishment;
- (b) A Person or Entity that possesses a voting interest of 10% or greater in a Marijuana Establishment or a right to veto significant events;
- (c) A Close Associate;
- (d) A Person or Entity that has the right to control or authority, through contract or otherwise including, but not limited to:
 1. to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments;
 2. to appoint more than 50% of the directors;
 3. to appoint or remove Corporate-level officers or their equivalent;
 4. to make major marketing, production, and financial decisions;
 5. to execute significant or exclusive contracts; or
 6. to earn 10% or more of the profits or collect more than 10% of the dividends.” 935 CMR 500.002: *Persons or Entities Having Direct Control*.

“Persons or Entities Having Indirect Control means any person or entity having indirect control over operations of a Marijuana Establishment. It specifically includes any person with a controlling interest in an indirect holding or parent company of the applicant, and the chief executive officer and executive director of those companies, or any person or entity in a position indirectly to control the decision-making of a Marijuana Establishment.” 935 CMR 500.002: *Persons or Entities Having Indirect Control*.

“No Person or Entity Having Direct or Indirect Control shall be granted, or hold, more than three licenses in a particular class, except as otherwise specified in 935 CMR 500.000.” 935 CMR 500.050(1)(b).

“Any person or entity that solely provides initial capital to establish or operate the establishment and to whom, in return for the initial capital, requires only repayment of the loan and does not have any ownership or direct or indirect authority to control the Marijuana Establishment or Independent Testing Laboratory, will not be a Licensee.” 935 CMR 500.002: *Licensee*.



January 8, 2020

Via email delivery

Acreage Holdings, Inc.
d/b/a Acreage Massachusetts, LLC
366 Madison Avenue
11th Floor
Boston, MA 10017
valerio@vicentesederberg.com
adam@vicentesederberg.com

Health Circle, Inc.
c/o Michael Westort
21 Commerce Road
Rockland, MA 02370
mwestort@healthcirclema.com

RE: Request for Responses

The Commission requests certain information from Acreage Massachusetts, LLC and its parent and subsidiary companies, including MA RMD SVCS, LLC (the “Entity”) in connection with an investigation into the Entity’s controlling interests in Health Circle, Inc. (the “Affiliate”). Please provide a response to the requested information within ten (10) calendar days in writing to Cannabis Control Commission, c/o Paul Payer, Enforcement Counsel, 2 Washington Square, Worcester, MA 01604 or via email at paul.payer@cccmass.com. Please provide a documentation index if submitting any supporting documentation as a consolidated PDF.

On July 11, 2019, the Commission issued an Inquiry Notice to the entity requesting production of certain information related to contractual agreements with affiliate entities either licensed by the Commission or seeking licensure from the Commission.

On July 26, 2019, the Entity provided the Commission with certain documentation requested by the Commission, including but not limited to the following:

1. Management and Consulting Services Agreement (the “MCSA”) (54)
2. Revolving Line of Credit Agreement (219)
3. Security Agreement (224)
4. Host Community Agreement (330)

On September 20, 2019, the Commission and representatives from the Entity conducted an investigative conference. The request for responses contained below expands upon discussions occurring at the conference and subsequent discussions regarding the nature of the agreement through counsel.

On November 1, 2019, the Commission promulgated regulations which include revised language clarifying the definition of Persons or Entities with Direct or Indirect control.



The Commission placed certain license conditions on provisional licenses issued to Health Circle, Inc. on April 26, 2019. These conditions require submission of certain documentation prior to issuance of a final license relevant to ascertaining control between Health Circle and MA RMD SVCS, LLC. The Commission reserves its right to seek further responses or information based on submission of this documentation whether arising before or after issuance of a provisional license to the Entity and its wholly-owned subsidiaries.

Unless otherwise expressly stated, the inquiries stated herein seek to ascertain the Entity's present basis for construing the agreements with the Affiliate relative to the Commission's current regulations governing ownership and control interests. Certain requested responses reference contractual provisions from the above-referenced provided by the Entity. The Entity's responses need not be confined to these provisions.

For ease of reference, excerpts of relevant regulatory provisions are enclosed as Attachment A.

In accordance with 935 CMR 500.301(3) and (4) and 935 CMR 501.301(3) and (4), the Commission requests the Entity provide responses to the following inquiries:

- 1. The Entity's inquiry notice response stated that the Entity intends to enter "wholesale supply arrangements" with certain entities but that such discussions were "preliminary and have not yet resulted in final or draft agreements." Please specify whether the Affiliate has entered a wholesale supply arrangement as of the date of this notice. Further, please specify whether any such wholesale supply arrangement would affect any terms contained within the Revolving Line of Credit Agreement or Security Agreement.**
- 2. Provide a response whether the Affiliate's decision to disregard any advice, guidance or other consultant services provided by the Entity under the MCSA could constitute a material adverse effect on the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Entity or otherwise pose a condition which may constitute breach of any term of the MSCA, Revolving Line of Credit Agreement or Security Agreement.**

In preparing your response please review the following provisions:

- a. MSCA, Article 1.1 (Design, Construction and Ongoing Maintenance of Facilities), Article 1.2 (Cultivation, Quality Control and Related Operations), Article 1.3 (Proprietary Protocols), Article 1.4 (Information Technology Security Services), Article 1.5 (Website Development Services), Article 1.6 (Marketing and Public Relations Services), Article 1.7 (Business, Financial and Operations Services), Article 1.8 (Operations Manual Services), Article 1.9 (Inventory Services), Article 1.9 (Continuing Education Services).
- b. Revolving Line of Credit Agreement, Article 7(d): "An event of default will occur if any of the following events occurs . . . [u]pon the occurrence of a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects, of the



[Affiliate]; or (b) the validity or enforceability of this Agreement, the Promissory Note or the Security Agreement or the rights and remedies of the [Entity].”

- c. MCSA, Article 3.3: “The parties acknowledge and agree that establishing and maintaining the viability of Health Circle’s business operations is a core priority of the parties. In negotiating and determining appropriate amendments to the foregoing financial matters, the parties shall act in good faith to preserve such core priority and to assure ongoing fulfillment of all applicable laws and pertinent regulatory standards.”

3. Provide a response whether the Entity has the authority to earn 10% or more of the Affiliate’s profits or collect more than 10% of the Affiliate’s dividends.

In preparing your response, please reference the following provisions:

- a. MCSA, Exhibit A. “In consideration of the provision of the Consultant Services described in Sections 1.1 through 1.10 of this Agreement, [Affiliate] shall pay [the Entity] at the following rates:

Years 1-2: \$1,825 per pound of marijuana sold at the Facilities
 Years 3-5: \$1,475 per pound of marijuana sold at the Facilities
 Years 6-15: To be determined.”

- 4. Provide a response whether Michael Westort directly or indirectly provides any consulting services specified in Article 1 of the MCSA on behalf of MA RMD SVCS.**
- 5. Please identify any of the below individuals have the power to directly or indirectly govern the financial and operating policies of MA RMD SVCS. Further, please specify whether any of the below individuals have received or will receive compensation from MA RMD SVCS and the terms of that compensation:**
 - a. Michael Westort
 - b. Lea Westort
 - c. Mary Carle
 - d. Elizabeth Peters
 - e. James Welch
 - f. Steven Ingenhutt
 - g. Kenneth Wolf
 - h. Robert Denn
- 6. The Host Community Agreement between Health Circle and the Town of Marshfield is executed by Michael Westort as “duly authorized representative” for Health Circle. Please specify whether Michael Westort executed the Host Community Agreement in his capacity as President and CEO of MA RMD SVCS, LLC or in his capacity on behalf of Health Circle, Inc.**



In preparing your response please review the following provisions:

- a. Host Community Agreement, Article 2 (committing Health Circle to three percent gross revenue impact fee payments); Article 5 (committing Health Circle to one percent gross sales annual donations to local non-profits), Article 9 (committing Health Circle to retention of local vendors, hiring practices, and participation in drug programs), Article 11 (Committing Health Circle to certain security obligations).
- 7. Specify which services, if any, identified in MCSA Article 1 are reasonably expected to include utilization of the Entity’s intellectual property and/or confidential information. Further specify what, if any, financial obligation Affiliate would have to make pro-rated payments for services rendered or enter into a license for continued operations developed based on the Entity’s intellectual property (e.g., cultivation practices) and/or confidential information.**

In preparing your response, please reference the following provisions:

- a. MCSA, Article 4.1: “For purposes of this Agreement “Confidential Information” shall mean all confidential and/or proprietary information and materials regarding the business affairs of a party to this Agreement, including, but not limited to, all technical data, trade secrets, know-how, marketing plans, products, business strategies, financial statements, and any other information that a party identifies to the other party in writing as being confidential or proprietary.”
 - b. MCSA, Article 7.3: “Upon termination of this Agreement, and with respect to payment obligations arising specifically under this Agreement, [Affiliate] will pay [the Entity] for all Consultant Services actually performed up to the effective date of such termination.”
 - c. MCSA, Article 7.4: “Unless the parties agree to terms of an ongoing license, upon termination of this Agreement, the parties shall promptly return, delete or destroy (at each party’s discretion) all copies of Confidential Information belonging to the other party disclosed or provided under this Agreement.”
- 8. Provide a response whether the Entity’s consent or approval is required prior to a merger, change in ownership and/or execution of a financial interest between the Affiliate and a third-party.**
- 9. Provide a response whether the Entity has the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent.**
- 10. Provide a response whether the Entity has the right to control or authority to appoint more than 50% of the directors of the Affiliate.**

[* * *]



Attachment A – Regulatory Excerpts

“Persons or Entities Having Direct Control means any person or entity having direct control over the operations of a Marijuana Establishment, which satisfies one or more of the following criteria:

- (a) An Owner that possesses a financial interest in the form of equity of 10% or greater in a Marijuana Establishment;
- (b) A Person or Entity that possesses a voting interest of 10% or greater in a Marijuana Establishment or a right to veto significant events;
- (c) A Close Associate;
- (d) A Person or Entity that has the right to control or authority, through contract or otherwise including, but not limited to:
 1. to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments;
 2. to appoint more than 50% of the directors;
 3. to appoint or remove Corporate-level officers or their equivalent;
 4. to make major marketing, production, and financial decisions;
 5. to execute significant or exclusive contracts; or
 6. to earn 10% or more of the profits or collect more than 10% of the dividends.” 935 CMR 500.002: *Persons or Entities Having Direct Control*.

“Persons or Entities Having Indirect Control means any person or entity having indirect control over operations of a Marijuana Establishment. It specifically includes any person with a controlling interest in an indirect holding or parent company of the applicant, and the chief executive officer and executive director of those companies, or any person or entity in a position indirectly to control the decision-making of a Marijuana Establishment.” 935 CMR 500.002: *Persons or Entities Having Indirect Control*.

“No Person or Entity Having Direct or Indirect Control shall be granted, or hold, more than three licenses in a particular class, except as otherwise specified in 935 CMR 500.000.” 935 CMR 500.050(1)(b).

“Any person or entity that solely provides initial capital to establish or operate the establishment and to whom, in return for the initial capital, requires only repayment of the loan and does not have any ownership or direct or indirect authority to control the Marijuana Establishment or Independent Testing Laboratory, will not be a Licensee.” 935 CMR 500.002: *Licensee*.



Adam D. Fine, Esq.
Vicente Sederberg LLP
2 Seaport Lane, 11th Floor
Boston, MA 02210

Blake M. Mensing, Esq.
The Mensing Group LLC
100 State Street, 9th Floor
Boston, MA 02109

January 10, 2020

Cannabis Control Commission
Union Station
2 Washington Square
Worcester, MA 01604
Via email: Paul.Payer@cccmass.com

Re: Further Inquiry Pertaining to Ownership / Control Interests

To Whom It May Concern:

Please accept this correspondence on behalf of Acreage Holdings, Inc. and its wholly-owned affiliates (“Acreage” or the “Entity”) which has been drafted in collaboration with the counsel for Patient Centric of Martha’s Vineyard, Ltd. (“PCMV” or the “Affiliate”)(collectively, the “Parties”) in response to the Cannabis Control Commission’s (the “Commission”) request for further information regarding certain contractual arrangements between the Parties.

1. Provide a response whether the Entity has the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.” In preparing your response please review the following provisions:

Response: It is the intention of the Parties that the Entity does not have the right to control or the authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts. Please see the below responses as they relate to each of the provisions cited by the Commission.

- a. *Loan Agreement, Article 6.5: “The [Affiliate] covenants that from the date of this Agreement, and for so long as any of the Obligations remain unpaid (other than contingent indemnification and expense reimbursement obligations for which no claim has been made) or [the Entity] has an unexpired RC Commitment to lend hereunder,...[The Affiliate] shall not (a) enter into or remain bound by any management, employment or consulting agreement with any Person giving such Person the right to exercise authority, or (b) directly or indirectly pay or accrue to any Person any sum or*

property for fees for management or similar services rendered in connection with the operation of a Permitted Business except as provided in the Master Services Agreement”

Response: It is the intention of the Parties that the Entity does not have the right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts. The intention of this clause is to mitigate the lending risk of the Entity for monies loaned to the Affiliate and to ensure that any subsequent agreements are subordinate to the loan obligations set forth in the Loan Agreement. Notwithstanding the foregoing, in the interest of efficiency, the Parties agree to mutually strike this clause from the amended loan agreement.

- b. *MSA, Article 1.1(a): “[Affiliate] hereby retains [the Entity] as an independent contractor to provide to [Affiliate] the following services...General management services, including (i) the services of executive, operating, legal and financial officers, human resources and other personnel; (ii) advice concerning the preparation of budgets, forecasts, capital expenditures, financing, and long range strategic planning; and (iii) such other general management services as may from time to time be reasonably requested by [Affiliate].*

Response: The intent of this provision is to clarify that the Entity is to be classified as an independent contractor and to outline the services available on an a la carte basis to the Affiliate. In the interest of clarity, the parties agree to amend the management services agreement to expressly state in Article 1.1(d) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- c. *MSA, Article 1.1(b): “[Affiliate] hereby retains [the Entity] as an independent contractor to provide to [Affiliate] the following services...General administrative and technical services, advice and direction, including (i) accounting, including cost accounting, inventory control, tax compliance, reporting systems services and back-office financial support; (ii) legal, trademark and patent advice; (iii) market servicing, product pricing and cost controls and evaluations; (iv) preparation of advertising and publicity literature and other materials; (v) providing training and supervising sales representatives and support staff and providing guidelines and policies for sales representatives.”*

Response: The intent of this provision is to clarify that the Entity is to be classified as an independent contractor and to outline the services available on an a la carte basis to the Affiliate. In the interest of clarity, the parties agree to amend the management services agreement to expressly state in Article 1.1(d) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- d. *MSA, Article 1.3: “If any license, approval or permit shall be required for the proper and lawful performance of the Services, [the Entity], at [the Entity’s] expense, shall duly and timely procure and thereafter maintain such license. [The Entity], at [the Entity’s] expense, shall at all times comply in all material respects with the terms and conditions of each such license.”*

Response: The intention of this provision is to ensure that the Entity, to the extent required in the jurisdiction in which it is doing business, is properly registered and is in good standing as a consultant. For instance, in Massachusetts, the Entity will maintain in good standing with the Secretary of the Commonwealth, Department of Revenue, and the Department of Unemployment Assistance, etc. In the interest of clarity, the Parties agree to amend the management services agreement to expressly state in Article 1.3 that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.” The parties further agree to include the following clarifying language to be inserted immediately after the first sentence in Article 1.3: “The foregoing references to “any license, approval or permit” with respect to the Entity shall not include any license issued by the Cannabis Control Commission or any local permit or approval related thereto.”

- e. *Loan Agreement, Article 3.2.11: “No [Revolving Credit] Loan shall be required to be made unless on the date of each [Revolving Credit] Loan...[the Entity] shall have received and approved the architect’s agreement, the general contractor’s agreement and all material subcontracts necessary for the completion of the construction of the Project.”*

Response: This is a customary provision of commercial loan agreements. Such a provision allows the Entity to provide funds at competitive interest rates by reducing the risk of fraud or default to the Entity. This is analogous to a construction loan whereby the bank reviews and approves the construction contract to ensure the contract exists and is on fair and commercially reasonable terms such that the lender would undertake the credit risk. In the interest of clarity, the parties agree to amend the loan agreement to expressly state in Article 3.2.11 that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- f. *Loan Agreement, Article 6.19(c)(i), (ii): Affiliate must obtain prior written consent of the Entity prior to making any change order or amend Major Trade Contracts unless “such change order will not materially reduce the gross square feet or the net rentable square feet of the Project, or the basic layout of the Project, or involve the use of materials, furniture, fixtures and equipment that will not be at least equal in quality to the materials, furniture, fixtures and equipment originally specified in or required by the approved*

Plans and Specifications; and such change order shall result in an increase or decrease in the cost of the Project of less than \$25,000.00.”

Response: This is a customary provision of commercial loan agreements of this size and risk, especially as it relates to the scale of commercial agricultural facilities. Such a provision allows the Entity to provide funds at competitive interest rates by reducing risk of fraud or default to the Entity. In the interest of clarity, the parties agree to amend the loan agreement to expressly state in Article 6.19(c)(i) and (ii) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- g. *Loan Agreement, Article 5.1.6: “The [Affiliate] covenants that from the date of this Agreement, and for so long as any of the Obligations remain unpaid or unsatisfied...or the [Entity] has an unexpired RC Commitment to lend hereunder, it shall... deliver[] to the [Entity] a management-prepared budget (an “Operating Budget”)...no less than 30 days prior to the commencement of each fiscal year beginning with the fiscal year ending December 31, 2019, in each case, in form and substance satisfactory to the [Entity] (and each Operating Budget shall be materially consistent with the prior year’s Operating Budget (as long as the [Affiliate] is a corporation)), except for such changes as are consistent with the [Affiliate’s] business and are approved by the [Entity], which approval shall not be unreasonably withheld.”*

Response: This is a customary provision for a loan of this size and risk. Because the loan is a revolving line of credit, it is not unreasonable that a lender should ask for financial information as money is lent to ascertain whether such loan continues to be financially viable. This is analogous to a consumer credit card renewal which requires that a consumer update the lender as to its current income and other assets to ensure that the lender is not taking on unreasonable credit risk. Notwithstanding the foregoing, the Parties agree to reform this clause to provide the Entity with a right to review the budget in lieu of approval.

- h. *Loan Agreement, Article 6.15: “The [Affiliate] shall not, without the prior written consent of the [Entity]: (a) Change its name; (b) Change its registered office, chief executive office or principal place of business; (c) Change its fiscal year; (d) Appoint any new member to its board of directors; (e) Hire any new employees or increase the compensation payable to existing employees or the members of its board of directors other than as reflected in the then current Operating Budget; (f) Make any changes in the services or management firms engaged by [the Affiliate]; (g) Acquire any equity interest in any Person; or (h) Make any capital expenditures other than as referred to in the then current Operating Budget.”*

Response: It is the intention of the Parties that the Entity not have the right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and

financial decisions...or to execute significant or exclusive contracts. The intention of this clause is to mitigate the lending risk of the Entity for monies loaned to the Affiliate and to ensure that any subsequent agreements are subordinate to the loan obligations set forth in the Loan Agreement. To that end, in light of the recently enacted regulations, the Parties agree to mutually strike this clause from the loan agreement.

2. Specify which services, if any, identified in MSA Article 1 are reasonably expected to include utilization of the Entity’s intellectual property and/or confidential information. Further specify what, if any, financial obligation Affiliate would have to make pro-rated payments for services rendered or enter into a license for continued operations developed based on the Entity’s intellectual property (e.g., cultivation practices) and/or confidential information. In preparing your response, please reference the following provisions:

Response: The Entity and the Affiliate anticipate that the scope of services outlined in MSA Article 1.1(c) relative to industry-specific services concerning the cultivation, manufacturing, retailing, and marketing functions of the Business will require the exchange of trade secrets and confidential information. The Affiliate would not be required to make continued pro-rated payments for services rendered after the termination of the contract or enter into a license for continued operations based on the Entity’s intellectual property (e.g., cultivation practices) and/or confidential information. Please see section 3 below for further information.

a. *IP Agreement, page 1: “defining South Shore IP as “all right, title and interest in, to and under all trademarks, copyrights, patents, trade secrets, know-how, methods, and any other intellectual property rights that South Shore Bio Pharma LLC (“South Shore”) may have owned and/or controlled up to and including the date of this Letter Agreement, including, without limitation, all intellectual property rights regarding and/or related to cannabis genetics, cannabis cultivation, employee training in cannabis matters, creation of cannabis infused products and acquisition and maintenance of equipment for cannabis products.”*

Response: The intent of the foregoing provision is to clarify that the intellectual property owned by the Entity prior to the Agreement would remain owned by Entity upon termination of the Agreement.

b. *MSA, Article 4.1: “For purposes of this Agreement “Confidential Information” shall mean all confidential and/or proprietary information and materials regarding the business affairs of a party to this Agreement, including, but not limited to, all technical data, trade secrets, know-how, marketing plans, products, business strategies, financial statements, and any other information that a party identifies to the other party in writing as being confidential or proprietary.”*

Response: The foregoing provision defines confidential information under the Agreement. The Parties are subject to mutual confidentiality clauses which are standard clauses in consulting agreements.

- c. *MSA, Article 5.3: "Upon termination of this Agreement, and with respect to payment obligations arising specifically under this Agreement, [the Affiliate] will pay [the Entity] on a pro-rated basis for all Services actually performed up to the effective date of such termination."*

Response: The foregoing provision simply states that the Affiliate would only be responsible for payment of services actually performed by the Entity up until the termination of the Agreement. This is a standard provision for the protection of the Affiliate.

- d. *MSA, Article 5.4: "Unless the parties agree to terms of an ongoing license, upon termination of this Agreement, the parties shall promptly return, delete or destroy (at each party's discretion) all copies of Confidential Information belonging to the other party disclosed or provided under this Agreement."*

Response: The intent of the foregoing provision is to outline how confidential property is handled upon termination of the Agreement. This is a standard clause for the protection of both the Entity and the Affiliate.

3. Provide a response whether the Entity has the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent. In preparing your response, please reference the following provisions:

Response: The Entity will not have the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent.

- a. *MSA, Article 1.1(a): "[The Entity] will approve an employment agreement for Geoff Rose as CEO of [the Affiliate], which employment agreement will contain such terms and conditions as are acceptable to [the Entity] and [the Affiliate], and which will include, without limitation, a provision providing for a \$1,000,000 three year retention bonus."*

Response: The Parties agree to mutually strike this clause from the amended management services agreement. As the sole shareholder and Chief Executive Officer, Mr. Rose may grant himself raises and bonuses at his discretion.

4. Provide a response whether the Entity has the right to control or authority to appoint more than 50% of the directors of the Affiliate. In preparing your response, please reference the following provision:

Response: The Entity does not have the right to control or the authority to appoint more than 50% of the directors of the Affiliate.

- a. *Loan Agreement, Article 6.15(d): "[The Affiliate] shall not, without the prior written consent of [the Entity] Appoint any new member to its board of directors"*

Response: The Parties agree to mutually strike this clause from the loan agreement.

5. Provide a response whether the Entity has the authority to earn 10% or more of the Affiliate's profits or collect more than 10% of the Affiliate's dividends. In preparing your response, please reference the following provisions:

Response: The Entity does not have the authority to earn 10% or more of the Affiliate's profits or collect more than 10% of the Affiliate's dividends.

- a. *MSA, Article 3.1: "[The Affiliate] shall pay to [the Entity] as compensation for the Services a monthly management fee equal to the sum of (i) one and one half percent (1.5%) of [the Affiliate] revenue plus (ii) ten thousand dollars (\$10,000)(together with item (i), the "Monthly Management Fee").*
- b. *MSA, Article 3.1: "In addition to the Monthly Management Fee, [the Affiliate] shall pay to [the Entity] as compensation for the Services twenty-five percent (25%) of [the Affiliate's] quarterly EBITDA, as measured by an outside audit firm as selected by [the Entity] in [the Entity]'s sole discretion."*

Response: This compensation was contemplated and contracted for through arm's length negotiation between the Parties and is intended to reflect the fair market value for services provided by the Entity to the Affiliate. The services provided by the Entity are of enormous value to the Affiliate and the fee for such services is properly characterized as an expense of the Affiliate and not part of their profits. If the Affiliate were to contract for the services provided with other vendors, the expenses would likely be greater than the charges stipulated within the management services agreement, certainly exceeding ten percent of profits. "Compensation," both by dictionary definition and as used in the MSA, has a distinct definition from "profits" or "dividends" and properly reflects the consultant/independent contractor relationship between the Parties.

6. Provide a response to whether the loan agreement requires only repayment of the loan and does not have any ownership or direct or indirect authority to control the Affiliate. In preparing your response, please address the following provisions:

Response: It is the intent of the Parties that the loan agreement requires only repayment of the loan and does not have any ownership or direct or indirect authority to control the Affiliate.

- a. *MSA, Article 3.1: "To the extent that [the Affiliate] is unable to pay either the Monthly Management Fee or the EBITDA Management Fee when due, such outstanding balances will be treated as an advance of an RC Loan (as defined in the Loan Agreement) made pursuant to that certain Loan Agreement (the "Loan Agreement"), dated as of November 30, 2018, between [the Affiliate], as borrower and [the Entity], as lender and shall be added as part of the principal debt under the Note (as defined in the Loan Agreement) relating to the RC Loans."*

Response: The foregoing is a favorable provision to the Affiliate as it allows for deferral of fees due under the Agreement. The Affiliate is under no obligation to defer payments but may do so if it is unable to pay when the fee is due. This is an extraordinarily favorable provision to the Affiliate that is not traditionally seen in commercial lending agreements.

- b. *Loan Agreement, Article 2.8.1: “On any date after completion of the RTO Transaction but prior to the tenth (10th) anniversary of the date of this Agreement (the “Conversion Date”), the Notes (and the indebtedness owed thereunder and all other Obligations of [the Affiliate]) then outstanding shall be, at [the Entity’s] sole option, converted into a 100% equity interest in [Affiliate] . . . Notwithstanding the foregoing, [the Entity] and [Affiliate] agree that if any statute, regulation or other applicable law prohibits the implementation of any of the above terms of the Conversion or otherwise imposes requirements which would materially impair (a) the implementation of the terms of the Conversion as contemplated above or (b) the benefits intended to be granted thereunder, [the Entity] and [Affiliate] shall negotiate in good faith to modify the terms of the Conversion so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner.”*

Response: This provision allows for conversion of the debt into equity by the Entity should it be allowed under Massachusetts law. The Entity could not exercise this conversion option without approval from the Commission pursuant to the regulations and the plain terms of the Loan Agreement.

7. Provide a response to whether any expiration, breach and/or termination of the MSA affects the validity of the Loan Agreement or other Loan Documents. In preparing your response, please address the following provisions:

Response: As currently drafted, a breach of the MSA by the Affiliate would amount to an event of default of the Loan Agreement. However, a mutual termination or expiration of the MSA would not be an event of default and therefore would have no impact on the Loan Agreement.

- a. *Loan Agreement, Article 7.1.3 (Defining Event of Default of the Loan Agreement as the event of “a default in the due performance or observance of any term, covenant or agreement to be performed or observed by [the Affiliate] pursuant to this Agreement or any other Loan Document and...such default shall not be cured within thirty (30) days after the occurrence thereof.”)*
- i. *Loan Agreement, Article 1 (defining “Loan Documents” as “[the Loan Agreement], the Notes, the Security Agreement, the Master Services Agreement and any and all agreements and instruments executed by [the Affiliate]”)*

Response: This is a cross default provision that defines what constitutes default and provides a 30-day opportunity to cure the default to the Affiliate, which is a

commercially reasonable timeframe.

- b. *Loan Agreement, Article 6.15(f): “[The Affiliate] shall not, without the prior written consent of [the Entity]...[m]ake any changes in the services or management firms engaged by [the Affiliate].”*

Response: Although the Parties do not believe that this clause would not be in conformance with the regulations, in the interest of efficiency, the Parties agree to mutually strike this clause from the loan agreement.

8. Provide a response whether the Entity’s consent or approval is required prior to a merger, change in ownership and/or execution of a financial interest between the Affiliate and a third-party. In preparing your response, please address the following provisions:

Response: If there is an outstanding balance of the loan, the Entity’s consent or approval is required prior to a merger, change in ownership, and/or execution of a financial interest between the Affiliate and a third party. Consent or approval would not be required after the loan is paid off. This is a common provision in commercial loan agreements to ensure that the lender is fully paid off before a new owner acquires the business. In the instance that the Affiliate seeks to sell its business, it is commonplace for the new owner to pay off existing debts as part of the sale.

- a. *Security Agreement, Article 4(h)(2): “[Affiliate] will not change its type of organization, jurisdiction of organization or other legal structure without prior written consent of [the Entity].”*

Response: The foregoing provision is customary for a secured commercial loan agreement with a startup business and is intended to preserve the integrity of the security interest. In order to provide the loan at competitive rates, the Parties have mutually agreed to allow the Entity to secure its loan.

- b. *Security Agreement, Article 4(i): “[Affiliate] shall not sell, assign, transfer, encumber or otherwise dispose of any Collateral without the prior written consent of [the Entity] and [the Entity] does not authorize any such disposition. For purposes of this provision, “dispose of any Collateral” shall include, without limitation, the creation of a security interest or other encumbrance (whether voluntary or involuntary) on such Collateral, which is not permitted under the Loan Agreement.”*

Response: The foregoing provision is customary for a commercial loan agreement of this type. The provision ensures that the Affiliate does not undermine the security interest that the Parties mutually agreed to in order to allow the Entity to secure the loan.

- c. *Loan Agreement, Article 7 “Event of Default” wherever used herein means any one of the following events (whatever the reason for such Event of Default, whether it shall be voluntary or involuntary or be effected by operation of Law or pursuant to any judgment,*

decree or order of any court, or any order, rule or regulation of any administrative or governmental instrumentality)...If there shall occur a Change of Control."

Response: In light of the recently enacted regulations, the Parties have agreed to strike this clause from the loan agreement.

- d. *Loan Agreement, Article 6.1: "[The Affiliate] shall not, directly or indirectly, create, incur, assume, guarantee, permit to exist or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, other expenses or liabilities other than obligations under the Loan Documents and expenses incurred in the ordinary course of business and reflected in the then current Operating Budget."*

Response: The foregoing provision is customary for a commercial loan agreement of this type. The provision ensures that the Affiliate does not make extraneous expenditures, investments, or take on indebtedness outside its ordinary course of business that would undermine its ability to pay back the loan.

Thank you for your attention to this matter.

Sincerely,

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

Adam Fine, Esq.
Vicente Sederberg, LLP
On behalf of Acreage Holdings, Inc.

A handwritten signature in blue ink, appearing to read 'Blake M. Mensing', written over a horizontal line.

Blake M. Mensing, Esq.
The Mensing Group, LLC
On behalf of Patient Centric of Martha's
Vineyard, Ltd.

January 16, 2020

Cannabis Control Commission
Union Station
2 Washington Square
Worcester, MA 01604

**Re: Response to Cannabis Control Commission's January 8, 2020 Further Inquiry
Pertaining to Ownership / Control Interests**

To Whom It May Concern:

Please accept this correspondence on behalf of Acreage Holdings, Inc. and its wholly-owned affiliates ("Acreage" or the "Entity") a copy of which has been provided to Health Circle, Inc. ("HCI" or the "Affiliate")¹ (collectively, the "Parties") in response to the Cannabis Control Commission's (the "Commission") request for further information regarding certain contractual arrangements between the Parties.

- 1. The Entity's inquiry notice response stated that the Entity intends to enter "wholesale supply arrangements" with certain entities but that such discussions were "preliminary and have not yet resulted in final or draft agreements." Please specify whether the Affiliate has entered a wholesale supply arrangement as of the date of this notice. Further, please specify whether any such wholesale supply arrangement would affect any terms contained within the Revolving Line of Credit Agreement or Security Agreement.**

Response: Neither the Entity nor the Affiliate have entered into "wholesale supply arrangements" with any entities. Any such agreements would not affect the terms contained within the Revolving Line of Credit Agreement or the Security Agreement between Health Circle, Inc. and MA RMD SVCS.

- 2. Provide a response whether the Affiliate's decision to disregard any advice, guidance or other consultant services provided by the Entity under the MCSA could**

¹ For ease of reference this response uses many of the same defined terms as the Commission's request, including referring to Health Circle, Inc. as the "Affiliate." In doing so, Acreage is not adopting or agreeing with any suggestion that Health Circle, Inc. is in fact an "affiliate" of Acreage or MA RMD SVCS, LLC within the ordinary meaning of the word "affiliate." The relationship between Health Circle, Inc. and MA RMD SVCS, LLC is purely contractually and is not intended to include any element of control.

constitute a material adverse effect on the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Entity or otherwise pose a condition which may constitute breach of any term of the MSCA, Revolving Line of Credit Agreement or Security Agreement. In preparing your response please review the following provisions:

Response: Should the Affiliate decide to disregard any advice, guidance or other consultant services provided by the Entity under the MCSA such a decision would not constitute a material adverse effect on the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Entity or otherwise pose a condition which may constitute breach of any term of the MSCA, Revolving Line of Credit Agreement or Security Agreement.

- a. *MSCA, Article 1.1 (Design, Construction and Ongoing Maintenance of Facilities), Article 1.2 (Cultivation, Quality Control and Related Operations), Article 1.3 (Proprietary Protocols), Article 1.4 (Information Technology Security Services), Article 1.5 (Website Development Services), Article 1.6 (Marketing and Public Relations Services), Article 1.7 (Business, Financial and Operations Services), Article 1.8 (Operations Manual Services), Article 1.9 (Inventory Services), Article 1.[10] Referred to as 9 in original inquiry notice (Continuing Education Services).*

Response: The intent of these provisions is to outline the services available on an a la carte basis to the Affiliate. In the interest of clarity, the parties agree to amend the management services agreement to expressly state in Section 1 that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.” Additionally, the Affiliate and Entity agree to amend the first line under “1. CONSULTANT SERVICES” to read, “[t]he Consultant Services *may* consist of the following *as may be selected at the sole discretion of Health Circle:*”

- b. *Revolving Line of Credit Agreement, Article 7(d): “An event of default will occur if any of the following events occurs . . . [u]pon the occurrence of a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects, of the [Affiliate]; or (b) the validity or enforceability of this Agreement, the Promissory Note or the Security Agreement or the rights and remedies of the [Entity].”*

Response: This is a customary provision of commercial loan agreements that is intended to outline any changes, circumstances, or effects that could reasonably be expected to negatively impact the ability of either the Entity or the Affiliate to perform its obligations under the Agreements. Such material adverse effects can be a result of any number of factors that are internal or external to the company, including acts of third parties, acts of god, and changes to state or federal law. In

the interest of clarity, the parties agree to amend the agreement to expressly state in Article 7(d) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- c. *MCSA, Article 3.3: “The parties acknowledge and agree that establishing and maintaining the viability of Health Circle’s business operations is a core priority of the parties. In negotiating and determining appropriate amendments to the foregoing financial matters, the parties shall act in good faith to preserve such core priority and to assure ongoing fulfillment of all applicable laws and pertinent regulatory standards.”*

Response: When read in its entirety, MSCA Article Section 3.3 and 3.4 are intended to allow for continued amendment of the Agreement to ensure compliance with applicable state and federal laws resultant from evolving regulatory statute or interpretations of such regulatory statute.

3. Provide a response whether the Entity has the authority to earn 10% or more of the Affiliate’s profits or collect more than 10% of the Affiliate’s dividends. In preparing your response, please reference the following provisions:

Response: The Entity does not have the authority to earn 10% or more of the Affiliate’s profits or collect more than 10% of the Affiliate’s dividends.

- a. *MCSA, Exhibit A. “In consideration of the provision of the Consultant Services described in Sections 1.1 through 1.10 of this Agreement, [Affiliate] shall pay [the Entity] at the following rates:*

Years 1-2: \$1,825 per pound of marijuana sold at the Facilities
Years 3-5: \$1,475 per pound of marijuana sold at the Facilities
Years 6-15: To be determined.”

Response: This compensation was intended to reflect the anticipated fair market value for services provided by the Entity to the Affiliate. The services provided by the Entity are of enormous value to the Affiliate and the fee for such services is properly characterized as an expense of the Affiliate and not part of their profits. If the Affiliate were to contract for the services provided with other vendors, the expenses would likely be greater than the charges stipulated within the management services agreement and may very well exceed ten percent of Affiliate’s profits, but would not on that basis be construed as “Profits.” “Compensation,” both by dictionary definition and as used in the MSCA, is distinct from “profits” or “dividends” and properly reflects the consultant/independent contractor relationship between the Parties. Further, MSCA Section 3.4(d) provides for the ability of the Affiliate to modify such payment levels if

changes in the fair market value of marijuana make the proposed compensation levels unreasonable to the continued operation of the Affiliate's business.

4. Provide a response whether Michael Westort directly or indirectly provides any consulting services specified in Article 1 of the MCSA on behalf of MA RMD SVCS.

Response: Mr. Westort does not currently provide any consulting services on behalf of MA RMD SVCS.

5. Please identify [whether] any of the below individuals have the power to directly or indirectly govern the financial and operating policies of MA RMD SVCS. Further, please specify whether any of the below individuals have received or will receive compensation from MA RMD SVCS and the terms of that compensation:

High Street Capital Partners, LLC is the sole member of MA RMD SVCS, LLC. Kevin Murphy, Christopher Tolford, and Jovan Bethell are managers of MA RMD SVCS and have the power to directly or indirectly govern the financial and operating powers of MA RMD SVCS. None of the below individuals have the power to directly or indirectly govern the financial and operating policies of MA RMD SVCS.

a. Michael Westort

Response: Mr. Westort is not currently affiliated with MA RMD SVCS. He previously served as the sole member/manager and then as minority member and a manager of MA RMD SVCS before all of the entity's interests were acquired by High Street Capital Partners, LLC.

b. Lea Westort

Response: Ms. Westort is not currently affiliated with MA RMD SVCS. Ms. Westort previously served as a manager of MA RMD SVCS, before all of the entity's interest was acquired by High Street Capital Partners, LLC.

d. Mary Carle

Response: Ms. Carle is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

e. Elizabeth Peters

Response: Ms. Peters is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

f. James Welch

Response: Mr. Welch is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

g. Steven Ingenhutt

Response: Mr. Ingenhutt is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

h. Kenneth Wolf

Response: Mr. Wolf is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

i. Robert Denn

Response: Mr. Denn is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

6. The Host Community Agreement between Health Circle and the Town of Marshfield is executed by Michael Westort as “duly authorized representative” for Health Circle. Please specify whether Michael Westort executed the Host Community Agreement in his capacity as President and CEO of MA RMD SVCS, LLC or in his capacity on behalf of Health Circle, Inc. In preparing your response please review the following provisions:

Response: Mr. Westort executed the Host Community Agreement in his capacity as President, Treasurer, and Director of Health Circle, Inc. Mr. Westort was once a member and manager of MA RMD SVCS, LLC but he was never President or CEO of that entity and he did not execute the Host Community Agreement on behalf of MA RMD SVCS, LLC.

- a. Host Community Agreement, Article 2 (committing Health Circle to three percent gross revenue impact fee payments); Article 5 (committing Health Circle to one percent gross sales annual donations to local non-profits), Article 9 (committing Health Circle to retention of local vendors, hiring practices, and participation in drug programs), Article 11 (Committing Health Circle to certain security obligations).*

Response: Mr. Westort executed the Host Community Agreement in his capacity as President, Treasurer, and Director of Health Circle, Inc.

7. Specify which services, if any, identified in MCSA Article 1 are reasonably expected to include utilization of the Entity’s intellectual property and/or confidential information. Further specify what, if any, financial obligation Affiliate would have to make pro-rated payments for services rendered or enter into a license for continued operations developed based on the Entity’s intellectual property (e.g., cultivation practices) and/or confidential information. In preparing your response, please reference the following provisions:

Response: The Entity and the Affiliate anticipate that the scope of services outlined in MSCA Article 1.2 relative to industry-specific services concerning the cultivation of marijuana and MSCA Article 1.3 relative to proprietary marijuana-infused product protocols will require the utilization of the Entity’s intellectual property or confidential information. The Affiliate would not be required to make continued pro-rated payments for services rendered after the termination

of the contract or enter into a license for continued operations based on the Entity's intellectual property (e.g., cultivation and product manufacturing practices) and/or confidential information. Please see section b below for further information.

a. *MCSA, Article 4.1: "For purposes of this Agreement "Confidential Information" shall mean all confidential and/or proprietary information and materials regarding the business affairs of a party to this Agreement, including, but not limited to, all technical data, trade secrets, know-how, marketing plans, products, business strategies, financial statements, and any other information that a party identifies to the other party in writing as being confidential or proprietary."*

Response: The foregoing provision defines confidential information under the Agreement. The Parties are subject to mutual confidentiality clauses which are standard clauses in consulting agreements.

b. *MCSA, Article 7.3: "Upon termination of this Agreement, and with respect to payment obligations arising specifically under this Agreement, [Affiliate] will pay [the Entity] for all Consultant Services actually performed up to the effective date of such termination."*

Response: The foregoing provision simply states that the Affiliate would only be responsible for payment of services actually performed by the Entity up until the termination of the Agreement. This is a standard provision for the protection of the Affiliate.

c. *MCSA, Article 7.4: "Unless the parties agree to terms of an ongoing license, upon termination of this Agreement, the parties shall promptly return, delete or destroy (at each party's discretion) all copies of Confidential Information belonging to the other party disclosed or provided under this Agreement."*

Response: The intent of the foregoing provision is to outline how confidential property is handled upon termination of the Agreement. This is a standard clause for the protection of both the Entity and the Affiliate.

8. Provide a response whether the Entity's consent or approval is required prior to a merger, change in ownership and/or execution of a financial interest between the Affiliate and a third-party.

Response: It is not the intent of the Parties for the Entity's consent or approval to be required prior to a merger, change in ownership, and/or execution of a financial interest between the Affiliate and a third party. The Parties would reform any documents that indicated such.

9. Provide a response whether the Entity has the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent.

Response: It is not the intent of the Parties for the Entity to have the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent of the Affiliate. The Parties would reform any documents that indicated such.

10. Provide a response whether the Entity has the right to control or authority to appoint more than 50% of the directors of the Affiliate.

Response: It is not the intent of the Parties for the Entity to have the right to control or authority to appoint more than 50% of the directors of the Affiliate. The Parties would reform any documents that indicated such.

Thank you for your attention to this matter.

Sincerely,

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

Valerio Romano, Esq.
Vicente Sederberg, LLP
On behalf of Acreage Holdings, Inc.

CC: Ryan P. McManus, Esq.
Counsel for Health Circle, Inc.

Adam D. Fine, Esq.
Vicente Sederberg LLP
2 Seaport Lane, 11th Floor
Boston, MA 02210

Blake M. Mensing, Esq.
The Mensing Group LLC
100 State Street, 9th Floor
Boston, MA 02109

January 17, 2020

Cannabis Control Commission
Union Station
2 Washington Square
Worcester, MA 01604
Via email: Paul.Payer@cccmass.com

**Re: 1/17/20 – Updated Response to Cannabis Control Commission’s Further Inquiry
Pertaining to Ownership / Control Interests**

To Whom It May Concern:

Please accept this correspondence on behalf of Acreage Holdings, Inc. and its wholly-owned affiliates (“Acreage” or the “Entity”) which has been drafted in collaboration with the counsel for Patient Centric of Martha’s Vineyard, Ltd. (“PCMV” or the “Affiliate”)(collectively, the “Parties”) in response to the Cannabis Control Commission’s (the “Commission”) request for further information regarding certain contractual arrangements between the Parties.

1. Provide a response whether the Entity has the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.” In preparing your response please review the following provisions:

Response: It is the intention of the Parties that the Entity does not have the right to control or the authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts. Please see the below responses as they relate to each of the provisions cited by the Commission.

- a. *Loan Agreement, Article 6.5: “The [Affiliate] covenants that from the date of this Agreement, and for so long as any of the Obligations remain unpaid (other than contingent indemnification and expense reimbursement obligations for which no claim has been made) or [the Entity] has an unexpired RC Commitment to lend hereunder,...[The Affiliate] shall not (a) enter into or remain bound by any management, employment or consulting agreement with any Person giving such Person the right to exercise authority, or (b) directly or indirectly pay or accrue to any Person any sum or*

property for fees for management or similar services rendered in connection with the operation of a Permitted Business except as provided in the Master Services Agreement”

Response: It is the intention of the Parties that the Entity does not have the right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts. The intention of this clause is to mitigate the lending risk of the Entity for monies loaned to the Affiliate and to ensure that any subsequent agreements are subordinate to the loan obligations set forth in the Loan Agreement. Notwithstanding the foregoing, in the interest of efficiency, the Parties agree to mutually strike this clause from the amended loan agreement.

- b. *MSA, Article 1.1(a): “[Affiliate] hereby retains [the Entity] as an independent contractor to provide to [Affiliate] the following services...General management services, including (i) the services of executive, operating, legal and financial officers, human resources and other personnel; (ii) advice concerning the preparation of budgets, forecasts, capital expenditures, financing, and long range strategic planning; and (iii) such other general management services as may from time to time be reasonably requested by [Affiliate].*

Response: The intent of this provision is to clarify that the Entity is to be classified as an independent contractor and to outline the services available on an a la carte basis to the Affiliate. In the interest of clarity, the parties agree to amend the management services agreement to expressly state in Article 1.1(d) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- c. *MSA, Article 1.1(b): “[Affiliate] hereby retains [the Entity] as an independent contractor to provide to [Affiliate] the following services...General administrative and technical services, advice and direction, including (i) accounting, including cost accounting, inventory control, tax compliance, reporting systems services and back-office financial support; (ii) legal, trademark and patent advice; (iii) market servicing, product pricing and cost controls and evaluations; (iv) preparation of advertising and publicity literature and other materials; (v) providing training and supervising sales representatives and support staff and providing guidelines and policies for sales representatives.”*

Response: The intent of this provision is to clarify that the Entity is to be classified as an independent contractor and to outline the services available on an a la carte basis to the Affiliate. In the interest of clarity, the parties agree to amend the management services agreement to expressly state in Article 1.1(d) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- d. *MSA, Article 1.3: “If any license, approval or permit shall be required for the proper and lawful performance of the Services, [the Entity], at [the Entity’s] expense, shall duly and timely procure and thereafter maintain such license. [The Entity], at [the Entity’s] expense, shall at all times comply in all material respects with the terms and conditions of each such license.”*

Response: The intention of this provision is to ensure that the Entity, to the extent required in the jurisdiction in which it is doing business, is properly registered and is in good standing as a consultant. For instance, in Massachusetts, the Entity will maintain in good standing with the Secretary of the Commonwealth, Department of Revenue, and the Department of Unemployment Assistance, etc. In the interest of clarity, the Parties agree to amend the management services agreement to expressly state in Article 1.3 that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.” The parties further agree to include the following clarifying language to be inserted immediately after the first sentence in Article 1.3: “The foregoing references to “*any license, approval or permit*” with respect to the Entity shall not include any license issued by the Cannabis Control Commission or any local permit or approval related thereto.”

- e. *Loan Agreement, Article 3.2.11: “No [Revolving Credit] Loan shall be required to be made unless on the date of each [Revolving Credit] Loan...[the Entity] shall have received and approved the architect’s agreement, the general contractor’s agreement and all material subcontracts necessary for the completion of the construction of the Project.”*

Response: This is a customary provision of commercial loan agreements. Such a provision allows the Entity to provide funds at competitive interest rates by reducing the risk of fraud or default to the Entity. This is analogous to a construction loan whereby the bank reviews and approves the construction contract to ensure the contract exists and is on fair and commercially reasonable terms such that the lender would undertake the credit risk. In the interest of clarity, the parties agree to amend the loan agreement to expressly state in Article 3.2.11 that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- f. *Loan Agreement, Article 6.19(c)(i), (ii): Affiliate must obtain prior written consent of the Entity prior to making any change order or amend Major Trade Contracts unless “such change order will not materially reduce the gross square feet or the net rentable square feet of the Project, or the basic layout of the Project, or involve the use of materials, furniture, fixtures and equipment that will not be at least equal in quality to the materials, furniture, fixtures and equipment originally specified in or required by the approved*

Plans and Specifications; and such change order shall result in an increase or decrease in the cost of the Project of less than \$25,000.00.”

Response: This is a customary provision of commercial loan agreements of this size and risk, especially as it relates to the scale of commercial agricultural facilities. Such a provision allows the Entity to provide funds at competitive interest rates by reducing risk of fraud or default to the Entity. In the interest of clarity, the parties agree to amend the loan agreement to expressly state in Article 6.19(c)(i) and (ii) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- g. *Loan Agreement, Article 5.1.6: “The [Affiliate] covenants that from the date of this Agreement, and for so long as any of the Obligations remain unpaid or unsatisfied...or the [Entity] has an unexpired RC Commitment to lend hereunder, it shall... deliver[] to the [Entity] a management-prepared budget (an “Operating Budget”)...no less than 30 days prior to the commencement of each fiscal year beginning with the fiscal year ending December 31, 2019, in each case, in form and substance satisfactory to the [Entity] (and each Operating Budget shall be materially consistent with the prior year’s Operating Budget (as long as the [Affiliate] is a corporation)), except for such changes as are consistent with the [Affiliate’s] business and are approved by the [Entity], which approval shall not be unreasonably withheld.”*

Response: This is a customary provision for a loan of this size and risk. Because the loan is a revolving line of credit, it is not unreasonable that a lender should ask for financial information as money is lent to ascertain whether such loan continues to be financially viable. This is analogous to a consumer credit card renewal which requires that a consumer update the lender as to its current income and other assets to ensure that the lender is not taking on unreasonable credit risk. Notwithstanding the foregoing, the Parties agree to reform this clause to provide the Entity with a right to review the budget in lieu of approval.

- h. *Loan Agreement, Article 6.15: “The [Affiliate] shall not, without the prior written consent of the [Entity]: (a) Change its name; (b) Change its registered office, chief executive office or principal place of business; (c) Change its fiscal year; (d) Appoint any new member to its board of directors; (e) Hire any new employees or increase the compensation payable to existing employees or the members of its board of directors other than as reflected in the then current Operating Budget; (f) Make any changes in the services or management firms engaged by [the Affiliate]; (g) Acquire any equity interest in any Person; or (h) Make any capital expenditures other than as referred to in the then current Operating Budget.”*

Response: It is the intention of the Parties that the Entity not have the right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and

financial decisions...or to execute significant or exclusive contracts. The intention of this clause is to mitigate the lending risk of the Entity for monies loaned to the Affiliate and to ensure that any subsequent agreements are subordinate to the loan obligations set forth in the Loan Agreement. To that end, in light of the recently enacted regulations, the Parties agree to mutually strike this clause from the loan agreement.

2. Specify which services, if any, identified in MSA Article 1 are reasonably expected to include utilization of the Entity's intellectual property and/or confidential information. Further specify what, if any, financial obligation Affiliate would have to make pro-rated payments for services rendered or enter into a license for continued operations developed based on the Entity's intellectual property (e.g., cultivation practices) and/or confidential information. In preparing your response, please reference the following provisions:

Response: The Entity and the Affiliate anticipate that the scope of services outlined in MSA Article 1.1(c) relative to industry-specific services concerning the cultivation, manufacturing, retailing, and marketing functions of the Business will require the exchange of trade secrets and confidential information. The Affiliate would not be required to make continued pro-rated payments for services rendered after the termination of the contract or enter into a license for continued operations based on the Entity's intellectual property (e.g., cultivation practices) and/or confidential information. Please see section 3 below for further information.

a. *IP Agreement, page 1: "defining South Shore IP as "all right, title and interest in, to and under all trademarks, copyrights, patents, trade secrets, know-how, methods, and any other intellectual property rights that South Shore Bio Pharma LLC ("South Shore") may have owned and/or controlled up to and including the date of this Letter Agreement, including, without limitation, all intellectual property rights regarding and/or related to cannabis genetics, cannabis cultivation, employee training in cannabis matters, creation of cannabis infused products and acquisition and maintenance of equipment for cannabis products."*

Response: The intent of the foregoing provision is to clarify that the intellectual property owned by the Entity prior to the Agreement would remain owned by Entity upon termination of the Agreement.

b. *MSA, Article 4.1: "For purposes of this Agreement "Confidential Information" shall mean all confidential and/or proprietary information and materials regarding the business affairs of a party to this Agreement, including, but not limited to, all technical data, trade secrets, know-how, marketing plans, products, business strategies, financial statements, and any other information that a party identifies to the other party in writing as being confidential or proprietary."*

Response: The foregoing provision defines confidential information under the Agreement. The Parties are subject to mutual confidentiality clauses which are standard clauses in consulting agreements.

- c. *MSA, Article 5.3: "Upon termination of this Agreement, and with respect to payment obligations arising specifically under this Agreement, [the Affiliate] will pay [the Entity] on a pro-rated basis for all Services actually performed up to the effective date of such termination."*

Response: The foregoing provision simply states that the Affiliate would only be responsible for payment of services actually performed by the Entity up until the termination of the Agreement. This is a standard provision for the protection of the Affiliate.

- d. *MSA, Article 5.4: "Unless the parties agree to terms of an ongoing license, upon termination of this Agreement, the parties shall promptly return, delete or destroy (at each party's discretion) all copies of Confidential Information belonging to the other party disclosed or provided under this Agreement."*

Response: The intent of the foregoing provision is to outline how confidential property is handled upon termination of the Agreement. This is a standard clause for the protection of both the Entity and the Affiliate.

3. Provide a response whether the Entity has the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent. In preparing your response, please reference the following provisions:

Response: The Entity will not have the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent.

- a. *MSA, Article 1.1(a): "[The Entity] will approve an employment agreement for Geoff Rose as CEO of [the Affiliate], which employment agreement will contain such terms and conditions as are acceptable to [the Entity] and [the Affiliate], and which will include, without limitation, a provision providing for a \$1,000,000 three year retention bonus."*

Response: The Parties agree to mutually strike this clause from the amended management services agreement. As the sole shareholder and Chief Executive Officer, Mr. Rose may grant himself raises and bonuses at his discretion.

4. Provide a response whether the Entity has the right to control or authority to appoint more than 50% of the directors of the Affiliate. In preparing your response, please reference the following provision:

Response: The Entity does not have the right to control or the authority to appoint more than 50% of the directors of the Affiliate.

- a. *Loan Agreement, Article 6.15(d): "[The Affiliate] shall not, without the prior written consent of [the Entity] Appoint any new member to its board of directors"*

Response: The Parties agree to mutually strike this clause from the loan agreement.

5. Provide a response whether the Entity has the authority to earn 10% or more of the Affiliate's profits or collect more than 10% of the Affiliate's dividends. In preparing your response, please reference the following provisions:

Response: The Entity does not have the authority to earn 10% or more of the Affiliate's profits or collect more than 10% of the Affiliate's dividends.

- a. *MSA, Article 3.1: "[The Affiliate] shall pay to [the Entity] as compensation for the Services a monthly management fee equal to the sum of (i) one and one half percent (1.5%) of [the Affiliate] revenue plus (ii) ten thousand dollars (\$10,000)(together with item (i), the "Monthly Management Fee").*
- b. *MSA, Article 3.1: "In addition to the Monthly Management Fee, [the Affiliate] shall pay to [the Entity] as compensation for the Services twenty-five percent (25%) of [the Affiliate's] quarterly EBITDA, as measured by an outside audit firm as selected by [the Entity] in [the Entity]'s sole discretion."*

Response: This compensation was contemplated and contracted for through arm's length negotiation between the Parties and is intended to reflect the fair market value for services provided by the Entity to the Affiliate. The services provided by the Entity are of enormous value to the Affiliate and the fee for such services is properly characterized as an expense of the Affiliate and not part of their profits. If the Affiliate were to contract for the services provided with other vendors, the expenses would likely be greater than the charges stipulated within the management services agreement, certainly exceeding ten percent of profits. "Compensation," both by dictionary definition and as used in the MSA, has a distinct definition from "profits" or "dividends" and properly reflects the consultant/independent contractor relationship between the Parties.

6. Provide a response to whether the loan agreement requires only repayment of the loan and does not have any ownership or direct or indirect authority to control the Affiliate. In preparing your response, please address the following provisions:

Response: It is the intent of the Parties that the loan agreement requires only repayment of the loan and does not have any ownership or direct or indirect authority to control the Affiliate.

- a. *MSA, Article 3.1: "To the extent that [the Affiliate] is unable to pay either the Monthly Management Fee or the EBITDA Management Fee when due, such outstanding balances will be treated as an advance of an RC Loan (as defined in the Loan Agreement) made pursuant to that certain Loan Agreement (the "Loan Agreement"), dated as of November 30, 2018, between [the Affiliate], as borrower and [the Entity], as lender and shall be added as part of the principal debt under the Note (as defined in the Loan Agreement) relating to the RC Loans."*

Response: The foregoing is a favorable provision to the Affiliate as it allows for deferral of fees due under the Agreement. The Affiliate is under no obligation to defer payments but may do so if it is unable to pay when the fee is due. This is an extraordinarily favorable provision to the Affiliate that is not traditionally seen in commercial lending agreements.

- b. *Loan Agreement, Article 2.8.1: “On any date after completion of the RTO Transaction but prior to the tenth (10th) anniversary of the date of this Agreement (the “Conversion Date”), the Notes (and the indebtedness owed thereunder and all other Obligations of [the Affiliate]) then outstanding shall be, at [the Entity’s] sole option, converted into a 100% equity interest in [Affiliate] . . . Notwithstanding the foregoing, [the Entity] and [Affiliate] agree that if any statute, regulation or other applicable law prohibits the implementation of any of the above terms of the Conversion or otherwise imposes requirements which would materially impair (a) the implementation of the terms of the Conversion as contemplated above or (b) the benefits intended to be granted thereunder, [the Entity] and [Affiliate] shall negotiate in good faith to modify the terms of the Conversion so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner.”*

Response: This provision allows for conversion of the debt into equity by the Entity should it be allowed under Massachusetts law. The Entity could not exercise this conversion option without approval from the Commission pursuant to the regulations and the plain terms of the Loan Agreement.

7. Provide a response to whether any expiration, breach and/or termination of the MSA affects the validity of the Loan Agreement or other Loan Documents. In preparing your response, please address the following provisions:

Response: As currently drafted, a breach of the MSA by the Affiliate would amount to an event of default of the Loan Agreement. However, a mutual termination or expiration of the MSA would not be an event of default and therefore would have no impact on the Loan Agreement.

- a. *Loan Agreement, Article 7.1.3 (Defining Event of Default of the Loan Agreement as the event of “a default in the due performance or observance of any term, covenant or agreement to be performed or observed by [the Affiliate] pursuant to this Agreement or any other Loan Document and...such default shall not be cured within thirty (30) days after the occurrence thereof.”)*
- i. *Loan Agreement, Article 1 (defining “Loan Documents” as “[the Loan Agreement], the Notes, the Security Agreement, the Master Services Agreement and any and all agreements and instruments executed by [the Affiliate]”)*

1/17/2020 Amendment to Response: The Parties mutually agree to strike this clause from the Loan Agreement.

Response: This is a cross default provision that defines what constitutes default and

provides a 30-day opportunity to cure the default to the Affiliate, which is a commercially reasonable timeframe.

- b. *Loan Agreement, Article 6.15(f): “[The Affiliate] shall not, without the prior written consent of [the Entity]...[m]ake any changes in the services or management firms engaged by [the Affiliate].”*

Response: Although the Parties do not believe that this clause would not be in conformance with the regulations, in the interest of efficiency, the Parties agree to mutually strike this clause from the loan agreement.

8. Provide a response whether the Entity’s consent or approval is required prior to a merger, change in ownership and/or execution of a financial interest between the Affiliate and a third-party. In preparing your response, please address the following provisions:

Response: If there is an outstanding balance of the loan, the Entity’s consent or approval is required prior to a merger, change in ownership, and/or execution of a financial interest between the Affiliate and a third party. Consent or approval would not be required after the loan is paid off. This is a common provision in commercial loan agreements to ensure that the lender is fully paid off before a new owner acquires the business. In the instance that the Affiliate seeks to sell its business, it is commonplace for the new owner to pay off existing debts as part of the sale.

- a. *Security Agreement, Article 4(h)(2): “[Affiliate] will not change its type of organization, jurisdiction of organization or other legal structure without prior written consent of [the Entity].”*

Response: The foregoing provision is customary for a secured commercial loan agreement with a startup business and is intended to preserve the integrity of the security interest. In order to provide the loan at competitive rates, the Parties have mutually agreed to allow the Entity to secure its loan.

- b. *Security Agreement, Article 4(i): “[Affiliate] shall not sell, assign, transfer, encumber or otherwise dispose of any Collateral without the prior written consent of [the Entity] and [the Entity] does not authorize any such disposition. For purposes of this provision, “dispose of any Collateral” shall include, without limitation, the creation of a security interest or other encumbrance (whether voluntary or involuntary) on such Collateral, which is not permitted under the Loan Agreement.”*

Response: The foregoing provision is customary for a commercial loan agreement of this type. The provision ensures that the Affiliate does not undermine the security interest that the Parties mutually agreed to in order to allow the Entity to secure the loan.

- c. *Loan Agreement, Article 7 “Event of Default” wherever used herein means any one of the following events (whatever the reason for such Event of Default, whether it shall be decree or order of any court, or any order, rule or regulation of any administrative or governmental instrumentality)...If there shall occur a Change of*

Control.”

Response: In light of the recently enacted regulations, the Parties have agreed to strike this clause from the loan agreement.

- d. *Loan Agreement, Article 6.1: “[The Affiliate] shall not, directly or indirectly, create, incur, assume, guarantee, permit to exist or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, other expenses or liabilities other than obligations under the Loan Documents and expenses incurred in the ordinary course of business and reflected in the then current Operating Budget.”*

Response: The foregoing provision is customary for a commercial loan agreement of this type. The provision ensures that the Affiliate does not make extraneous expenditures, investments, or take on indebtedness outside its ordinary course of business that would undermine its ability to pay back the loan.

Thank you for your attention to this matter.

Sincerely,



Adam Fine, Esq.
Vicente Sederberg, LLP
On behalf of Acreage Holdings, Inc.



Blake M. Mensing, Esq.
The Mensing Group, LLC
On behalf of Patient Centric of Martha's
Vineyard, Ltd.

January 17, 2020

Cannabis Control Commission
Union Station
2 Washington Square
Worcester, MA 01604

Re: 1/17/20 Updated Response to Cannabis Control Commission's January 8, 2020 Further Inquiry Pertaining to Ownership/Control Interests

To Whom It May Concern:

Please accept this correspondence on behalf of Acreage Holdings, Inc. and its wholly-owned affiliates ("Acreage" or the "Entity") a copy of which has been provided to Health Circle, Inc. ("HCI" or the "Affiliate")¹ (collectively, the "Parties") in response to the Cannabis Control Commission's (the "Commission") request for further information regarding certain contractual arrangements between the Parties.

1. **The Entity's inquiry notice response stated that the Entity intends to enter "wholesale supply arrangements" with certain entities but that such discussions were "preliminary and have not yet resulted in final or draft agreements." Please specify whether the Affiliate has entered a wholesale supply arrangement as of the date of this notice. Further, please specify whether any such wholesale supply arrangement would affect any terms contained within the Revolving Line of Credit Agreement or Security Agreement.**

Response: Neither the Entity nor the Affiliate have entered into "wholesale supply arrangements" with any entities. Any such agreements would not affect the terms contained within the Revolving Line of Credit Agreement or the Security Agreement between Health Circle, Inc. and MA RMD SVCS.

2. **Provide a response whether the Affiliate's decision to disregard any advice, guidance or other consultant services provided by the Entity under the MCSA could constitute a material adverse effect on the business, assets, properties, liabilities (actual or**

¹ For ease of reference this response uses many of the same defined terms as the Commission's request, including referring to Health Circle, Inc. as the "Affiliate." In doing so, Acreage is not adopting or agreeing with any suggestion that Health Circle, Inc. is in fact an "affiliate" of Acreage or MA RMD SVCS, LLC within the ordinary meaning of the word "affiliate." The relationship between Health Circle, Inc. and MA RMD SVCS, LLC is purely contractually and is not intended to include any element of control.

contingent), operations, condition (financial or otherwise) or prospects of the Entity or otherwise pose a condition which may constitute breach of any term of the MCSA, Revolving Line of Credit Agreement or Security Agreement. In preparing your response please review the following provisions:

Additional 1/17/20 Response: Should the Affiliate decide to withdraw from the MCSA, be in default, or decide to select fewer than the full offering of services under the MCSA, such a decision shall not adversely affect the Entity's provision of capital under the Revolving Line of Credit Agreement and Security Agreement, nor shall a default of the Revolving Line of Credit Agreement or Security Agreement adversely affect the provision of services under the MCSA. To the extent that the agreements do not reflect the foregoing, the Parties agree to reform the agreements accordingly.

Response: Should the Affiliate decide to disregard any advice, guidance or other consultant services provided by the Entity under the MCSA such a decision would not constitute a material adverse effect on the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Entity or otherwise pose a condition which may constitute breach of any term of the MCSA, Revolving Line of Credit Agreement or Security Agreement.

- a. *MCSA, Article 1.1 (Design, Construction and Ongoing Maintenance of Facilities), Article 1.2 (Cultivation, Quality Control and Related Operations), Article 1.3 (Proprietary Protocols), Article 1.4 (Information Technology Security Services), Article 1.5 (Website Development Services), Article 1.6 (Marketing and Public Relations Services), Article 1.7 (Business, Financial and Operations Services), Article 1.8 (Operations Manual Services), Article 1.9 (Inventory Services), Article 1.[10] Referred to as 9 in original inquiry notice (Continuing Education Services).*

Response: The intent of these provisions is to outline the services available on an a la carte basis to the Affiliate. In the interest of clarity, the parties agree to amend the management services agreement to expressly state in Section 1 that this provision shall not be construed or effectuated to enable the Entity to have the "right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts." Additionally, the Affiliate and Entity agree to amend the first line under "1. CONSULTANT SERVICES" to read, "[t]he Consultant Services *may* consist of the following *as may be selected at the sole discretion of Health Circle*:"

- b. *Revolving Line of Credit Agreement, Article 7(d): "An event of default will occur if any of the following events occurs . . . [u]pon the occurrence of a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects, of the [Affiliate]; or (b) the validity or enforceability of this Agreement, the Promissory Note or the Security Agreement or the rights and remedies of the [Entity]."*

Response: This is a customary provision of commercial loan agreements that is intended to outline any changes, circumstances, or effects that could reasonably be expected to negatively impact the ability of either the Entity or the Affiliate to perform its obligations under the Agreements. Such material adverse effects can be a result of any number of factors that are internal or external to the company, including acts of third parties, acts of god, and changes to state or federal law. In the interest of clarity, the parties agree to amend the agreement to expressly state in Article 7(d) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- c. *MCSA, Article 3.3: “The parties acknowledge and agree that establishing and maintaining the viability of Health Circle’s business operations is a core priority of the parties. In negotiating and determining appropriate amendments to the foregoing financial matters, the parties shall act in good faith to preserve such core priority and to assure ongoing fulfillment of all applicable laws and pertinent regulatory standards.”*

Response: When read in its entirety, MCSA Article Section 3.3 and 3.4 are intended to allow for continued amendment of the Agreement to ensure compliance with applicable state and federal laws resultant from evolving regulatory statute or interpretations of such regulatory statute.

3. Provide a response whether the Entity has the authority to earn 10% or more of the Affiliate’s profits or collect more than 10% of the Affiliate’s dividends. In preparing your response, please reference the following provisions:

Additional 1/17/20 Response: Should the Affiliate decide not to follow Consultant (Entity) advice and thereby, in Consultant’s opinion, Affiliate is not maximizing its revenue, such a decision shall not adversely affect the Entity’s provision of capital under the Revolving Line of Credit Agreement and Security Agreement, nor shall a default of the Revolving Line of Credit Agreement or Security Agreement adversely affect the Consultant’s willingness to provide services under the MCSA. To the extent that the agreements do not reflect the foregoing, the Parties agree to reform the agreements accordingly.

Response: The Entity does not have the authority to earn 10% or more of the Affiliate’s profits or collect more than 10% of the Affiliate’s dividends.

- a. *MCSA, Exhibit A. “In consideration of the provision of the Consultant Services described in Sections 1.1 through 1.10 of this Agreement, [Affiliate] shall pay [the Entity] at the following rates:*

Years 1-2: \$1,825 per pound of marijuana sold at the Facilities
Years 3-5: \$1,475 per pound of marijuana sold at the Facilities
Years 6-15: To be determined.”

Additional 1/17/20 Response: Should the Affiliate and Consultant not agree on a compensation amount per pound produced during years 6-15, such a failure to agree shall not adversely affect the Entity’s provision of capital under the Revolving Line of Credit Agreement and Security Agreement, nor shall a default of the Revolving Line of Credit Agreement or Security Agreement adversely affect the parties willingness or ability to agree on a compensation amount per pound produced during years 6-15. To the extent that the agreements do not reflect the foregoing, the Parties agree to reform the agreements accordingly.

Response: This compensation was intended to reflect the anticipated fair market value for services provided by the Entity to the Affiliate. The services provided by the Entity are of enormous value to the Affiliate and the fee for such services is properly characterized as an expense of the Affiliate and not part of their profits. If the Affiliate were to contract for the services provided with other vendors, the expenses would likely be greater than the charges stipulated within the management services agreement and may very well exceed ten percent of Affiliate’s profits, but would not on that basis be construed as “Profits.” “Compensation,” both by dictionary definition and as used in the MCSA, is distinct from “profits” or “dividends” and properly reflects the consultant/independent contractor relationship between the Parties. Further, MCSA Section 3.4(d) provides for the ability of the Affiliate to modify such payment levels if changes in the fair market value of marijuana make the proposed compensation levels unreasonable to the continued operation of the Affiliate’s business.

4. Provide a response whether Michael Westort directly or indirectly provides any consulting services specified in Article 1 of the MCSA on behalf of MA RMD SVCS.

Response: Mr. Westort does not currently provide any consulting services on behalf of MA RMD SVCS.

5. Please identify [whether] any of the below individuals have the power to directly or indirectly govern the financial and operating policies of MA RMD SVCS. Further, please specify whether any of the below individuals have received or will receive compensation from MA RMD SVCS and the terms of that compensation:

Response: High Street Capital Partners, LLC is the sole member of MA RMD SVCS, LLC. Kevin Murphy, Christopher Tolford, and Jovan Bethell are managers of MA RMD SVCS and have the power to directly or indirectly govern the financial and operating powers of MA RMD SVCS. None of the below individuals have the power to directly or indirectly govern the financial and operating policies of MA RMD SVCs.

a. Michael Westort

Response: Mr. Westort is not currently affiliated with MA RMD SVCS. He previously served as the sole member/manager and then as minority member and a manager of MA RMD SVCS before all of the entity's interests were acquired by High Street Capital Partners, LLC.

b. Lea Westort

Response: Ms. Westort is not currently affiliated with MA RMD SVCS. Ms. Westort previously served as a manager of MA RMD SVCS, before all of the entity's interest was acquired by High Street Capital Partners, LLC.

d. Mary Carle

Response: Ms. Carle is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

e. Elizabeth Peters

Response: Ms. Peters is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

f. James Welch

Response: Mr. Welch is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

g. Steven Ingenhutt

Response: Mr. Ingenhutt is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

h. Kenneth Wolf

Response: Mr. Wolf is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

i. Robert Denn

Response: Mr. Denn is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

6. The Host Community Agreement between Health Circle and the Town of Marshfield is executed by Michael Westort as "duly authorized representative" for Health Circle. Please specify whether Michael Westort executed the Host Community Agreement in his capacity as President and CEO of MA RMD SVCS, LLC or in his capacity on behalf of Health Circle, Inc. In preparing your response please review the following provisions:

Response: Mr. Westort executed the Host Community Agreement in his capacity as President, Treasurer, and Director of Health Circle, Inc. Mr. Westort was once a member and manager of MA RMD SVCS, LLC but he was never President or CEO of that entity and he did not execute the Host Community Agreement on behalf of MA RMD SVCS, LLC.

- a. *Host Community Agreement, Article 2 (committing Health Circle to three percent gross revenue impact fee payments); Article 5 (committing Health Circle to one percent gross sales annual donations to local non-profits), Article 9 (committing Health Circle to retention of local vendors, hiring practices, and participation in drug programs), Article 11 (Committing Health Circle to certain security obligations).*

Response: Mr. Westort executed the Host Community Agreement in his capacity as President, Treasurer, and Director of Health Circle, Inc.

7. Specify which services, if any, identified in MCSA Article 1 are reasonably expected to include utilization of the Entity's intellectual property and/or confidential information. Further specify what, if any, financial obligation Affiliate would have to make pro-rated payments for services rendered or enter into a license for continued operations developed based on the Entity's intellectual property (e.g., cultivation practices) and/or confidential information. In preparing your response, please reference the following provisions:

Response: The Entity and the Affiliate anticipate that the scope of services outlined in MCSA Article 1.2 relative to industry-specific services concerning the cultivation of marijuana and MCSA Article 1.3 relative to proprietary marijuana-infused product protocols will require the utilization of the Entity's intellectual property or confidential information. The Affiliate would not be required to make continued pro-rated payments for services rendered after the termination of the contract or enter into a license for continued operations based on the Entity's intellectual property (e.g., cultivation and product manufacturing practices) and/or confidential information. Please see section b below for further information.

a. *MCSA, Article 4.1: "For purposes of this Agreement "Confidential Information" shall mean all confidential and/or proprietary information and materials regarding the business affairs of a party to this Agreement, including, but not limited to, all technical data, trade secrets, know-how, marketing plans, products, business strategies, financial statements, and any other information that a party identifies to the other party in writing as being confidential or proprietary."*

Response: The foregoing provision defines confidential information under the Agreement. The Parties are subject to mutual confidentiality clauses which are standard clauses in consulting agreements.

b. *MCSA, Article 7.3: "Upon termination of this Agreement, and with respect to payment obligations arising specifically under this Agreement, [Affiliate] will pay [the Entity] for all Consultant Services actually performed up to the effective date of such termination."*

Response: The foregoing provision simply states that the Affiliate would only be responsible for payment of services actually performed by the Entity up until the termination of the Agreement. This is a standard provision for the protection of the Affiliate.

c. MCSA, Article 7.4: “Unless the parties agree to terms of an ongoing license, upon termination of this Agreement, the parties shall promptly return, delete or destroy (at each party’s discretion) all copies of Confidential Information belonging to the other party disclosed or provided under this Agreement.”

Response: The intent of the foregoing provision is to outline how confidential property is handled upon termination of the Agreement. This is a standard clause for the protection of both the Entity and the Affiliate.

8. Provide a response whether the Entity’s consent or approval is required prior to a merger, change in ownership and/or execution of a financial interest between the Affiliate and a third-party.

Response: It is not the intent of the Parties for the Entity’s consent or approval to be required prior to a merger, change in ownership, and/or execution of a financial interest between the Affiliate and a third party. The Parties would reform any documents that indicated such.

9. Provide a response whether the Entity has the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent.

Response: It is not the intent of the Parties for the Entity to have the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent of the Affiliate. The Parties would reform any documents that indicated such.

10. Provide a response whether the Entity has the right to control or authority to appoint more than 50% of the directors of the Affiliate.

Response: It is not the intent of the Parties for the Entity to have the right to control or authority to appoint more than 50% of the directors of the Affiliate. The Parties would reform any documents that indicated such.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Valerio Romano", is written over a horizontal line.

Valerio Romano, Esq.
Vicente Sederberg, LLP
On behalf of Acreage Holdings, Inc.

CC: Ryan P. McManus, Esq.
Counsel for Health Circle, Inc.

January 20, 2020

Via email delivery

Acreage Holdings, Inc.
d/b/a Acreage Massachusetts, LLC
366 Madison Avenue
11th Floor
Boston, MA 10017
jd@highstreetcap.com
adam@vicesederberg.com
valerio@vicesederberg.com

RE: The Botanist Inquiry Notice

Pursuant to the Commission's regulations, 935 CMR 500.101(1) and 935 CMR 501.101(1), applicants for licensure are required to disclose whether any individual person or entity on the application has direct or indirect control over any other Marijuana Establishment application or licensure. On July 11, 2019, the Commission issued an Inquiry Notice to The Botanist, Inc., and its parent corporation, Acreage Holdings, Inc. (the "Company") seeking to determine whether the any individual or entity of the Company is in a position to control the decision-making of a Marijuana Establishment application or license and not previously disclosed on The Botanist's application.

Based on review of the contractual arrangements and information submitted by the Company, the Commission issued a Request for Responses to further ascertain the effect of certain contractual agreements between the Company and Health Circle, Inc. and Patient Centric of Martha's Vineyard, Ltd., respectively. On January 10, 2020, the Commission received a joint response from the Botanist and Patient Centric of Martha's Vineyard, Ltd. On January 16, 2020, the Commission received a joint response from the Botanist and Health Circle, Inc. On January 17, 2020, the Commission received supplemental responses for both Health Circle, Inc. and Patient Centric of Martha's Vineyard, Ltd., respectively.

Commission staff has determined that the information and responses provided by the Company may result in a finding that the agreements, **as those agreements are currently constituted and in effect**, establish that the Company is in a position to control the decision-making of Patient Centric of Martha's Vineyard, Ltd. and/or Health Circle, Inc.

In accordance with the Inquiry Notice dated July 11, 2019, the Company may take one of the following actions:

1. You may request that the Botanist's application be reopened for the applicant to supplement information. If this occurs, the application will be deemed incomplete, will be re-reviewed, and will need to be deemed complete once again. The process will restart the 90-day timeframe for the Commission to make a decision.



2. You may request that the Commission consider your application as currently submitted. The Commission will have access to the original and supplemental responses provided by the Company. If it is found that an individual or entity fails to comply with the ownership or control limits under M.G.L. c. 94G, §16 and 935 CMR 500.050, the Commission may deny the application for licensure. The Commission may also place reasonable license conditions on any application approved for provisional licensure.

Your response may include any additional information, including amended or reformed agreements, as you may deem relevant.

The Commission reserves its right to take any and all actions available to it under the law and regulations, including any action relating to the Botanist's application or any future license based on information obtained from the Company or other applicants or licensees affiliated with the Company.

A response to this notice is requested within ten (10) business days to Licensing@CCCMass.com.

cc: Patient Centric Martha's Vineyard, Ltd., c/o Blake Mensing, Esq., Blake@mensinggroup.com
Health Circle, Inc., c/o Ryan P. McManus, Esq., rmcmanus@hembar.com

January 23, 2020

Cannabis Control Commission
Union Station
2 Washington Square
Worcester, MA 01604

**Re: Response to Cannabis Control Commission's January 20, 2020 Inquiry Notice
Pertaining to Ownership/Control Interests with The Botanist, Inc.**

To Whom It May Concern:

Please accept this correspondence on behalf of The Botanist, Inc. ("The Botanist") and Acreage Holdings, Inc. ("Acreage") in response to the Cannabis Control Commission's (the "Commission") January 20, 2020 Inquiry Notice pertaining to ownership and control interests as they relate to contractual relationships by and between Acreage and its wholly owned subsidiaries MA RMD SVCS LLC, South Shore Bio Pharma, LLC, Acreage IP Massachusetts, LLC, and Acreage IP Massachusetts, LLC ("Acreage Subsidiaries") and independent applicants for Marijuana Establishments including Health Circle, Inc. ("Health Circle") and Patient Centric of Martha's Vineyard, Ltd. ("PCMV") (the "Agreements").

Acreage would like to emphasize that it is not the intent of Acreage or any Acreage Subsidiaries to exert direct or indirect control over any establishments other than that of The Botanist, its wholly owned subsidiary. Acreage has appreciated the opportunity to work collaboratively with the Commission since August 2019 to review and reform its Agreements to ensure it is fully compliant with the ownership and control regulations set forth within 935 CMR 500.050(1)(b). Acreage's intent to reform such Agreements is outlined in correspondence to the Commission enclosed hereto as Exhibit A and Exhibit B.

When the Commission issued a Provisional Certificate of Registration to Health Circle, it included the following condition:

"In order to ascertain further control over the Marijuana Establishment, and prior to the issuance of a final license, the licensee shall furnish to the Commission the following documentation:

- 1. Contractual and management agreements between Health Circle, Inc. and MA RMD SVCS, LLC;*
- 2. Contractual and management agreements between MA RMD SVCS, LLC and Acreage Holdings that, implicitly or explicitly, involves or applies to Health Circle, Inc.; and*
- 3. A memorandum of position describing the relationship amongst Health Circle, Inc., MA RMD SVCS, LLC, and Acreage Holdings.*

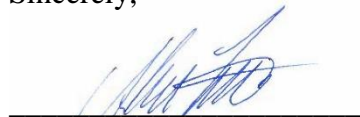
The Botanist respectfully requests that its applications for Marijuana Retailers in Shrewsbury and Worcester be awarded provisional licenses subject to the same conditions placed on the Health Circle provisional license. Before the issuance of final licenses, The Botanist will continue to work with Commission staff to finalize amendments to any Agreement that the Commission believes would be inconsistent with the Control Limitations found at 935 CMR 500.050(1)(b).

The Botanist would like the Commission to know that, until such time that the reformed agreements are approved by the Commission, all Agreements between Acreage, Acreage's Subsidiaries, and Health Circle or PCMV are inoperable, aside from money already loaned pursuant to Loan Agreements. To date, Acreage has not received compensation in any form from either entity.

Pursuant to the reasons outlined above, The Botanist respectfully asks that its application for provisional licensure be allowed to move forward with the understanding that any outstanding questions related to Acreage's ownership and control interests will be resolved prior to final licensure.

Thank you for your attention to this matter.

Sincerely,



Adam Fine, Esq.
Vicente Sederberg LLP
On behalf of Acreage Holdings, Inc.

Exhibit A

January 17, 2020

Cannabis Control Commission
Union Station
2 Washington Square
Worcester, MA 01604

Re: 1/17/20 Updated Response to Cannabis Control Commission's January 8, 2020 Further Inquiry Pertaining to Ownership/Control Interests

To Whom It May Concern:

Please accept this correspondence on behalf of Acreage Holdings, Inc. and its wholly-owned affiliates ("Acreage" or the "Entity") a copy of which has been provided to Health Circle, Inc. ("HCI" or the "Affiliate")¹ (collectively, the "Parties") in response to the Cannabis Control Commission's (the "Commission") request for further information regarding certain contractual arrangements between the Parties.

1. **The Entity's inquiry notice response stated that the Entity intends to enter "wholesale supply arrangements" with certain entities but that such discussions were "preliminary and have not yet resulted in final or draft agreements." Please specify whether the Affiliate has entered a wholesale supply arrangement as of the date of this notice. Further, please specify whether any such wholesale supply arrangement would affect any terms contained within the Revolving Line of Credit Agreement or Security Agreement.**

Response: Neither the Entity nor the Affiliate have entered into "wholesale supply arrangements" with any entities. Any such agreements would not affect the terms contained within the Revolving Line of Credit Agreement or the Security Agreement between Health Circle, Inc. and MA RMD SVCS.

2. **Provide a response whether the Affiliate's decision to disregard any advice, guidance or other consultant services provided by the Entity under the MCSA could constitute a material adverse effect on the business, assets, properties, liabilities (actual or**

¹ For ease of reference this response uses many of the same defined terms as the Commission's request, including referring to Health Circle, Inc. as the "Affiliate." In doing so, Acreage is not adopting or agreeing with any suggestion that Health Circle, Inc. is in fact an "affiliate" of Acreage or MA RMD SVCS, LLC within the ordinary meaning of the word "affiliate." The relationship between Health Circle, Inc. and MA RMD SVCS, LLC is purely contractually and is not intended to include any element of control.

contingent), operations, condition (financial or otherwise) or prospects of the Entity or otherwise pose a condition which may constitute breach of any term of the MCSA, Revolving Line of Credit Agreement or Security Agreement. In preparing your response please review the following provisions:

Additional 1/17/20 Response: Should the Affiliate decide to withdraw from the MCSA, be in default, or decide to select fewer than the full offering of services under the MCSA, such a decision shall not adversely affect the Entity's provision of capital under the Revolving Line of Credit Agreement and Security Agreement, nor shall a default of the Revolving Line of Credit Agreement or Security Agreement adversely affect the provision of services under the MCSA. To the extent that the agreements do not reflect the foregoing, the Parties agree to reform the agreements accordingly.

Response: Should the Affiliate decide to disregard any advice, guidance or other consultant services provided by the Entity under the MCSA such a decision would not constitute a material adverse effect on the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Entity or otherwise pose a condition which may constitute breach of any term of the MCSA, Revolving Line of Credit Agreement or Security Agreement.

- a. *MCSA, Article 1.1 (Design, Construction and Ongoing Maintenance of Facilities), Article 1.2 (Cultivation, Quality Control and Related Operations), Article 1.3 (Proprietary Protocols), Article 1.4 (Information Technology Security Services), Article 1.5 (Website Development Services), Article 1.6 (Marketing and Public Relations Services), Article 1.7 (Business, Financial and Operations Services), Article 1.8 (Operations Manual Services), Article 1.9 (Inventory Services), Article 1.[10] Referred to as 9 in original inquiry notice (Continuing Education Services).*

Response: The intent of these provisions is to outline the services available on an a la carte basis to the Affiliate. In the interest of clarity, the parties agree to amend the management services agreement to expressly state in Section 1 that this provision shall not be construed or effectuated to enable the Entity to have the "right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts." Additionally, the Affiliate and Entity agree to amend the first line under "1. CONSULTANT SERVICES" to read, "[t]he Consultant Services *may* consist of the following *as may be selected at the sole discretion of Health Circle*:"

- b. *Revolving Line of Credit Agreement, Article 7(d): "An event of default will occur if any of the following events occurs . . . [u]pon the occurrence of a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects, of the [Affiliate]; or (b) the validity or enforceability of this Agreement, the Promissory Note or the Security Agreement or the rights and remedies of the [Entity]."*

Response: This is a customary provision of commercial loan agreements that is intended to outline any changes, circumstances, or effects that could reasonably be expected to negatively impact the ability of either the Entity or the Affiliate to perform its obligations under the Agreements. Such material adverse effects can be a result of any number of factors that are internal or external to the company, including acts of third parties, acts of god, and changes to state or federal law. In the interest of clarity, the parties agree to amend the agreement to expressly state in Article 7(d) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- c. *MCSA, Article 3.3: “The parties acknowledge and agree that establishing and maintaining the viability of Health Circle’s business operations is a core priority of the parties. In negotiating and determining appropriate amendments to the foregoing financial matters, the parties shall act in good faith to preserve such core priority and to assure ongoing fulfillment of all applicable laws and pertinent regulatory standards.”*

Response: When read in its entirety, MCSA Article Section 3.3 and 3.4 are intended to allow for continued amendment of the Agreement to ensure compliance with applicable state and federal laws resultant from evolving regulatory statute or interpretations of such regulatory statute.

3. Provide a response whether the Entity has the authority to earn 10% or more of the Affiliate’s profits or collect more than 10% of the Affiliate’s dividends. In preparing your response, please reference the following provisions:

Additional 1/17/20 Response: Should the Affiliate decide not to follow Consultant (Entity) advice and thereby, in Consultant’s opinion, Affiliate is not maximizing its revenue, such a decision shall not adversely affect the Entity’s provision of capital under the Revolving Line of Credit Agreement and Security Agreement, nor shall a default of the Revolving Line of Credit Agreement or Security Agreement adversely affect the Consultant’s willingness to provide services under the MCSA. To the extent that the agreements do not reflect the foregoing, the Parties agree to reform the agreements accordingly.

Response: The Entity does not have the authority to earn 10% or more of the Affiliate’s profits or collect more than 10% of the Affiliate’s dividends.

- a. *MCSA, Exhibit A. “In consideration of the provision of the Consultant Services described in Sections 1.1 through 1.10 of this Agreement, [Affiliate] shall pay [the Entity] at the following rates:*

Years 1-2: \$1,825 per pound of marijuana sold at the Facilities
Years 3-5: \$1,475 per pound of marijuana sold at the Facilities
Years 6-15: To be determined.”

Additional 1/17/20 Response: Should the Affiliate and Consultant not agree on a compensation amount per pound produced during years 6-15, such a failure to agree shall not adversely affect the Entity’s provision of capital under the Revolving Line of Credit Agreement and Security Agreement, nor shall a default of the Revolving Line of Credit Agreement or Security Agreement adversely affect the parties willingness or ability to agree on a compensation amount per pound produced during years 6-15. To the extent that the agreements do not reflect the foregoing, the Parties agree to reform the agreements accordingly.

Response: This compensation was intended to reflect the anticipated fair market value for services provided by the Entity to the Affiliate. The services provided by the Entity are of enormous value to the Affiliate and the fee for such services is properly characterized as an expense of the Affiliate and not part of their profits. If the Affiliate were to contract for the services provided with other vendors, the expenses would likely be greater than the charges stipulated within the management services agreement and may very well exceed ten percent of Affiliate’s profits, but would not on that basis be construed as “Profits.” “Compensation,” both by dictionary definition and as used in the MCSA, is distinct from “profits” or “dividends” and properly reflects the consultant/independent contractor relationship between the Parties. Further, MCSA Section 3.4(d) provides for the ability of the Affiliate to modify such payment levels if changes in the fair market value of marijuana make the proposed compensation levels unreasonable to the continued operation of the Affiliate’s business.

4. Provide a response whether Michael Westort directly or indirectly provides any consulting services specified in Article 1 of the MCSA on behalf of MA RMD SVCS.

Response: Mr. Westort does not currently provide any consulting services on behalf of MA RMD SVCS.

5. Please identify [whether] any of the below individuals have the power to directly or indirectly govern the financial and operating policies of MA RMD SVCS. Further, please specify whether any of the below individuals have received or will receive compensation from MA RMD SVCS and the terms of that compensation:

Response: High Street Capital Partners, LLC is the sole member of MA RMD SVCS, LLC. Kevin Murphy, Christopher Tolford, and Jovan Bethell are managers of MA RMD SVCS and have the power to directly or indirectly govern the financial and operating powers of MA RMD SVCS. None of the below individuals have the power to directly or indirectly govern the financial and operating policies of MA RMD SVCs.

a. Michael Westort

Response: Mr. Westort is not currently affiliated with MA RMD SVCS. He previously served as the sole member/manager and then as minority member and a manager of MA RMD SVCS before all of the entity's interests were acquired by High Street Capital Partners, LLC.

b. Lea Westort

Response: Ms. Westort is not currently affiliated with MA RMD SVCS. Ms. Westort previously served as a manager of MA RMD SVCS, before all of the entity's interest was acquired by High Street Capital Partners, LLC.

d. Mary Carle

Response: Ms. Carle is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

e. Elizabeth Peters

Response: Ms. Peters is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

f. James Welch

Response: Mr. Welch is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

g. Steven Ingenhutt

Response: Mr. Ingenhutt is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

h. Kenneth Wolf

Response: Mr. Wolf is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

i. Robert Denn

Response: Mr. Denn is not currently affiliated with and has not been previously affiliated with MA RMD SVCS.

6. The Host Community Agreement between Health Circle and the Town of Marshfield is executed by Michael Westort as "duly authorized representative" for Health Circle. Please specify whether Michael Westort executed the Host Community Agreement in his capacity as President and CEO of MA RMD SVCS, LLC or in his capacity on behalf of Health Circle, Inc. In preparing your response please review the following provisions:

Response: Mr. Westort executed the Host Community Agreement in his capacity as President, Treasurer, and Director of Health Circle, Inc. Mr. Westort was once a member and manager of MA RMD SVCS, LLC but he was never President or CEO of that entity and he did not execute the Host Community Agreement on behalf of MA RMD SVCS, LLC.

- a. *Host Community Agreement, Article 2 (committing Health Circle to three percent gross revenue impact fee payments); Article 5 (committing Health Circle to one percent gross sales annual donations to local non-profits), Article 9 (committing Health Circle to retention of local vendors, hiring practices, and participation in drug programs), Article 11 (Committing Health Circle to certain security obligations).*

Response: Mr. Westort executed the Host Community Agreement in his capacity as President, Treasurer, and Director of Health Circle, Inc.

7. Specify which services, if any, identified in MCSA Article 1 are reasonably expected to include utilization of the Entity's intellectual property and/or confidential information. Further specify what, if any, financial obligation Affiliate would have to make pro-rated payments for services rendered or enter into a license for continued operations developed based on the Entity's intellectual property (e.g., cultivation practices) and/or confidential information. In preparing your response, please reference the following provisions:

Response: The Entity and the Affiliate anticipate that the scope of services outlined in MCSA Article 1.2 relative to industry-specific services concerning the cultivation of marijuana and MCSA Article 1.3 relative to proprietary marijuana-infused product protocols will require the utilization of the Entity's intellectual property or confidential information. The Affiliate would not be required to make continued pro-rated payments for services rendered after the termination of the contract or enter into a license for continued operations based on the Entity's intellectual property (e.g., cultivation and product manufacturing practices) and/or confidential information. Please see section b below for further information.

a. *MCSA, Article 4.1: "For purposes of this Agreement "Confidential Information" shall mean all confidential and/or proprietary information and materials regarding the business affairs of a party to this Agreement, including, but not limited to, all technical data, trade secrets, know-how, marketing plans, products, business strategies, financial statements, and any other information that a party identifies to the other party in writing as being confidential or proprietary."*

Response: The foregoing provision defines confidential information under the Agreement. The Parties are subject to mutual confidentiality clauses which are standard clauses in consulting agreements.

b. *MCSA, Article 7.3: "Upon termination of this Agreement, and with respect to payment obligations arising specifically under this Agreement, [Affiliate] will pay [the Entity] for all Consultant Services actually performed up to the effective date of such termination."*

Response: The foregoing provision simply states that the Affiliate would only be responsible for payment of services actually performed by the Entity up until the termination of the Agreement. This is a standard provision for the protection of the Affiliate.

c. MCSA, Article 7.4: “Unless the parties agree to terms of an ongoing license, upon termination of this Agreement, the parties shall promptly return, delete or destroy (at each party’s discretion) all copies of Confidential Information belonging to the other party disclosed or provided under this Agreement.”

Response: The intent of the foregoing provision is to outline how confidential property is handled upon termination of the Agreement. This is a standard clause for the protection of both the Entity and the Affiliate.

8. Provide a response whether the Entity’s consent or approval is required prior to a merger, change in ownership and/or execution of a financial interest between the Affiliate and a third-party.

Response: It is not the intent of the Parties for the Entity’s consent or approval to be required prior to a merger, change in ownership, and/or execution of a financial interest between the Affiliate and a third party. The Parties would reform any documents that indicated such.

9. Provide a response whether the Entity has the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent.

Response: It is not the intent of the Parties for the Entity to have the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent of the Affiliate. The Parties would reform any documents that indicated such.

10. Provide a response whether the Entity has the right to control or authority to appoint more than 50% of the directors of the Affiliate.

Response: It is not the intent of the Parties for the Entity to have the right to control or authority to appoint more than 50% of the directors of the Affiliate. The Parties would reform any documents that indicated such.

Thank you for your attention to this matter.

Sincerely,



Valerio Romano, Esq.
Vicente Sederberg, LLP
On behalf of Acreage Holdings, Inc.

CC: Ryan P. McManus, Esq.
Counsel for Health Circle, Inc.

Exhibit B

Adam D. Fine, Esq.
Vicente Sederberg LLP
2 Seaport Lane, 11th Floor
Boston, MA 02210

Blake M. Mensing, Esq.
The Mensing Group LLC
100 State Street, 9th Floor
Boston, MA 02109

January 17, 2020

Cannabis Control Commission
Union Station
2 Washington Square
Worcester, MA 01604
Via email: Paul.Payer@cccmass.com

**Re: 1/17/20 – Updated Response to Cannabis Control Commission’s Further Inquiry
Pertaining to Ownership / Control Interests**

To Whom It May Concern:

Please accept this correspondence on behalf of Acreage Holdings, Inc. and its wholly-owned affiliates (“Acreage” or the “Entity”) which has been drafted in collaboration with the counsel for Patient Centric of Martha’s Vineyard, Ltd. (“PCMV” or the “Affiliate”)(collectively, the “Parties”) in response to the Cannabis Control Commission’s (the “Commission”) request for further information regarding certain contractual arrangements between the Parties.

1. Provide a response whether the Entity has the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.” In preparing your response please review the following provisions:

Response: It is the intention of the Parties that the Entity does not have the right to control or the authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts. Please see the below responses as they relate to each of the provisions cited by the Commission.

- a. *Loan Agreement, Article 6.5: “The [Affiliate] covenants that from the date of this Agreement, and for so long as any of the Obligations remain unpaid (other than contingent indemnification and expense reimbursement obligations for which no claim has been made) or [the Entity] has an unexpired RC Commitment to lend hereunder,...[The Affiliate] shall not (a) enter into or remain bound by any management, employment or consulting agreement with any Person giving such Person the right to exercise authority, or (b) directly or indirectly pay or accrue to any Person any sum or*

property for fees for management or similar services rendered in connection with the operation of a Permitted Business except as provided in the Master Services Agreement”

Response: It is the intention of the Parties that the Entity does not have the right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts. The intention of this clause is to mitigate the lending risk of the Entity for monies loaned to the Affiliate and to ensure that any subsequent agreements are subordinate to the loan obligations set forth in the Loan Agreement. Notwithstanding the foregoing, in the interest of efficiency, the Parties agree to mutually strike this clause from the amended loan agreement.

- b. *MSA, Article 1.1(a): “[Affiliate] hereby retains [the Entity] as an independent contractor to provide to [Affiliate] the following services...General management services, including (i) the services of executive, operating, legal and financial officers, human resources and other personnel; (ii) advice concerning the preparation of budgets, forecasts, capital expenditures, financing, and long range strategic planning; and (iii) such other general management services as may from time to time be reasonably requested by [Affiliate].*

Response: The intent of this provision is to clarify that the Entity is to be classified as an independent contractor and to outline the services available on an a la carte basis to the Affiliate. In the interest of clarity, the parties agree to amend the management services agreement to expressly state in Article 1.1(d) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- c. *MSA, Article 1.1(b): “[Affiliate] hereby retains [the Entity] as an independent contractor to provide to [Affiliate] the following services...General administrative and technical services, advice and direction, including (i) accounting, including cost accounting, inventory control, tax compliance, reporting systems services and back-office financial support; (ii) legal, trademark and patent advice; (iii) market servicing, product pricing and cost controls and evaluations; (iv) preparation of advertising and publicity literature and other materials; (v) providing training and supervising sales representatives and support staff and providing guidelines and policies for sales representatives.”*

Response: The intent of this provision is to clarify that the Entity is to be classified as an independent contractor and to outline the services available on an a la carte basis to the Affiliate. In the interest of clarity, the parties agree to amend the management services agreement to expressly state in Article 1.1(d) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- d. *MSA, Article 1.3: “If any license, approval or permit shall be required for the proper and lawful performance of the Services, [the Entity], at [the Entity’s] expense, shall duly and timely procure and thereafter maintain such license. [The Entity], at [the Entity’s] expense, shall at all times comply in all material respects with the terms and conditions of each such license.”*

Response: The intention of this provision is to ensure that the Entity, to the extent required in the jurisdiction in which it is doing business, is properly registered and is in good standing as a consultant. For instance, in Massachusetts, the Entity will maintain in good standing with the Secretary of the Commonwealth, Department of Revenue, and the Department of Unemployment Assistance, etc. In the interest of clarity, the Parties agree to amend the management services agreement to expressly state in Article 1.3 that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.” The parties further agree to include the following clarifying language to be inserted immediately after the first sentence in Article 1.3: “The foregoing references to “*any license, approval or permit*” with respect to the Entity shall not include any license issued by the Cannabis Control Commission or any local permit or approval related thereto.”

- e. *Loan Agreement, Article 3.2.11: “No [Revolving Credit] Loan shall be required to be made unless on the date of each [Revolving Credit] Loan...[the Entity] shall have received and approved the architect’s agreement, the general contractor’s agreement and all material subcontracts necessary for the completion of the construction of the Project.”*

Response: This is a customary provision of commercial loan agreements. Such a provision allows the Entity to provide funds at competitive interest rates by reducing the risk of fraud or default to the Entity. This is analogous to a construction loan whereby the bank reviews and approves the construction contract to ensure the contract exists and is on fair and commercially reasonable terms such that the lender would undertake the credit risk. In the interest of clarity, the parties agree to amend the loan agreement to expressly state in Article 3.2.11 that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- f. *Loan Agreement, Article 6.19(c)(i), (ii): Affiliate must obtain prior written consent of the Entity prior to making any change order or amend Major Trade Contracts unless “such change order will not materially reduce the gross square feet or the net rentable square feet of the Project, or the basic layout of the Project, or involve the use of materials, furniture, fixtures and equipment that will not be at least equal in quality to the materials, furniture, fixtures and equipment originally specified in or required by the approved*

Plans and Specifications; and such change order shall result in an increase or decrease in the cost of the Project of less than \$25,000.00.”

Response: This is a customary provision of commercial loan agreements of this size and risk, especially as it relates to the scale of commercial agricultural facilities. Such a provision allows the Entity to provide funds at competitive interest rates by reducing risk of fraud or default to the Entity. In the interest of clarity, the parties agree to amend the loan agreement to expressly state in Article 6.19(c)(i) and (ii) that this provision shall not be construed or effectuated to enable the Entity to have the “right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and financial decisions...or to execute significant or exclusive contracts.”

- g. *Loan Agreement, Article 5.1.6: “The [Affiliate] covenants that from the date of this Agreement, and for so long as any of the Obligations remain unpaid or unsatisfied...or the [Entity] has an unexpired RC Commitment to lend hereunder, it shall... deliver[] to the [Entity] a management-prepared budget (an “Operating Budget”)...no less than 30 days prior to the commencement of each fiscal year beginning with the fiscal year ending December 31, 2019, in each case, in form and substance satisfactory to the [Entity] (and each Operating Budget shall be materially consistent with the prior year’s Operating Budget (as long as the [Affiliate] is a corporation)), except for such changes as are consistent with the [Affiliate’s] business and are approved by the [Entity], which approval shall not be unreasonably withheld.”*

Response: This is a customary provision for a loan of this size and risk. Because the loan is a revolving line of credit, it is not unreasonable that a lender should ask for financial information as money is lent to ascertain whether such loan continues to be financially viable. This is analogous to a consumer credit card renewal which requires that a consumer update the lender as to its current income and other assets to ensure that the lender is not taking on unreasonable credit risk. Notwithstanding the foregoing, the Parties agree to reform this clause to provide the Entity with a right to review the budget in lieu of approval.

- h. *Loan Agreement, Article 6.15: “The [Affiliate] shall not, without the prior written consent of the [Entity]: (a) Change its name; (b) Change its registered office, chief executive office or principal place of business; (c) Change its fiscal year; (d) Appoint any new member to its board of directors; (e) Hire any new employees or increase the compensation payable to existing employees or the members of its board of directors other than as reflected in the then current Operating Budget; (f) Make any changes in the services or management firms engaged by [the Affiliate]; (g) Acquire any equity interest in any Person; or (h) Make any capital expenditures other than as referred to in the then current Operating Budget.”*

Response: It is the intention of the Parties that the Entity not have the right to control or authority to make decisions regarding operations and strategic planning, capital allocations, acquisitions and divestments...to make major marketing, production, and

financial decisions...or to execute significant or exclusive contracts. The intention of this clause is to mitigate the lending risk of the Entity for monies loaned to the Affiliate and to ensure that any subsequent agreements are subordinate to the loan obligations set forth in the Loan Agreement. To that end, in light of the recently enacted regulations, the Parties agree to mutually strike this clause from the loan agreement.

2. Specify which services, if any, identified in MSA Article 1 are reasonably expected to include utilization of the Entity's intellectual property and/or confidential information. Further specify what, if any, financial obligation Affiliate would have to make pro-rated payments for services rendered or enter into a license for continued operations developed based on the Entity's intellectual property (e.g., cultivation practices) and/or confidential information. In preparing your response, please reference the following provisions:

Response: The Entity and the Affiliate anticipate that the scope of services outlined in MSA Article 1.1(c) relative to industry-specific services concerning the cultivation, manufacturing, retailing, and marketing functions of the Business will require the exchange of trade secrets and confidential information. The Affiliate would not be required to make continued pro-rated payments for services rendered after the termination of the contract or enter into a license for continued operations based on the Entity's intellectual property (e.g., cultivation practices) and/or confidential information. Please see section 3 below for further information.

a. *IP Agreement, page 1: "defining South Shore IP as "all right, title and interest in, to and under all trademarks, copyrights, patents, trade secrets, know-how, methods, and any other intellectual property rights that South Shore Bio Pharma LLC ("South Shore") may have owned and/or controlled up to and including the date of this Letter Agreement, including, without limitation, all intellectual property rights regarding and/or related to cannabis genetics, cannabis cultivation, employee training in cannabis matters, creation of cannabis infused products and acquisition and maintenance of equipment for cannabis products."*

Response: The intent of the foregoing provision is to clarify that the intellectual property owned by the Entity prior to the Agreement would remain owned by Entity upon termination of the Agreement.

b. *MSA, Article 4.1: "For purposes of this Agreement "Confidential Information" shall mean all confidential and/or proprietary information and materials regarding the business affairs of a party to this Agreement, including, but not limited to, all technical data, trade secrets, know-how, marketing plans, products, business strategies, financial statements, and any other information that a party identifies to the other party in writing as being confidential or proprietary."*

Response: The foregoing provision defines confidential information under the Agreement. The Parties are subject to mutual confidentiality clauses which are standard clauses in consulting agreements.

- c. *MSA, Article 5.3: "Upon termination of this Agreement, and with respect to payment obligations arising specifically under this Agreement, [the Affiliate] will pay [the Entity] on a pro-rated basis for all Services actually performed up to the effective date of such termination."*

Response: The foregoing provision simply states that the Affiliate would only be responsible for payment of services actually performed by the Entity up until the termination of the Agreement. This is a standard provision for the protection of the Affiliate.

- d. *MSA, Article 5.4: "Unless the parties agree to terms of an ongoing license, upon termination of this Agreement, the parties shall promptly return, delete or destroy (at each party's discretion) all copies of Confidential Information belonging to the other party disclosed or provided under this Agreement."*

Response: The intent of the foregoing provision is to outline how confidential property is handled upon termination of the Agreement. This is a standard clause for the protection of both the Entity and the Affiliate.

3. Provide a response whether the Entity has the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent. In preparing your response, please reference the following provisions:

Response: The Entity will not have the right to control or authority to make decisions to appoint or remove Corporate-level officers or their equivalent.

- a. *MSA, Article 1.1(a): "[The Entity] will approve an employment agreement for Geoff Rose as CEO of [the Affiliate], which employment agreement will contain such terms and conditions as are acceptable to [the Entity] and [the Affiliate], and which will include, without limitation, a provision providing for a \$1,000,000 three year retention bonus."*

Response: The Parties agree to mutually strike this clause from the amended management services agreement. As the sole shareholder and Chief Executive Officer, Mr. Rose may grant himself raises and bonuses at his discretion.

4. Provide a response whether the Entity has the right to control or authority to appoint more than 50% of the directors of the Affiliate. In preparing your response, please reference the following provision:

Response: The Entity does not have the right to control or the authority to appoint more than 50% of the directors of the Affiliate.

- a. *Loan Agreement, Article 6.15(d): "[The Affiliate] shall not, without the prior written consent of [the Entity] Appoint any new member to its board of directors"*

Response: The Parties agree to mutually strike this clause from the loan agreement.

5. Provide a response whether the Entity has the authority to earn 10% or more of the Affiliate's profits or collect more than 10% of the Affiliate's dividends. In preparing your response, please reference the following provisions:

Response: The Entity does not have the authority to earn 10% or more of the Affiliate's profits or collect more than 10% of the Affiliate's dividends.

- a. *MSA, Article 3.1: "[The Affiliate] shall pay to [the Entity] as compensation for the Services a monthly management fee equal to the sum of (i) one and one half percent (1.5%) of [the Affiliate] revenue plus (ii) ten thousand dollars (\$10,000)(together with item (i), the "Monthly Management Fee").*
- b. *MSA, Article 3.1: "In addition to the Monthly Management Fee, [the Affiliate] shall pay to [the Entity] as compensation for the Services twenty-five percent (25%) of [the Affiliate's] quarterly EBITDA, as measured by an outside audit firm as selected by [the Entity] in [the Entity]'s sole discretion."*

Response: This compensation was contemplated and contracted for through arm's length negotiation between the Parties and is intended to reflect the fair market value for services provided by the Entity to the Affiliate. The services provided by the Entity are of enormous value to the Affiliate and the fee for such services is properly characterized as an expense of the Affiliate and not part of their profits. If the Affiliate were to contract for the services provided with other vendors, the expenses would likely be greater than the charges stipulated within the management services agreement, certainly exceeding ten percent of profits. "Compensation," both by dictionary definition and as used in the MSA, has a distinct definition from "profits" or "dividends" and properly reflects the consultant/independent contractor relationship between the Parties.

6. Provide a response to whether the loan agreement requires only repayment of the loan and does not have any ownership or direct or indirect authority to control the Affiliate. In preparing your response, please address the following provisions:

Response: It is the intent of the Parties that the loan agreement requires only repayment of the loan and does not have any ownership or direct or indirect authority to control the Affiliate.

- a. *MSA, Article 3.1: "To the extent that [the Affiliate] is unable to pay either the Monthly Management Fee or the EBITDA Management Fee when due, such outstanding balances will be treated as an advance of an RC Loan (as defined in the Loan Agreement) made pursuant to that certain Loan Agreement (the "Loan Agreement"), dated as of November 30, 2018, between [the Affiliate], as borrower and [the Entity], as lender and shall be added as part of the principal debt under the Note (as defined in the Loan Agreement) relating to the RC Loans."*

Response: The foregoing is a favorable provision to the Affiliate as it allows for deferral of fees due under the Agreement. The Affiliate is under no obligation to defer payments but may do so if it is unable to pay when the fee is due. This is an extraordinarily favorable provision to the Affiliate that is not traditionally seen in commercial lending agreements.

- b. *Loan Agreement, Article 2.8.1: “On any date after completion of the RTO Transaction but prior to the tenth (10th) anniversary of the date of this Agreement (the “Conversion Date”), the Notes (and the indebtedness owed thereunder and all other Obligations of [the Affiliate]) then outstanding shall be, at [the Entity’s] sole option, converted into a 100% equity interest in [Affiliate] . . . Notwithstanding the foregoing, [the Entity] and [Affiliate] agree that if any statute, regulation or other applicable law prohibits the implementation of any of the above terms of the Conversion or otherwise imposes requirements which would materially impair (a) the implementation of the terms of the Conversion as contemplated above or (b) the benefits intended to be granted thereunder, [the Entity] and [Affiliate] shall negotiate in good faith to modify the terms of the Conversion so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner.”*

Response: This provision allows for conversion of the debt into equity by the Entity should it be allowed under Massachusetts law. The Entity could not exercise this conversion option without approval from the Commission pursuant to the regulations and the plain terms of the Loan Agreement.

7. Provide a response to whether any expiration, breach and/or termination of the MSA affects the validity of the Loan Agreement or other Loan Documents. In preparing your response, please address the following provisions:

Response: As currently drafted, a breach of the MSA by the Affiliate would amount to an event of default of the Loan Agreement. However, a mutual termination or expiration of the MSA would not be an event of default and therefore would have no impact on the Loan Agreement.

- a. *Loan Agreement, Article 7.1.3 (Defining Event of Default of the Loan Agreement as the event of “a default in the due performance or observance of any term, covenant or agreement to be performed or observed by [the Affiliate] pursuant to this Agreement or any other Loan Document and...such default shall not be cured within thirty (30) days after the occurrence thereof.”)*
- i. *Loan Agreement, Article 1 (defining “Loan Documents” as “[the Loan Agreement], the Notes, the Security Agreement, the Master Services Agreement and any and all agreements and instruments executed by [the Affiliate]”)*

1/17/2020 Amendment to Response: The Parties mutually agree to strike this clause from the Loan Agreement.

Response: This is a cross default provision that defines what constitutes default and

provides a 30-day opportunity to cure the default to the Affiliate, which is a commercially reasonable timeframe.

- b. *Loan Agreement, Article 6.15(f): “[The Affiliate] shall not, without the prior written consent of [the Entity]...[m]ake any changes in the services or management firms engaged by [the Affiliate].”*

Response: Although the Parties do not believe that this clause would not be in conformance with the regulations, in the interest of efficiency, the Parties agree to mutually strike this clause from the loan agreement.

8. Provide a response whether the Entity’s consent or approval is required prior to a merger, change in ownership and/or execution of a financial interest between the Affiliate and a third-party. In preparing your response, please address the following provisions:

Response: If there is an outstanding balance of the loan, the Entity’s consent or approval is required prior to a merger, change in ownership, and/or execution of a financial interest between the Affiliate and a third party. Consent or approval would not be required after the loan is paid off. This is a common provision in commercial loan agreements to ensure that the lender is fully paid off before a new owner acquires the business. In the instance that the Affiliate seeks to sell its business, it is commonplace for the new owner to pay off existing debts as part of the sale.

- a. *Security Agreement, Article 4(h)(2): “[Affiliate] will not change its type of organization, jurisdiction of organization or other legal structure without prior written consent of [the Entity].”*

Response: The foregoing provision is customary for a secured commercial loan agreement with a startup business and is intended to preserve the integrity of the security interest. In order to provide the loan at competitive rates, the Parties have mutually agreed to allow the Entity to secure its loan.

- b. *Security Agreement, Article 4(i): “[Affiliate] shall not sell, assign, transfer, encumber or otherwise dispose of any Collateral without the prior written consent of [the Entity] and [the Entity] does not authorize any such disposition. For purposes of this provision, “dispose of any Collateral” shall include, without limitation, the creation of a security interest or other encumbrance (whether voluntary or involuntary) on such Collateral, which is not permitted under the Loan Agreement.”*

Response: The foregoing provision is customary for a commercial loan agreement of this type. The provision ensures that the Affiliate does not undermine the security interest that the Parties mutually agreed to in order to allow the Entity to secure the loan.

- c. *Loan Agreement, Article 7 “Event of Default” wherever used herein means any one of the following events (whatever the reason for such Event of Default, whether it shall be decree or order of any court, or any order, rule or regulation of any administrative or governmental instrumentality)...If there shall occur a Change of*

Control.”

Response: In light of the recently enacted regulations, the Parties have agreed to strike this clause from the loan agreement.

- d. *Loan Agreement, Article 6.1: “[The Affiliate] shall not, directly or indirectly, create, incur, assume, guarantee, permit to exist or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, other expenses or liabilities other than obligations under the Loan Documents and expenses incurred in the ordinary course of business and reflected in the then current Operating Budget.”*

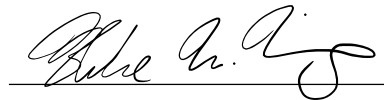
Response: The foregoing provision is customary for a commercial loan agreement of this type. The provision ensures that the Affiliate does not make extraneous expenditures, investments, or take on indebtedness outside its ordinary course of business that would undermine its ability to pay back the loan.

Thank you for your attention to this matter.

Sincerely,

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

Adam Fine, Esq.
Vicente Sederberg, LLP
On behalf of Acreage Holdings, Inc.

A handwritten signature in blue ink, appearing to read 'Blake M. Mensing', written over a horizontal line.

Blake M. Mensing, Esq.
The Mensing Group, LLC
On behalf of Patient Centric of Martha's
Vineyard, Ltd.

THE BOTANIST, INC.
MRN282160

BACKGROUND & APPLICATION OF INTENT REVIEW

1. Name and address of the proposed Marijuana Establishment:

The Botanist, Inc.
65 Pullman Street, Worcester, MA 01606

2. Type of license sought (if cultivation, its tier level and outside/inside operation) and information regarding the application submission:

Retail

The application was reopened two (2) times for additional information.

3. The applicant is a licensee or applicant for other Marijuana Establishment and/or Medical Marijuana Treatment Center license(s):

Type	Status	Location
Retail	Application Submitted	Shrewsbury
MTC	Provisional License	Leominster
MTC	Provisional License	Shrewsbury
MTC	Commence Operations	Worcester

4. List of all required individuals and their business roles in the Marijuana Establishment:

Individual	Role
Kevin Murphy	Director
Christopher Tolford	Director
Jovan Bethell	Director
Robert Daino	Close Associate
Francis Matthews	Close Associate

5. List of all required entities and their roles in the Marijuana Establishment:

Entity	Role
Acreage Holdings, Inc.	Sole Shareholder

Provisional License Executive Summary 1



6. Applicant's priority status:

The applicant received, and was reviewed as, an MTC Priority Applicant as they submitted their application prior to the Commission's policy clarification on October 10, 2019. Under this policy, the applicant would still be classified as an MTC Priority Applicant for this application as it will be co-located with an MTC.

7. The applicant and municipality executed a Host Community Agreement on July 18, 2018.
8. The applicant conducted a community outreach meeting on November 26, 2018 and provided documentation demonstrating compliance with Commission regulations.
9. The Commission received a municipal response from the municipality on August 1, 2019 stating the applicant was in compliance with all local ordinances and bylaws.
10. The applicant proposed the following goals for its Positive Impact Plan:

#	Goal
1	Provide mentoring, professional, and technical services for individuals and businesses facing systemic barriers.
2	Host two (2) industry-specific educational seminars annually.

SUITABILITY REVIEW

11. There were disclosures of any past civil or criminal actions, occupational license issues, or marijuana-related business interests in other jurisdictions. These disclosures did not raise suitability issues.
12. There were no concerns arising from background checks on the individuals or entities associated with the application.

MANAGEMENT AND OPERATIONS REVIEW

13. The applicant states that it can be operational within three (3) months of receiving the provisional license.
14. The applicant's proposed hours of operation are the following:

Monday – Saturday: 9:00 a.m. – 9:00 p.m.
Sunday: 9:00 a.m. – 7:00 p.m.



15. The applicant submitted all applicable and required summaries of plans, policies, and procedures for the operation of the proposed establishment. The summaries were determined to be substantially compliant with the Commission's regulations.
16. The applicant proposed the following goals for its Diversity Plan:

#	Goal
1	Host four (4) career fairs in Worcester.
2	Provide annual cultural training on cultural sensitivity and recognizing unconscious bias.

17. Summary of cultivation plan (if applicable):

Not applicable.

18. Summary of products to be produced and/or sold (if applicable):

Not applicable.

19. Plan for obtaining marijuana or marijuana products (if applicable):

The applicant intends to apply for additional marijuana establishment licenses, therefore it plans to obtain marijuana from its affiliated licenses. If the need arises, the applicant will obtain marijuana or marijuana products by contracting with other licensed establishments.

RECOMMENDATION

Commission staff recommend provisional licensure with the following conditions:

1. Final license is subject to inspection to ascertain compliance with Commission regulations;
2. Final license is subject to inspection to ascertain compliance with applicable state laws and local codes, ordinances, and bylaws;
3. The applicant shall cooperate with and provide information to Commission staff;
4. Provisional licensure is subject to the payment of the appropriate license fee; and
5. Final licensure is subject to the applicant, upon inspection, submitting to Commission staff an updated timeline as to when its MTC licenses will become operational.

The applicant has demonstrated compliance with the laws and regulations of the Commonwealth and suitability for licensure. Therefore, the applicant is recommended for provisional licensure.



THE BOTANIST, INC.
MRN282186

BACKGROUND & APPLICATION OF INTENT REVIEW

1. Name and address of the proposed Marijuana Establishment:

The Botanist, Inc.
235 Hartford Turnpike, Shrewsbury, MA 01545

2. Type of license sought (if cultivation, its tier level and outside/inside operation) and information regarding the application submission:

Retail

The application was reopened two (2) times for additional information.

3. The applicant is a licensee or applicant for other Marijuana Establishment and/or Medical Marijuana Treatment Center license(s):

Type	Status	Location
Retail	Application Submitted	Worcester
MTC	Provisional License	Leominster
MTC	Provisional License	Shrewsbury
MTC	Commence Operations	Worcester

4. List of all required individuals and their business roles in the Marijuana Establishment:

Individual	Role
Kevin Murphy	Director
Christopher Tolford	Director
Jovan Bethell	Director
Robert Daino	Close Associate
Francis Matthews	Close Associate

5. List of all required entities and their roles in the Marijuana Establishment:

Entity	Role
Acreage Holdings, Inc.	Sole Shareholder

Provisional License Executive Summary 1



6. Applicant's priority status:

The applicant received, and was reviewed as, an MTC Priority Applicant as they submitted their application prior to the Commission's policy clarification on October 10, 2019. Under this policy, the applicant would still be classified as an MTC Priority Applicant for this application as it will be co-located with an MTC.

7. The applicant and municipality executed a Host Community Agreement on July 12, 2018.
8. The applicant conducted a community outreach meeting on December 6, 2018 and provided documentation demonstrating compliance with Commission regulations.
9. The Commission received a municipal response from the municipality on January 3, 2020 stating the applicant was in compliance with all local ordinances and bylaws.
10. The applicant proposed the following goals for its Positive Impact Plan:

#	Goal
1	Provide mentoring, professional, and technical services for individuals and businesses facing systemic barriers.
2	Host two (2) industry-specific educational seminars annually.

SUITABILITY REVIEW

11. There were disclosures of any past civil or criminal actions, occupational license issues, or marijuana-related business interests in other jurisdictions. These disclosures did not raise suitability issues.
12. There were no concerns arising from background checks on the individuals or entities associated with the application.

MANAGEMENT AND OPERATIONS REVIEW

13. The applicant states that it can be operational within three (3) months of receiving the provisional license.
14. The applicant's proposed hours of operation are the following:
- Monday – Sunday: 9:00 a.m. – 9:00 p.m.
15. The applicant submitted all applicable and required summaries of plans, policies, and procedures for the operation of the proposed establishment. The summaries were determined to be substantially compliant with the Commission's regulations.



16. The applicant proposed the following goals for its Diversity Plan:

#	Goal
1	Host four (4) career fairs in Worcester.
2	Provide annual cultural training on cultural sensitivity and recognizing unconscious bias.

17. Summary of cultivation plan (if applicable):

Not applicable.

18. Summary of products to be produced and/or sold (if applicable):

Not applicable.

19. Plan for obtaining marijuana or marijuana products (if applicable):

The applicant intends to apply for additional marijuana establishment licenses, therefore plans to obtain marijuana from its affiliated licenses. If the need arises, the applicant will obtain marijuana or marijuana products by contracting with other licensed establishments.

RECOMMENDATION

Commission staff recommend provisional licensure with the following conditions:

1. Final license is subject to inspection to ascertain compliance with Commission regulations;
2. Final license is subject to inspection to ascertain compliance with applicable state laws and local codes, ordinances, and bylaws;
3. The applicant shall cooperate with and provide information to Commission staff;
4. Provisional licensure is subject to the payment of the appropriate license; and
5. Final licensure is subject to the applicant, upon inspection, submitting to Commission staff an updated timeline as to when its MTC licenses will become operational.

The applicant has demonstrated compliance with the laws and regulations of the Commonwealth and suitability for licensure. Therefore, the applicant is recommended for provisional licensure.



THE HEIRLOOM COLLECTIVE, INC.

MRN283029

BACKGROUND & APPLICATION OF INTENT REVIEW

1. Name and address of the proposed Marijuana Establishment:

The Heirloom Collective, Inc.
457 Russell Street, Hadley, MA 01035

2. Type of license sought (if cultivation, its tier level and outside/inside operation) and information regarding the application submission:

Retail

The application was reopened two (2) times for additional information.

3. The applicant is a licensee or applicant for other Marijuana Establishment and/or Medical Marijuana Treatment Center license(s):

Type	Status	Location
Cultivation – Tier 2 / Indoor (5,001 – 10,000 sq. ft.)	Provisional License	Bernardston
Product Manufacturer	Provisional License	Bernardston
MTC	Provisional License	Greenfield
MTC	Final License	Hadley

4. List of all required individuals and their business roles in the Marijuana Establishment:

Individual	Role
James Counihan	Executive / Officer
Timothy Van Epps	Executive / Officer
Patrick Cloney	Executive / Officer
Christopher Brown	Director

5. List of all required entities and their roles in the Marijuana Establishment:

No other entity appears to have ownership or control over this proposed Marijuana Establishment.

Provisional License Executive Summary 1



6. Applicant's priority status:

The applicant received, and was reviewed as, an MTC Priority Applicant as they submitted their application prior to the Commission's policy clarification on October 10, 2019. Under this policy, the applicant would still be classified as an MTC Priority Applicant for this application as it will be co-located with an MTC.

7. The applicant and municipality executed a Host Community Agreement on September 25, 2019.
8. The applicant conducted a community outreach meeting on September 26, 2019 and provided documentation demonstrating compliance with Commission regulations.
9. The Commission received a municipal response from the municipality on January 16, 2020 stating the applicant was in compliance with all local ordinances and bylaws.
10. The applicant proposed the following goals for its Positive Impact Plan:

#	Goal
1	Give hiring priority to 20% of individuals from Greenfield and Amherst, Social Equity Program participants, Massachusetts resident who have past drug convictions and/or Massachusetts residents with parents or spouses who have drug convictions.
2	Source 20% of vendors, contractors and builders locally from Greenfield or whose owners or employees are individuals who qualify for the Commissions Social Equity Program.

SUITABILITY REVIEW

11. There were no disclosures of any past civil or criminal actions, occupational license issues, or marijuana-related business interests in other jurisdictions.
12. There were no concerns arising from background checks on the individuals or entities associated with the application.

MANAGEMENT AND OPERATIONS REVIEW

13. The applicant states that it can be operational within three (3) months of receiving the provisional license(s).
14. The applicant's proposed hours of operation are the following:

Monday – Sunday: 10:00 a.m. – 8:00 p.m.



15. The applicant submitted all applicable and required summaries of plans, policies, and procedures for the operation of the proposed establishment. The summaries were determined to be substantially compliant with the Commission's regulations.
16. The applicant proposed the following goals for its Diversity Plan:

#	Goal
1	Hire 50% of women, 20% of minorities, veterans, persons with a disability or persons who are LGBTQ.
2	Partner with suppliers, contractors and wholesale businesses owned by minorities, veterans, persons with a disability or persons who are LGBTQ.

17. Summary of cultivation plan (if applicable):

Not applicable

18. Summary of products to be produced and/or sold (if applicable):

Not applicable

19. Plan for obtaining marijuana or marijuana products (if applicable):

The applicant plans to obtain marijuana from its affiliated licenses.

RECOMMENDATION

Commission staff recommend provisional licensure with the following conditions:

1. Final license is subject to inspection to ascertain compliance with Commission regulations;
2. Final license is subject to inspection to ascertain compliance with applicable state laws and local codes, ordinances, and bylaws;
3. The applicant shall cooperate with and provide information to Commission staff;
4. Provisional licensure is subject to the payment of the appropriate license fee;
5. Prior to final licensure, the applicant shall submit to Commission staff, upon inspection, an updated timeline as to when its MTC licenses will become operational.

The applicant has demonstrated compliance with the laws and regulations of the Commonwealth and suitability for licensure. Therefore, the applicant is recommended for provisional licensure.



WESTERN FRONT, LLC
MRN281907

BACKGROUND & APPLICATION OF INTENT REVIEW

1. Name and address of the proposed Marijuana Establishment:

Western Front, LLC
121 Webster Ave, Chelsea, MA 02150

2. Type of license sought (if cultivation, its tier level and outside/inside operation) and information regarding the application submission:

Retail

The application was reopened two (2) times for additional information.

3. The applicant is a licensee or applicant for other Marijuana Establishment and/or Medical Marijuana Treatment Center license(s):

The applicant is not an applicant or licensee for any other license type.

4. List of all required individuals and their business roles in the Marijuana Establishment:

Individual	Role
Marvin Gilmore	Manager
Dennis Benzan	Manager
Omowale Moses	Manager
Timothy Flaherty	Manager
Felix Luna	Capital Contributor

5. List of all required entities and their roles in the Marijuana Establishment:

Entity	Role
THC Trust	Entity with Direct or Indirect Authority
Infrastructure Group, LLC	Capital Contributor

6. Applicant's priority status:

Provisional License Executive Summary 1



Economic Empowerment Applicant

7. The applicant and municipality executed a Host Community Agreement on September 21, 2018.
8. The applicant conducted a community outreach meeting on October 17, 2019 and provided documentation demonstrating compliance with Commission regulations.
9. The Commission received a municipal response from the municipality on December 18, 2019 stating the applicant was in compliance with all local ordinances and bylaws.
10. The applicant proposed the following goals for its Positive Impact Plan:

#	Goal
1	Donate \$5,000 annually to the Chelsea Collaborative.
2	Host at least one industry-specific education seminar annually.

SUITABILITY REVIEW

11. There were disclosures of any past civil or criminal actions, occupational license issues, or marijuana-related business interests in other jurisdictions. These disclosures did not raise suitability issues
12. There were no concerns arising from background checks on the individuals or entities associated with the application.

MANAGEMENT AND OPERATIONS REVIEW

13. The applicant states that it can be operational within seven (7) months of receiving the provisional license(s).
14. The applicant's proposed hours of operation are the following:

Monday – Sunday: 9:00 a.m. – 9:00 p.m.
15. The applicant submitted all applicable and required summaries of plans, policies, and procedures for the operation of the proposed establishment. The summaries were determined to be substantially compliant with the Commission's regulations.
16. The applicant proposed the following goals for its Diversity Plan:

#	Goal
1	Recruit 50% of individuals who are minorities, women, veterans, people with disabilities and/or people who identify as LGBTQ.



17. Summary of cultivation plan (if applicable):

Not applicable

18. Summary of products to be produced and/or sold (if applicable):

Not applicable

19. Plan for obtaining marijuana or marijuana products (if applicable):

The applicant will obtain marijuana or marijuana products by contracting with other licensed establishments.

RECOMMENDATION

Commission staff recommend provisional licensure with the following conditions:

1. Final license is subject to inspection to ascertain compliance with Commission regulations;
2. Final license is subject to inspection to ascertain compliance with applicable state laws and local codes, ordinances, and bylaws;
3. The applicant shall cooperate with and provide information to Commission staff; and
4. Provisional licensure is subject to the payment of the appropriate license fee.

The applicant has demonstrated compliance with the laws and regulations of the Commonwealth and suitability for licensure. Therefore, the applicant is recommended for provisional licensure.





A Baseline Review and Assessment of the Massachusetts Adult-Use Cannabis Industry:

Market Data and Industry Participation

February 2020

Massachusetts Cannabis Control Commission:

Steven J. Hoffman, Chairman
Kay Doyle, Commissioner
Jennifer Flanagan, Commissioner
Britte McBride, Commissioner
Shaleen Title, Commissioner

Shawn Collins, Executive Director

Prepared by the Massachusetts Cannabis Control Commission Research and Information Technology Departments:

Samantha M. Doonan, BA, Research Analyst
David McKenna, PhD, Chief Technology Officer
Julie K. Johnson, PhD, Director of Research

Acknowledgements

External Collaborators

Alexandra F. Kritikos, MA, Brandeis University

Cannabis Control Commission

Communications

Cedric Sinclair, Director of Communications

Maryalice Gill, Press Secretary

Kirsten Swenson, Communications Specialist

Management

Alisa Stack, Chief Operating Officer

Erika Scibelli, Chief of Staff

Legal

Christine Baily, General Counsel

Allie DeAngelis, Associate General Counsel

Enforcement and Licensing

Yaw Gyebi, Chief of Enforcement

Paul Payer, Enforcement Counsel

Kyle Potvin, Director of Licensing

Patrick Beyea, Director of Investigations

Derek Chamberlin, Licensing Analyst

Anne DiMare, Licensing Specialist

Government Affairs

David Lakeman, Director of Government Affairs

Suggested bibliographic reference format:

Doonan SM., McKenna, D., Johnson JK., (2020, February). A Baseline Review and Assessment of the Massachusetts Adult-Use Cannabis Industry— A Report to the Massachusetts Legislature. Boston, MA: *Massachusetts Cannabis Control Commission*.

Purpose

This report has been prepared in response to the enabling legislation, Chapter 55 of the Acts of 2017 section 17a (iii) to assess two items on the Cannabis Control Commissions' research agenda. This legislation section states that: *“The commission shall develop a research agenda in order to understand the social and economic trends of marijuana in the commonwealth, to inform future decisions that would aid in the closure of the illicit marketplace and to inform the commission on the public health impacts of marijuana.”*

This report responds to two of the research agenda priorities for the adult-use cannabis market:

- (1) ownership and employment trends in the marijuana industry examining participation by racial, ethnic and socioeconomic subgroups, including identification of barriers to participation in the industry; and
- (2) a market analysis examining the expansion or contraction of the illicit marketplace and the expansion or contraction of the legal marketplace, including estimates and comparisons of pricing and product availability in both markets.

Chapter 55 additionally asserts that the Commission shall incorporate available data, annually report on the results of its research, and make recommendations for further research or policy changes.

***Note:** This report focuses on the first 12-months of adult-use sales and agent registrations from the first licensed Marijuana Establishments, which includes adult-use Marijuana Establishments and co-located Marijuana Establishments (medical and adult-use) that have submitted or began the application process for licensure in Massachusetts as of November 20, 2019.

Table of Contents

I.	Executive Summary	7
II.	Brief History of Cannabis Laws	9
III.	Data Sources and Limitations.....	10
	Potential Data Sources for Future Reports	11
IV.	Methods.....	13
	Table IV.1. Product Category Descriptions (as provided by Massachusetts seed-to-sale tracking system provider)	13
V.	“P’s of Legalization” Framework.....	16
VI.	Baseline Data	18
	VI.A. Adult-Use Market Data	19
	Table VI.A.1. Adult-Use License Status [Current as of 11/20/19]	19
	Table VI.A.2. Adult-Use License Status Totals [Current as of 11/20/19]	19
	Graph VI.A.3. Marijuana Establishments with Final License by License Type [Current as of 11/20/19].....	20
	Graph VI.A.4. Timeline of Final Licensure by License Type [11/20/18-11/7/19]	21
	Figure VI.A.1. Locations of Massachusetts Adult-Use and Medical-Use Marijuana Establishments [Current as of 12/12/19]	22
	Table VI.A.5. Plant State Definitions.....	23
	Graph VI.A.6. Total Plant Activity and Volume [11/20/18-11/20/19]	24
	Graph IV.A.7. Total Sales by Product Type [11/20/18-11/20/19]	27
	Table VI.A.8. Gross Sales for All Adult-Use Cannabis Products [11/20/18-11/20/19]	29
	Table VI.A.9. Sales by Product Category [11/20/18-11/19/19]	30
	Table VI.A.10. Percent of Total Units Versus Total Sales [11/20/18-11/19/19]	30
	Graph VI.A.11. Aggregate Price Per Unit by Month [11/20/18- 11/19/19].....	31
	Table VI.A.12. Priority Status by License Status (Final License, Provisional Consideration, Provisional License) [as of 11/20/19].....	32
	VI.B. 15 th P: “Participation” [Ownership and Employment Data]	33
	Graph VI.B.1. Agent Registrations by Role [11/20/18-11/20/19]	33
	Table VI.B.2. Agent Registrations by License Type [11/20/18-11/20/19]	34
	Graph VI.B.3. Agent Registrations by Massachusetts Residency [11/20/18-11/20/19]	34
	Table VI.B.4. Race/Ethnicity of Agent Registrations (N=6,953) [Current as of 11/20/19]..	35
	Table VI.B.6. Agent Registrations by Gender and Role [Current as of 11/20/19]	36
	Table VI.B.7. Veteran Status of Agent Registrations (N= 6,953) [Current as of 11/20/19].	37
	Table VI.B.8. Agent Registration by Veteran Status and Role (N= 6,953) [Current as of 11/20/19].....	37



Table VI.B.9. Agent Registrations by Farmer-Status (N= 6,953) [Current as of 11/20/19] .	38
Table VI.B.10. Agent Registrations by ADI and Named Cities (N= 6,953) [Current as of 11/20/19].....	39
Table VI.B.11. Final Licenses by Diversity in Ownership (DIO) Status (n=98) [Current as of 11/20/19].....	41
Table VI.B.12. DIO Status of Applications with Provisional License, Provisional Consideration, and Final Licensure (n=227) [Current as of 11/20/19]	41
VII. Literature Review of Market and Industry Data.....	42
1. Market Analysis: <i>Cannabis Price Elasticity and Demand (theoretical)</i>	42
2. Observation from Real Markets (Legal and Illicit)	45
3. Participation in Legal Cannabis Industry	48
VIII. Research Gaps.....	50
IX. References	51
X. Appendices.....	56
Appendix 1. Acronyms	56
Appendix 2. Final Adult-Use License Data	57
Appendix 3. Adult-Use Sales Data	60
Appendix 4. Race/Ethnicity Data.....	62
Appendix 5. Diversity in Ownership Business Enterprise Data	64
Appendix 6. Priority Status Data	65
Appendix 7. Adult-Use Agent Registration Data.....	66

I. Executive Summary

While cannabis is not new, the legal marketplace for adult-use cannabis has only recently emerged in the United States. In 2012, Colorado and Washington made history as the first states to legalize adult-use cannabis, and Colorado retail stores opened for business in 2014.¹ Additional states followed suit with a range of heterogeneous policies and regulations, the result has been a legal industry with distinct differences from other industries. Research on the adult-use market, industry participation, characteristics, and scope are only beginning to develop. This report begins to fill this gap with a preliminary assessment of the **adult-use** cannabis market in Massachusetts using data from the first 12-months after the first retail stores opened. Both the adult-use and medical cannabis markets will be assessed together in future reports.

Massachusetts legalized adult-use cannabis in 2016 and the first retail stores opened in 2018. From November 20, 2018 to November 20, 2019, the first full year of open retail stores, a gross total of \$394,333,153.80 in sales (not including taxes) were recorded. For this report, the Massachusetts Cannabis Control Commission (“Commission”) provides a scoping review of the legal market with baseline data from the first year of retail sales. The report aims to assess both the state of legal market products and sales, and industry participation (agent registration) by gender, race/ethnicity, veteran-status, farmer-status, and diversity in ownership (DIO) status.

Industry product and sales in the **adult-use** market were extracted from the state’s seed-to-sale tracking system and organized into a policy heterogeneity framework (“P’s of Legalization”).² This includes descriptive data on types of cannabis establishments, production data, market share by product type, and product sales data. Industry participation in the adult-use market was assessed through the industry participation portal (*i.e.* *MassCIP*) including total agent registrations and demographic breakdowns. To contextualize baseline results, we also include literature reviews on the economics of cannabis demand, observations of products and prices in the legal and illicit markets, and participation in the legal cannabis industry.

***Note:** The illicit and full medical markets are not assessed in this report.

Main Findings

Adult-Use Market Data (11/20/18-11/20/19)

- As of November, 2019, there are 98 final adult-use Marijuana Establishment licenses in Massachusetts:
 - Final licenses consist of 37% Marijuana Retailers, 32% Marijuana Cultivators, and 27% Marijuana Product Manufacturers;
- Adult-use cannabis sales total \$394,333,153.80 (not including taxes);
- Buds (flower) comprise the majority of sales (51%), followed by concentrates (19%), and edibles (17%);
- Concentrates (each) represent 19% of total cannabis products sold and account for 27% of total sales; and
- Among final licenses, provisional licenses, and applications under provisional consideration, 54% have registered medical dispensary priority; 44% are general applicants; and 2% have economic empowerment priority.

Adult-Use Industry Participation (11/20/18-11/20/19)

- As of November, 2019, there are 6,973 adult-use agent registrations (individual agents may have >1 registration(s)). Of out all registrations: 82% are employees, 8% are managers, 6% are executives, 3% are directors, and 2% are board members;
 - Agent registrations account for 4,228 unique individuals;
- The majority of agent registrations identify as White (75%), followed by decline to answer (10%), and Hispanic, Latino, or Spanish (6%);
- The majority of agent registrations identify as male (67%), non-Veteran (89%), and non-farmer (99%);
- Most agent registrations are Massachusetts (MA) residents (83%):
 - Of MA registrations, 30% were for persons residing in an Area of Disproportionate Impact or Named City; and
- Among final licenses, provisional licenses, and applications under provisional consideration, 90% of businesses do not identify with any Diversity in Ownership (DIO) criteria.

II. Brief History of Cannabis Laws

Worldwide, cannabis has been used for religious, recreational, and therapeutic purposes for thousands of years.³⁻⁷ In the United States (U.S.), cannabis cultivation and use were legal under federal and state laws throughout most of American history. An increase in cannabis use from 1910-1920, coupled with political hysteria, led 29 states including Massachusetts to pass laws prohibiting the possession or sale of cannabis.^{4,8,9}

In 1970, The Federal Controlled Substance Act (CSA) replaced the Marihuana Tax Act of 1937 and placed cannabis (“marijuana”) as a Schedule 1 drug, the most restrictive ranking. Despite increasing stringency of federal cannabis policies over time, the recreational use of cannabis increased. In 1971, President Richard Nixon declared a war on drugs aiming to combat drug abuse on the supply and demand sides. However, a disproportionate number of War on Drug policies focused on criminal justice enforcement and punishment for drug offenses—creating systematic changes in the criminal justice system.

Currently in the CSA and under the U.S. Drug Enforcement Agency (DEA) jurisdiction, cannabis remains classified as a Schedule 1 drug, contending that it has: (1) a high potential for abuse, (2) no current accepted medical use in the U.S., and (3) a lack of accepted safety for use under medical supervision.^{10,11}

Moving Toward Legalization

Movement toward cannabis legalization has occurred on a state-by-state basis. The first wave of cannabis legalization was decriminalization, which replaced criminal sanctions for possession and small-scale casual distribution of cannabis with civil fines.¹² Since 1972, 22 states and the District of Columbia (D.C.) have enacted policies decriminalizing small amounts of cannabis.¹³

Medicinal marijuana policies, which allow access and use of cannabis for certain medical purposes, followed. Since 1996, 33 states and the District of Columbia have enacted varying laws permitting comprehensive medicinal cannabis programs.

Since 2012, 11 states and D.C. have enacted varying laws permitting small amounts of cannabis for non-medical adult-use for those 21 years-old or older (“21+”).

Massachusetts

Massachusetts enacted and implemented all three types of cannabis legalization in disparate waves. All three waves of Massachusetts cannabis legalization were enacted via ballot initiatives: cannabis decriminalization in 2008 with Question 2, “*The Sensible Marijuana Policy Initiative*,” medicinal cannabis in 2012 with Question 3, “*An Initiative Petition for a Law for the Humanitarian Medical Use of Marijuana*,” and non-medical adult-use cannabis legalization in 2016 with Question 4, “*Massachusetts Legalization, Regulation and Taxation of Marijuana Initiative*.”

III. Data Sources and Limitations

Section 17 of Chapter 94G of the Massachusetts General Laws states the Cannabis Control Commission research agenda shall include but not be limited to:

“...economic and fiscal impacts for state and local governments including the impact of legalization on the production and distribution of marijuana in the illicit market and the costs and benefits to state and local revenue; (iv) ownership and employment trends in the marijuana industry examining participation by racial, ethnic and socioeconomic subgroups, including identification of barriers to participation in the industry; (v) a market analysis examining the expansion or contraction of the illicit marketplace and the expansion or contraction of the legal marketplace, including estimates and comparisons of pricing and product availability in both markets...”

Industry participation and seed-to-sale tracking data are analyzed in this report. We extrapolate data from the Cannabis Control Commission (“Commission”) data warehouse platform (“[Open Data](#)”), which includes both industry participation (i.e. MassCIP) and seed-to-sale tracking (i.e. Metrc) data.

Identification of barriers to participation is not assessed in this report, as it has been examined elsewhere.¹ The illicit market is not assessed in this report due to time and resource constraints; However, data sources to assess this construct in future reports are provided.

[See subsection *Potential Data Sources for Future Reports* below]

Data Warehouse Overview

Data from two distinct portals: (1) seed-to-sale tracking (Metrc) and (2) industry participation (MassCIP) are centralized under one data [platform](#) via a third party a vendor (Socrata) for regulation and monitoring purposes.

Commission regulations require all Marijuana Establishments, Medical Marijuana Treatment Centers, and Independent Testing Laboratories to track cannabis through Massachusetts’s seed-to-sale tracking system [See: [935 CMR 500.105\(8\)\(e\)](#)]. This tracking captures everything that happens to a cannabis plant, from cultivation, through growth, harvest and manufacturing of products, including any transportation, to inventory storage and final sale of products to consumers or other licensees.

Additionally, all owners, persons with controlling interests, and persons working in the legal cannabis industry are required to complete an agent registration. Therefore, Massachusetts’s data warehouse platform is a rich data source for legal cannabis production, manufacturing, sale, and

¹ See [Special Report: A Baseline Review and Assessment of the Massachusetts Cannabis Industry’s Required Positive Impact Plans](#) (page 24) and [A Baseline Review and Assessment of Cannabis Use and Public Safety Part 2: 94C Violations and Social Equity: Literature Review and Preliminary Data in Massachusetts](#) (page 66).

ownership and employment in the legal industry. [See the Open Data Platform for publicly available seed-to-sale system tracking and industry data: <https://opendata.mass-cannabis-control.com/>]

For this report, we assess cannabis product and sales data (“fiscal impacts”) and owner and employee demographic (*e.g. gender, race/ethnicity, veteran status*) (“ownership and employment trends”) data.

Limitations

Massachusetts’s data warehouse platform, including both seed-to-sale tracking and industry data, is subject to limitations. Human error may occur when entering plant and/or agent data into the system. There may be inconsistent use of the seed-to-sale tracking system between establishments (*e.g. coding of product type*). Additionally, researchers identify the following limitations to similar seed-to-sale tracking systems: dishonest and/or neglectful reporting,¹⁴ software glitches,¹⁴ lack of official codebook,¹⁴ and challenges discerning price and potency among all products types.¹⁵

There are additional limitations in tracking industry participation by demographic characteristics. Data for agent registrations are typically reported by owners, therefore, employee data may be inaccurate, and certain characteristics (*e.g. race/ethnicity*) may be subject to greater inaccuracies. Additionally, certain demographic characteristics of underrepresented persons (*e.g. person with disabilities, LGBT+ individuals*) are not captured.

Potential Data Sources for Future Reports

1. International Cannabis Policy Study

The International Cannabis Policy Study (Principle Investigator, Dr. David Hammond, University of Waterloo, 2018-ongoing) is a Canada/U.S. epidemiologic study surveilling varying cannabis use patterns and outcomes, including: problem use, and legal and illicit market sourcing. Massachusetts’s respondents are surveyed for this study. Through collaboration with the International Cannabis Policy Study team, the Commission aims to conduct a preliminary assessment of “*the expansion or contraction of the legal marketplace, including estimates and comparisons of pricing and product availability in both markets*” among Massachusetts respondents in future reports.

2. Follow-up to DPH Marijuana Baseline Report: *Financial Modeling Section*

The Marijuana Baseline Health Study (MBHS) (Massachusetts Department of Public Health, 2019), includes a financial modeling section that projects the cannabis market.¹⁶ Researchers in this report assume, “*approximately 65% of marijuana users would shift from purchasing their marijuana in the illicit marketplace to purchasing from a dispensary.*”¹⁶ In future years, a follow-up to this study could be conducted.

3. Law Enforcement Seizure Data via National Incident Based Reporting System or Directly from Law Enforcement Departments

Law enforcement data (via the National Incident Based Reporting System (NIBRS)) for participating municipalities includes data on drug seizures. While seizures likely represent illicit cannabis, legally produced cannabis could be captured in this data. However, seized cannabis likely represents a small percent of all illicit market cannabis and would need to be used in conjunction with other data to attempt to triangulate the scope of the illicit market.

4. National Survey on Drug Use and Health (NSDUH) Self-Reported Cannabis Use

Self-report cannabis use rates in the NSDUH could be compared to legal sales to attempt to triangulate the illicit market (see Caulkins et al. 2019).¹⁷ However, there are a number of limitations to this work and it would not provide any firm estimates of the illicit market.

5. Localized/Municipality Level Data (*e.g. Census, Zillow Rent Index*)

Various data sources are necessary to assess the costs and benefits to local and state government. Geo-mapping of select census level data points (*e.g. unemployment rate, property values, rental price estimates*) could be examined in conjunction with Marijuana Establishment locations and self-report data to begin to triangulate local level industry effects.

6. Survey of Ancillary Business

The cannabis industry includes ancillary businesses whose employees do not touch cannabis product(s), but that otherwise engage with the industry. For example, Heating/Ventilation/Air Conditioning (HVAC) technicians or energy and electrical companies that work with cannabis companies. These businesses are external to the seed-to-sale tracking system, therefore, any assessment would require other mechanisms of analyses, such as a primary survey of ancillary business.

***Note:** This report focuses on the first 12-months of adult-use sales and agent registrations from the first licensed Marijuana Establishments, which includes adult-use Marijuana Establishments and co-located Marijuana Establishments (medical and adult-use) that have submitted or began the application process for licensure in Massachusetts as of November 20, 2019.

IV. Methods

Time Frame

Massachusetts seed-to-sale tracking system data were extracted from the data management portal for all legal adult-use cannabis products in Massachusetts from November 20, 2018 – November 20, 2019. This represents one year from the start of legal adult-use retail sales. Please see the [Open Data Platform](#) for access to select data. StataMP 15 was used for all analyses.

Data in the seed-to-sale tracking system are self- or owner-reported and exclude voided transactions.

The following product types are captured and were extracted from the seed-to-sale tracking system: Buds (“flower”); Concentrate (each); Concentrate; Infused (edible); Infused (non-edible); Infused Pre-Rolls; Raw Pre-Rolls; Shake/Trim (by strain); Shake/Trim; Kief; and Other. [See *Table IV.1. Product Category Descriptions* below for description of each product type as provided by the Massachusetts seed-to-sale provider] Importantly, data is reported by each establishment so there is a change of inconsistency regarding product type.

Table IV.1. Product Category Descriptions (as provided by Massachusetts seed-to-sale tracking system provider)

Product Type	Count or Weight Based	Description
Buds	Weight	The actual nuggets that a consumer grinds and smokes. Buds are the part of the cannabis plant that contain the cannabinoids including THC, CBD, CBG, and THCV.
Concentrate	Weight	A concentrate is any type of cannabis product that is refined from flowers into a more purified and potent form. A concentrate can refer to any form of hash, kief, or hash oil (<i>e.g. CO2, BHO, shatter, budder, wax</i>).
Concentrate (Each)*	Count	See above. The difference with this item category is that the data reporter can make this a count-based item. This is generally seen in prepackaged concentrates that are a standard weight that are easier to manage from an inventory perspective such as vaporizer cartridges.
Infused (edible)	Count	Edibles are cannabis-infused products that are consumed orally. Common forms of edibles include baked goods (<i>e.g. brownies and cookies</i>) and candy (<i>e.g. chocolate, gummies, and lollipops</i>).
Infused (non-edible)	Count	Cannabis-infused products that are not taken through oral consumption and digestion. This includes a range of products such as tinctures and transdermal patches.
Infused Pre-Rolls	Weight	Raw flower (ground bud or shake trim) cannabis that has been infused with a concentrate and rolled with cigarette paper or tobacco leaves prior to sale.

Raw Pre-Rolls	Weight	Raw flower (ground bud or shake/trim) cannabis that was prepared by rolling in cigarette paper or tobacco leaves before its sale.
Kief	Weight	Kief is a result of separating trichomes from the cannabis plant. Kief is a powdery substance that holds the most amounts of cannabinoids, making it potent and a very pure form of concentrate. Not typically sold to patients/consumers and is used primarily in Product Manufacturer licenses to produce concentrates.
Shake/Trim	Weight	Shake is the excess cannabis product that is separated from the nuggets of bud during the packaging process. Trim is the excess snipping of leaves from buds of cannabis plants during the harvesting process. Shake/Trim is lower in potency and quality than buds and is typically used in the product manufacturing or producing pre-rolls to be sold to patients/consumers.
Shake/Trim (by strain)	Weight	See above. The difference is this item category requires a strain to be associated with it.
Suppositories	Count	A solid medical preparation of a cannabis infused product in a roughly conical or cylindrical shape, designed to be inserted into the rectum or vagina to dissolve.

*After the study period, a new category was created for vaporizer cartridges and disposable pens. In the future, this will enable further stratification of concentrate categories to reflect vaporizer cartridge and pen sales. Currently, those items are tracked primarily under Concentrate (each); However, they also appear as Concentrate and Infused non-edible.

Analytic Plan

1. Market Data

Unit of Analysis

This report primarily utilizes an “item-level” unit of analysis, meaning we analyze each retail product separately, rather than a “transaction-level” unit of analysis which could contain multiple items. This is consistent with similar research.¹⁸

Potency

While laboratory results from a source product capture the potency of cannabis products, potency analyses (*e.g.* % *THC*:% *CBD*) are not examined in this report due to time constraints and data limitations (see below). Other researchers capture potency by summing active THC and 0.877 times inactive THC (THC-A).^{17–19}

A limitation to the current seed-to-sale tracking system is the ability to extract product item and potency laboratory results simultaneously. Both data points are collected in the system; However, the system currently requires manual linkage of laboratory results from an item’s “parent batch” to the item. Linkage between individual product and laboratory result could not be fulfilled for this report due to time and resources constraints. Efforts to include such analyses in future reports will be assessed. This represents a limitation to the immediate application of seed-to-sale tracking system data and analyses. Other researchers report challenges to collecting potency for certain product types in similar seed-to-sale tracking systems (*e.g. lack of potency data for edibles*).¹⁷

2. “Participation” (Ownership and Employment) Data

Unit of analysis

The unit of analysis for agents is primarily individual-level (*i.e. agent registration-level*). Agent registrations account for: board members, directors, employees, executives, managers, and volunteers. The exception to this unit of analysis are Tables VI.B.11 and Table VI.B.12, which assess diversity in ownership (DIO) at the business-level.

Note: “Agent” refers to a registered board member, director, employee, executive, manager, or volunteer of a Marijuana Establishment. Employees includes consultants or contractors who provide on-site services to a Marijuana Establishment related to the cultivation, harvesting, preparation, packaging, storage, testing, or dispensing of cannabis. One individual can have multiple agent registrations.

V. “P’s of Legalization” Framework

Cannabis legalization policy, regulation, implementation, enforcement, and fidelity of implementation are heterogenous processes across states and countries, and these differences will affect the impact of legalization. While findings and projections from other states offer key insight, analysis that does not account for the unique policy scape miss critical differences. This report focuses on the short-term (*i.e. one-year after implementation*) impacts of legalization on the cannabis market in Massachusetts.

To account for the unique policy cannabis policy landscape in Massachusetts, we use Kilmer’s (2019) framing of the “14 P’s” which mark differences in policy design choices that will ultimately impact outcomes.²⁰ These design differences are described in the table below and frame VI.A.1. Market Data subsection of the baseline data section.

Table V.1. “14 P’s of Cannabis Legalization” (Kilmer, 2019)

Policy Design	Description
1. Production	Production in a legal market is less expensive and more efficient than in the illicit market. The extent to which production is able to operate most efficiently is shaped by policy decisions, including number and size of legal (“licensed”) producers, production location, and legal products.
2. Profit Motive	A small number of heavy users will represent the majority of legal cannabis sales in retail stores. ²¹ The impact of profit motive is shaped by policy decisions, such as allowing non-profit legal cannabis (<i>e.g. home grow; cooperatives</i>), and whether for-profit companies are allowed (<i>e.g. retail stores versus state run stores</i>).
3. Power to Regulate	The body responsible for regulating cannabis, including whether or not the regulatory body is located in an existing entity, and the actions available to this body will affect outcomes.
4. Promotion	Industry promotion and advertisement of cannabis products will affect legalization outcomes. The impact of promotion is shaped by policy decisions that restrict or allow promotion (<i>e.g. logo/packaging restrictions; advertising restrictions</i>).
5. Prevention and treatment	The extent to which resources are provided toward preventing risky and illicit cannabis use (<i>e.g. use by people <21 years old; accidental ingestion</i>) and resources to treat problem use will affect outcomes. Prevention will also be shaped by harm reduction policy decisions (<i>e.g. childproof packaging; public awareness campaigns; density of retail stores</i>).
6. Policing and enforcement	The extent to which law enforcement resources, priorities, and time are devoted to cannabis related offenses after legalization will impact outcomes.
7. Penalties	How heavy penalties are for cannabis behaviors that remain illegal after legalization (<i>e.g. underage use, operating under the influence of cannabis</i>) will impact outcomes.
8. Prior criminal records	Whether and to what extent prior cannabis convictions are sealed and/or expunged will impact outcomes.
9. Product types	The types of cannabis products available for sale in retail stores will impact outcomes.

10. Potency	The potency of legal cannabis, particularly THC levels, will affect outcomes. Policy decisions, such as potency limits or potency-based taxes, will affect potency levels in products and their subsequent impact.
11. Purity	The purity (<i>e.g. mold; pesticides; additives</i>) of legal cannabis is impacted by policy decisions (<i>e.g. product labeling; restriction on products that can be infused with cannabis; testing protocols</i>) and will impact outcomes.
12. Price	The price of cannabis, particularly price per THC unit, will impact consumption, tax revenue, diversion, and legal versus illicit consumption. Price and its impact will be impacted by policy decisions (<i>e.g. taxes; regulatory/licensing/compliance fees</i>).
13. Preference for licenses	Whether and to whom is given licensure preference is a policy decision that will impact outcomes.
14. Permanency	The flexibility of cannabis policy and regulation are directly impacted by policy decisions (<i>e.g. “sunset provisions;” separate regulatory agency</i>).

VI. Baseline Data

Unless noted, baseline data are limited to **adult-use** Marijuana Establishments, which includes co-located Marijuana Establishments (medical and adult-use) that have submitted or began the application process for cannabis establishment licensure in Massachusetts as of November 20, 2019. Marijuana Establishments may hold multiple licenses but may not hold more than three licenses for each license type. Please note that establishments may hold a final license but not yet be fully operational. [See *Appendix 2, Table 1* for a description of license types available in the Commonwealth]

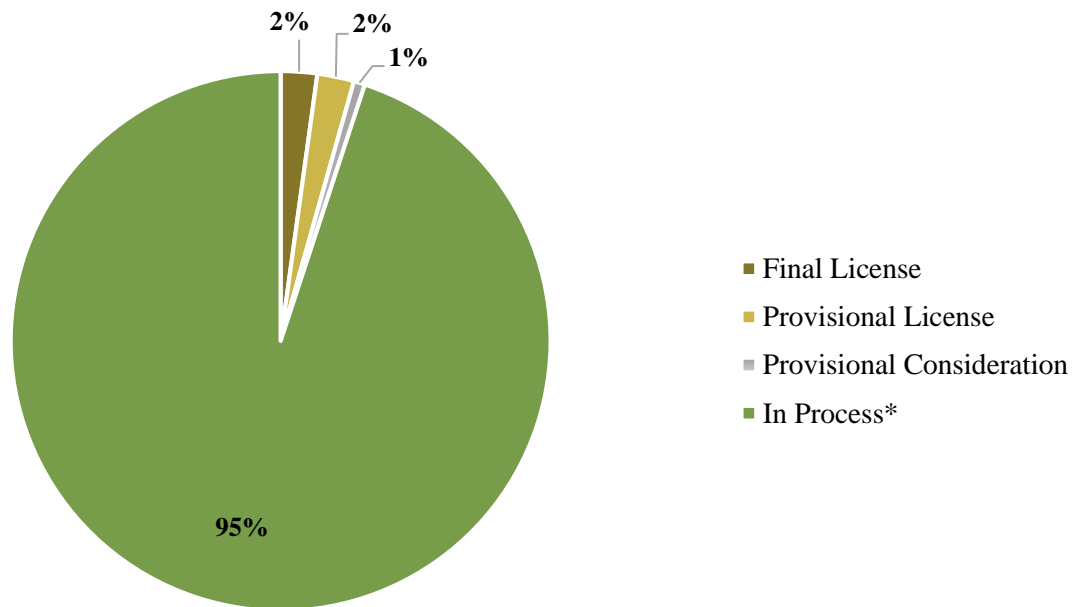
The subsection, VI.A. Market Data, provides an overview of license/application statuses, the distribution of final licenses, plant activity, and product sales. The “14 P’s of Legalization” framework guides data presentation and findings.²⁰ The subsection, VI.B., recommends a “15th P,” **Participation**, and examines ownership and employment trends in the industry as captured through agent registration data.

VI.A. Adult-Use Market Data

Adult-Use License and Application Status

Since November 20, 2019, 98 final licenses were issued in Massachusetts. Another 99 provisional licenses were issued, and an additional 30 applications were under provisional consideration (*i.e. provisionally approved applications*). [See *Table VI.A.1. License Status* and *Table VI.A.2. License Status Totals*]

Table VI.A.1. Adult-Use License Status [Current as of 11/20/19]



***Note:** In Process includes application that are incomplete (n=3,569), pending (n=400), and withdrawn (n=397). This includes co-located medical and adult-use establishments.

Table VI.A.2. Adult-Use License Status Totals [Current as of 11/20/19]

License Status	Total	(%)
Final License	98	(2%)
Provisional License	99	(2%)
Provisional Approval	30	(0.7%)
Denied	4	(0.9%)
*In Process, including:		
Incomplete	3,569	(77.6%)
Pending	400	(8.7%)
Withdrawn	397	(8.6%)
In Process Total	4,366	(95%)
Total	4,597	

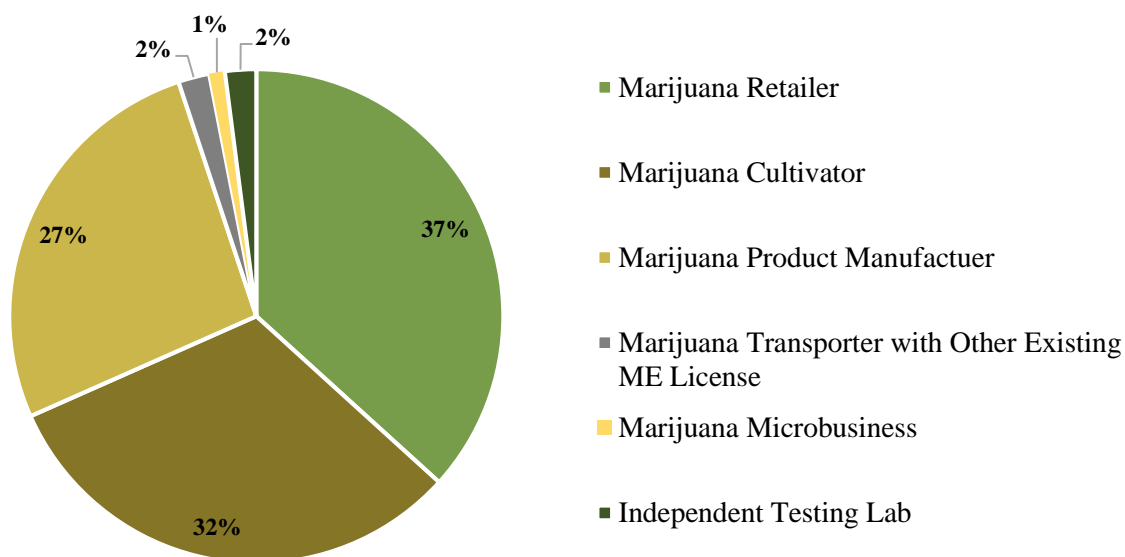
Adult-Use Final Licenses

Final licenses are the second to last step before a cannabis business may commence operations. A final license indicates that the Commission has approved a business contingent on a final inspection. After inspections are complete, the Commission will issue a commence operations notice and the business may commence operations.

As of November 20, 2019, there were: 36 marijuana retailer licenses, 31 marijuana cultivator licenses, 26 marijuana product manufacturer licenses, 2 marijuana transporter with other existing marijuana establishment license licenses, 1 marijuana microbusinesses license, and 2 independent testing laboratory licenses issued. [See *Graph VI.A.3. Marijuana Establishments with Final License by License Type* and *Appendix 2, Table 3* for final license totals; see *Appendix 2, Table 1* for description of license types]

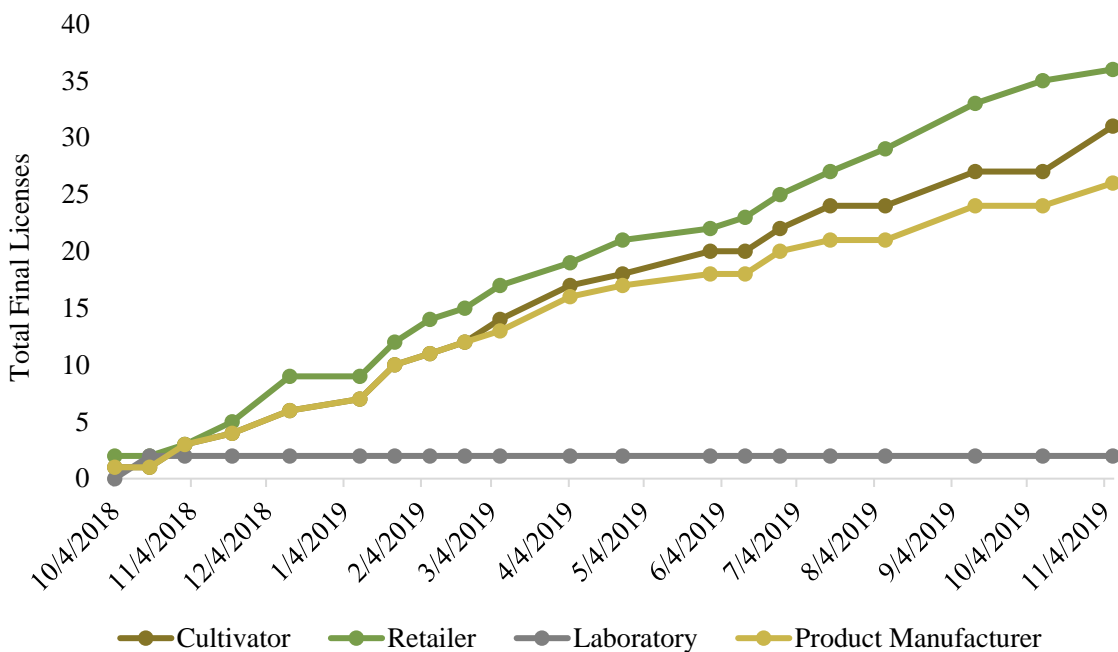
As of November 20, 2019, 33 adult-use cannabis stores have opened in the Commonwealth.

Graph VI.A.3. Marijuana Establishments with Final License by License Type [Current as of 11/20/19]



The first adult-use final licenses were issued on October 4, 2018. Two cannabis retailers opened to the public on November 20, 2018. Final licenses for cannabis retailers, cultivators, and product manufacturers have increased at a steady rate through November 4, 2019. However, independent testing laboratories, which test all cannabis products before they can be sold, have remained at two final licenses (issued October 18, 2018). [See *Graph VI.A.4. Timeline of Final License by License Type*]

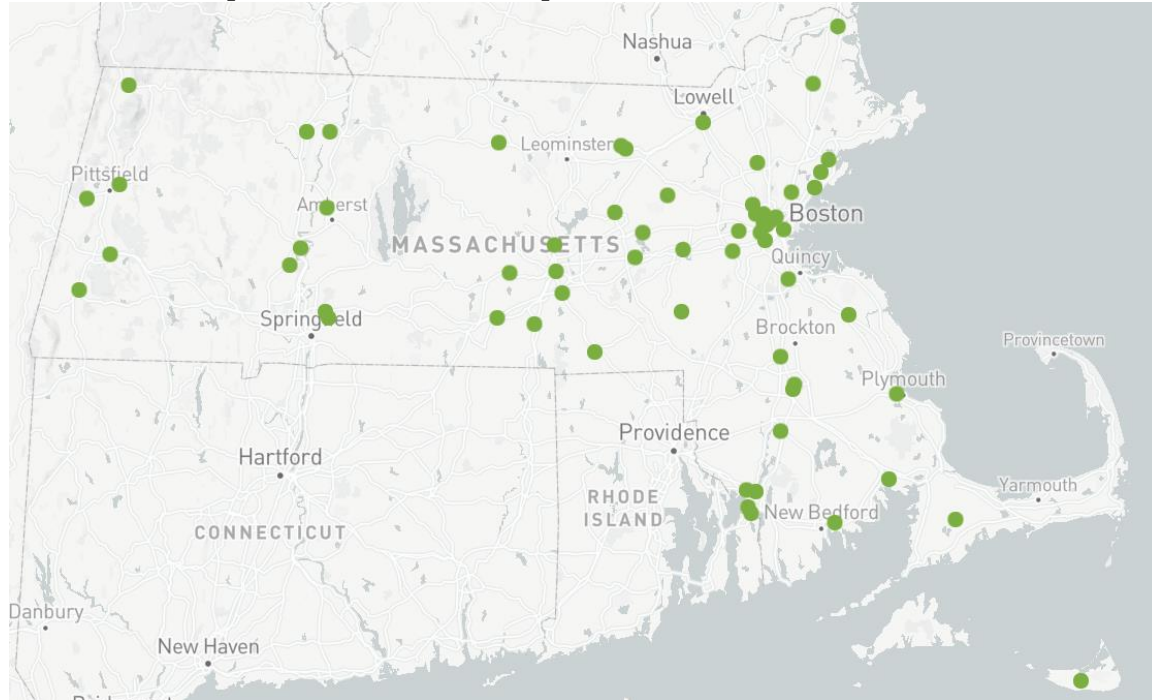
Graph VI.A.4. Timeline of Final Licensure by License Type [11/20/18-11/7/19]



Final licenses are not randomly distributed. Cities and towns differ in their consideration of cannabis business, approval processes, and bans for cannabis establishments within their jurisdictions. [See *Appendix 2, Table 2* for Marijuana Establishments with final license by city/town]

The figure below shows the spatial locations of both operational adult-use retailer stores and medical marijuana treatment centers. [See *Figure VI.A.1*]

Figure VI.A.1. Locations of Massachusetts Adult-Use and Medical-Use Marijuana Establishments [Current as of 12/12/19]



Source: Store Locator, MoreAboutMJ.org, retrieved December 12, 2019, <https://moreaboutmj.org/marijuana-store-locate/>

1. Production

Production ability, capacity, and efficiency will impact the size of the market and price of products. Differences in production may help explain differences in legalization impacts between states with legal cannabis markets. For example, in 2019, the Oregon Liquor Control Commission estimated that producers produced approximately twice as much cannabis as expected demand.²² High supply and low wholesale price contributed to low prices, and illustrates how production differences help explain key differences between legal markets.²² As of September 1, 2019, Oregon stopped processing additional production license application.²³ In contrast, Washington state imposed limits on the number of licenses at the start of legalization.²⁴

Legal market production can be measured through the number of licensed cultivators, and the size of canopy for each cultivator. It can also be measured through total plant activity and volume of licensed marijuana establishments. This includes total: (1) plant count, (2) mature plant count, (3) plant vegetative count, (4) plant flowering count, (5) plant harvested count, and (6) plant destroyed count. [See *Table VI.A.5. Plant State Definitions* below for additional detail on categories and *Graph VI.A.6. Total Plant Activity and Volume*]

Table VI.A.5. Plant State Definitions

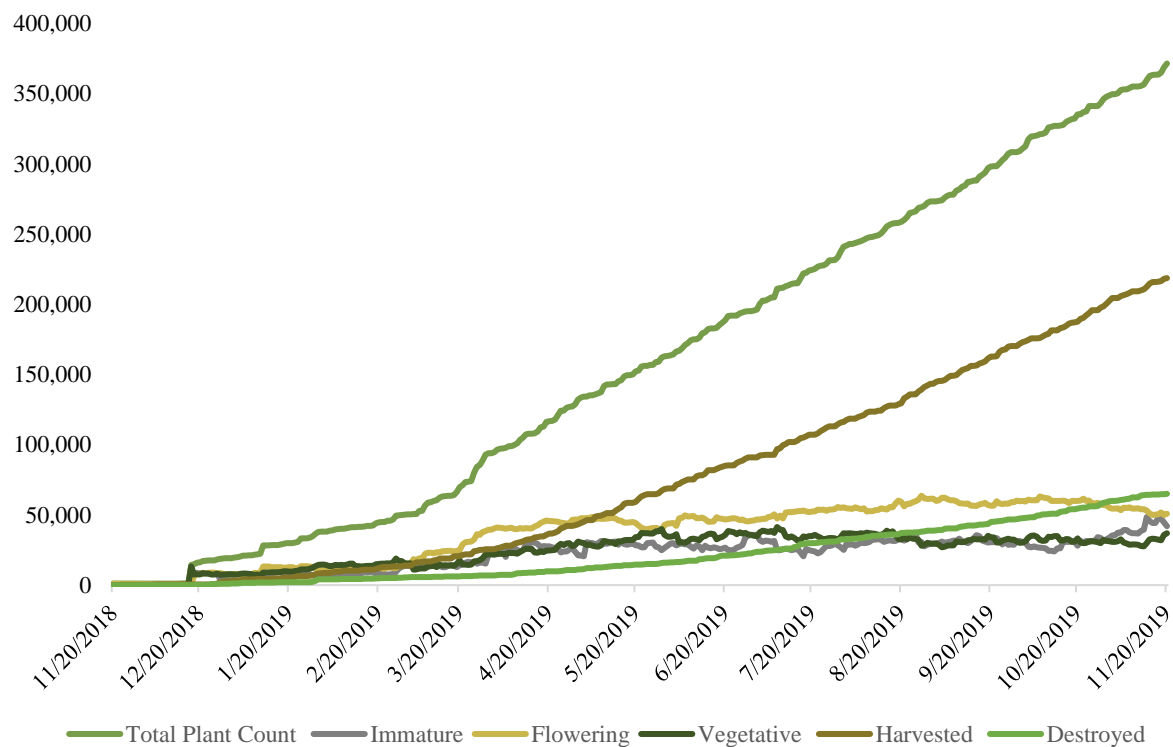
Plant State	Description
Mature Plant	Plants greater than 8” tall.
Plant Vegetative	The state of the cannabis plant which is a form of asexual reproduction in plants during which plants do not produce resin or flowers and are bulking up to a desired production size for flowering.
Plant Flowering	Flowering is the gametophytic or reproductive state of cannabis in which the plant is in a designated flowering space within a cultivation facility with a light cycle intended to produce flowers, trichomes and cannabinoids characteristic of cannabis.
Plant Harvested	Plant harvested generally refers to plants that are in the drying and curing phase.
Plant Destroyed	Plants destroyed refers to plants that are rendered unusable by the marijuana establishment. Plants in this count may not be processed, sold, or given away.

Source: Massachusetts Seed-to-Sale Guidance, <https://mass-cannabis-control.com/wp-content/uploads/2018/09/Seed-to-Sale-Tracking-Guidance-09182018-v-FINAL-for-Web.pdf>, retrieved October 17, 2019.

Findings

From November 20, 2018 – November 20, 2019, a total of 371,596 cannabis plants were legally produced in the adult-use market. This total represents all plants (excluding immature plants) that have been through flowering, vegetation, harvesting, and additionally includes plants that were destroyed. [See *Graph VI.A.6. Total Plant Activity and Volume*]

Graph VI.A.6. Total Plant Activity and Volume [11/20/18-11/20/19]



2. Profit Motive

A small number of heavy users will represent the majority of legal cannabis sales in retail stores, therefore, the extent to which the industry is driven by profit-motive will affect the impact(s) of legalization.²¹ An assessment of the profit motive is beyond the scope of this report.

3. Power to Regulate

The body responsible for regulating cannabis, location, capacity, and the actions available to this entity, will affect economic and social impacts of cannabis legalization. An assessment of the power to regulate is beyond the scope of this report.

4. Promotion

Marketing and promotion will affect economic and social impacts of cannabis legalization. An assessment of industry advertisement is beyond the scope of this study.

[See: [A Baseline Review and Assessment of Cannabis Use and Youth: Literature Review and Preliminary Data in Massachusetts \(2019\) Appendix VII: Public Health and Prevention in Regulations, as of July 2019](#) for information about regulations to restrict industry promotion and advertisement]

Market Segmentation

Market segmentation, or targeting products and services to a specific sub-group (*i.e. niche marketing*), may result in varying levels of promotion to different groups.²⁵ See Cooke et al. 2018 for analysis of market segmentation in a sample of California medical dispensaries.²⁵ No articles that assess market segmentation in the adult-use market were identified, representing a gap in the literature.

5. Prevention and treatment

Limiting access to retail cannabis stores may be a prevention tool; However, more research on effectiveness is needed.²⁶ Previous research of alcohol and tobacco stores identify density limits as a prevention mechanism for reducing alcohol and tobacco use.²⁷ Some medical cannabis research suggests that higher retail outlet density is associated with increased cannabis use and associated negative outcomes.^{28,29} However, findings are mixed. Some studies do not report store density effects on use.^{30–32} Additionally, there are key differences from medical cannabis stores to adult-use cannabis stores. For example, medical stores are restricted to registered patients, therefore, medical findings may not reflect the impact(s) of adult-use cannabis stores. Additionally, delivery service availability may increase legal cannabis access beyond store locations.³⁰

Only one study assessed whether access to adult-use cannabis stores, including proximity, geospatial density, and per capita density, were associated with increased cannabis use.²⁴ Everson et al. 2019 compared self-reported “any” and “heavy” cannabis use measures, as captured in the Washington State Behavioral Risk Factor Surveillance System (BRFSS, 2009–2016), to respondent’s distance from a cannabis retail store.²⁴ This study reports current use increased among adults within 18 miles of a store and frequent use increased among those within 0.8 miles of a store.²⁴

There is research to suggest that adult-use cannabis stores are more likely to be located in lower-income areas with average lower socioeconomic status^{33,34} and greater proportions of racial and ethnic minorities.³⁵ Careful monitoring of the impacts of cannabis retail store density remains critical, particularly to prevent perpetuation of harms to communities disproportionately affected by prohibition and enforcement. An assessment of treatment access is beyond the scope of this study.

Although an assessment of prevention and treatment are beyond the scope of this report, for additional prevention tools built into legal cannabis regulations, see [A Baseline Review and Assessment of Cannabis Use and Youth: Literature Review and Preliminary Data in Massachusetts \(2019\) Appendix VII: Public Health and Prevention in Regulations, as of July 2019](#) which details regulatory regulations aiming to restrict underage access.

6. Policing and Enforcement

The extent to which law enforcement priorities and resources are directed toward cannabis violations will affect the social and economic impacts of cannabis legalization. See [Part 2: 94C Violations and Social Equity: Literature Review and Preliminary Data in Massachusetts – A Baseline Review and Assessment of Cannabis Use and Public Safety](#) for a baseline study of cannabis violations in the Commonwealth. An assessment of policing and enforcement is beyond the scope of this study.

7. Penalties

The severity of penalties for illicit cannabis behaviors after legalization (*e.g. underage use, operating under the influence of cannabis*) will affect the social and economic impacts of legalization. See Adinoff and Reiman 2019 for an examination of state-to-state variation in penalties for illicit cannabis in states with adult-use legalization.³⁶ An assessment of penalties is beyond the scope of this study.

8. Prior Criminal Records

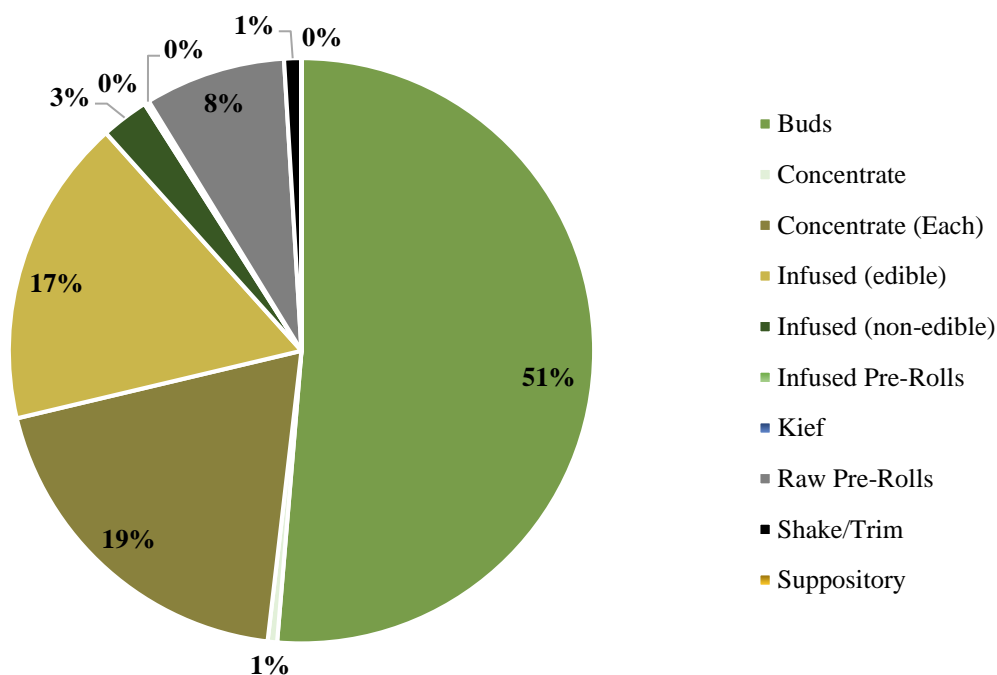
Whether to seal or expunge and to what extent prior cannabis convictions are sealed or expunged will affect the social and economic impacts of legalization. An assessment of criminal records is beyond the scope of this study. See [Part 2: 94C Violations and Social Equity: Literature Review and Preliminary Data in Massachusetts – A Baseline Review and Assessment of Cannabis Use and Public Safety](#).

9. Product Types

The types of cannabis products available for sale in retail stores will impact social and economic outcomes. In Massachusetts, a wide range of cannabis products are permitted. [See *Table IV.1. Product Category Descriptions*]

In the first year of adult-use cannabis retail sales (including co-located adult-use and medical stores), buds (“flower”) (51%) comprise the majority of sales, followed by concentrate (each) (19%), and infused (edible) (17%). [See *Graph IV.A.7. Market Share by Product Type* and *Appendix 3, Table 1* for total number of products sold]

Graph IV.A.7. Total Sales by Product Type [11/20/18-11/20/19]



***Note:** Data contains all sales from adult-use consumers and patients purchasing from an adult-use and/or medical co-located store.

10. Potency

Cannabis policy design and implementation will affect the potency of products and their subsequent impact. In the Massachusetts adult-use market, edibles have a limit of five mg of THC per dose, and 100 mg of THC for the entire package. (935 CMR 500.140(4)) There are no set caps on THC potency for all other products (*e.g. flower, concentrates*) and taxes are not currently tied to product potency.

Massachusetts requires all products be tested for their cannabinoid profile (*i.e. the dry-weight percentages, of delta-nine-tetrahydrocannabinol, cannabidiol, tetrahydrocannabinolic acid and cannabidiolic acid*) as well as for contaminants. (935 CMR 500.160(2)) Testing must be performed by an Independent Testing Laboratory licensed by the Commission in accordance with sampling and analysis protocols adopted by the Commission for testing finished cannabis and cannabis products and environmental media. (935 CMR 500.160(1)) The Commission may require additional testing. (935 CMR 500.160(2)) Laboratory testing results are recorded in the seed-to-sale tracking system; However, potency per product could not be assessed for this report.

While potency results for individual products can be determined through the laboratory results of a product's original batch, these results are not currently linked to the "final product." At this time, manual linkage of the original laboratory report and the final product is required to examine the potency level per product. Extraction and linkage could not be conducted for this report, representing a significant limitation. For a literature review on potency in the legal

market, see *VII. Literature Review of Market and Industry Data subsection 2. Observation from Real Markets (Licit and Illicit)*.

Certain types of cannabis products are known to have a higher potency of THC, including concentrates as compared to bud (“flower”). Therefore, an assessment of product type trends may indicate whether highly potent products (“concentrates”) are increasing in popularity as compared to typically less-highly potent products (“flower”). [See *VII. Literature Review of Market and Industry Data subsection 2. Observation from Real Markets (Licit and Illicit)*]^{14,18,19}

***Note:** Concentrate sales, including oils for vape products and vapes, were impacted by the statewide ban on vaporizing products and a subsequent quarantine on medical cannabis vaporizing products (excluding flower vaporizers) from September 24, 2019 through the end of study period.

11. Purity

The purity, quality, and perceived quality of products may affect demand and legalization impacts. Massachusetts requires laboratory testing of products; However, a full assessment of testing is beyond the scope of this report. For more information about purity in the Massachusetts market see “Guidance for Farmers” located here: <https://mass-cannabis-control.com/wp-content/uploads/2018/08/Farmers-Guidance-v-FINAL-Commission.pdf>.

Testing Accuracy

Research is only beginning to assess accuracy of cannabis product testing and best practices for laboratories. See Jikomes and Zoorob 2018 for an assessment of differences in THC and CBD testing in legal cannabis products across Washington state laboratories.³⁷

12. Price

Price is heavily affected by policy decisions and is known to impact demand and consumption.² [See section *VII. Literature Review of Market and Industry Data 1. Market Analysis Cannabis Price Elasticity and Demand*] State taxation policy, as well as the ability for licensees to vertically integrate, the number of licensees, and regulatory costs may all impact price in varying ways. In Massachusetts, adult-use cannabis is subject to a state sales tax of 6.25%, a state excise tax of 10.75%, and there is a local option for cities or towns of up to 3%. Findings do not assess taxes. A tax assessment is beyond the scope of this report.

Purchase Behaviors

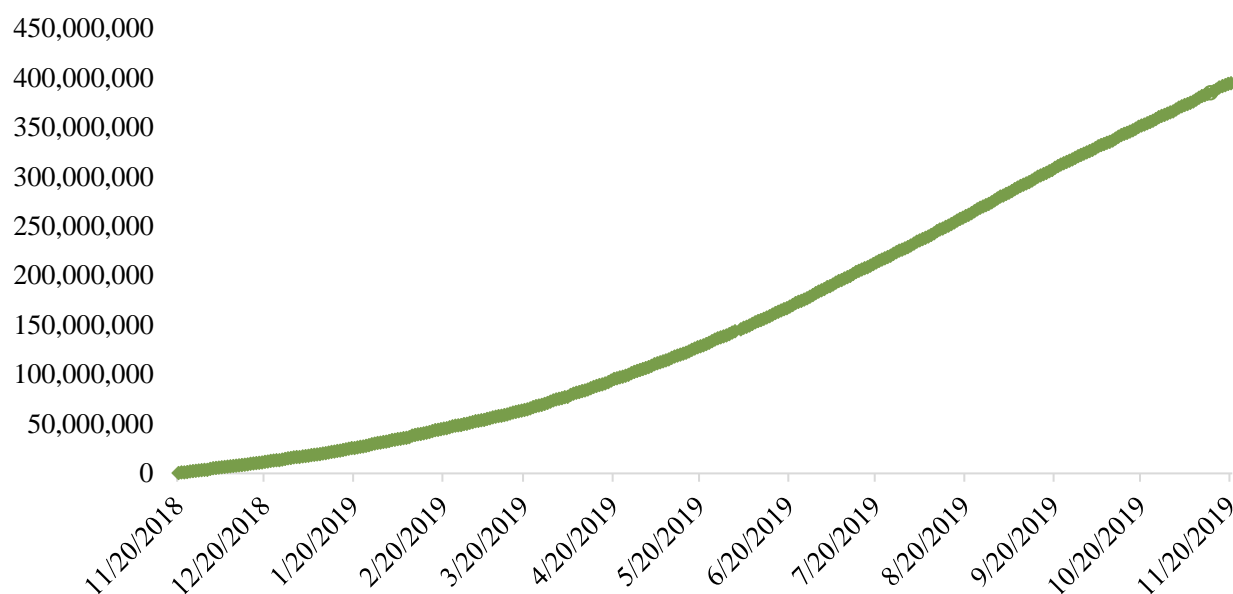
While some research assesses purchasing behaviors among patients in the medical cannabis market, there is very little information about purchase behaviors in the adult-use market. In the medical market, one study of purchase behavior in a single medical cannabis store in California report participants spent an average of \$40.82 on bud (range \$10-\$255) per transaction.³⁸ Older patients and patients with a medical recommendation for anxiety, sleeping problems, or non-specified conditions spent more than younger patients and patients with chronic pain.³⁸ Another

study of 16 Los Angeles medical dispensaries report edible purchasing was more common in dispensaries located in areas with higher socioeconomic status and less common among Black and Hispanic patients compared to other non-white racial cohorts.³⁹ It is unknown if findings from medical cannabis facilities are applicable to adult-use retail stores.

Findings

From November 20, 2018 to November 20, 2019, gross (“total”) sales for adult-use cannabis retail stores and co-located medical and adult-use stores were \$394,333,153.80. Medical cannabis only store sales are not included in this figure. Total sales do **not** include tax(es) collected. [See *Table VI.A.8. Gross Sales for All Adult-Use Cannabis Products* for one year of retail stores data in dollars. This was an average of \$1,077,412.50 sales per day. See *Appendix 3, Chart 2* for chart of total sales by day.]

Table VI.A.8. Gross Sales for All Adult-Use Cannabis Products [11/20/18-11/20/19]



In the first year of retail sales, buds (“flower”) was the most frequently purchased product category, with a total of 4,705,546 units sold in total costing \$191,940,288.30, or an average price per unit of \$40.79. Concentrate (each) was the second most frequently purchased product category with 1,782,161 units sold in total costing \$107,352,206.40 or an average price of \$60.24 per unit. Infused (edible) was the third most frequently purchased product category with 1,564,222 units sold, for a total cost of \$60,076,284.20, or an average of \$38.41 per unit. [See *Table IV.1 Product Category Descriptions* for description of each product category, also see *Appendix 3, Table 3* for a glimpse of product category sales in a one-week period (11/12/19-11/19/19)]

Buds (“flower”) represented 51% of total cannabis products sold and accounted for 49% of total sales. Concentrates (each) represented 19% of total cannabis products sold and accounted for 27% of total sales. Infused (edible) represented 17% of total cannabis products sold and accounted for 15% of total sales. [See *Table IV.A.10 Percent of Total Units Versus Total Sales*]

Table VI.A.9. Sales by Product Category [11/20/18-11/19/19]

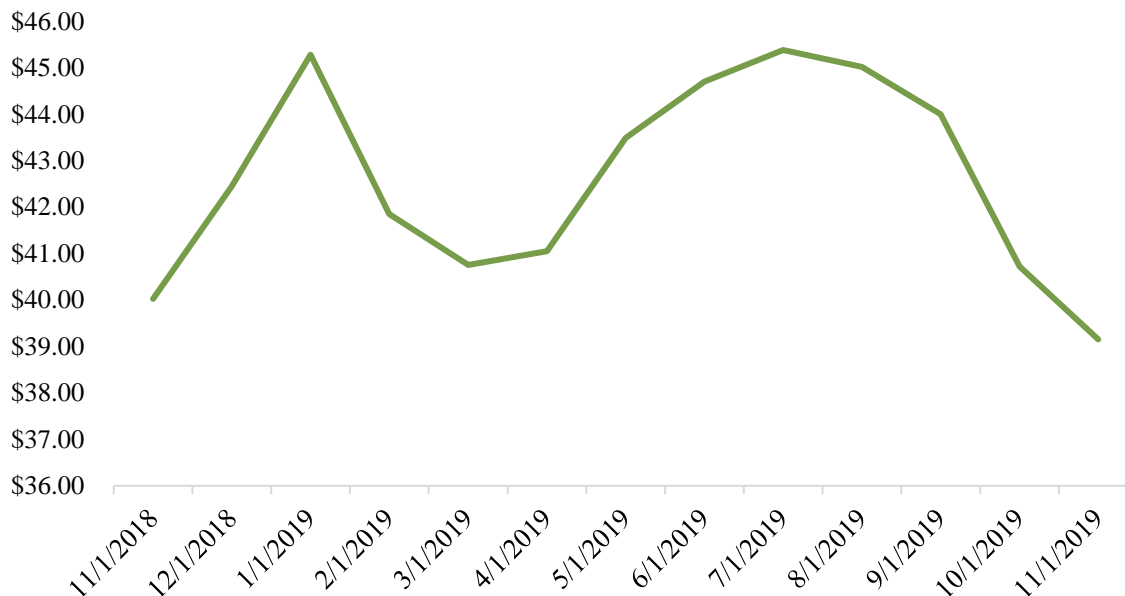
Product Category	Total Units	Total in Dollars	Average Cost Per Unit
Buds	4,705,546	\$ 191,940,288.30	\$ 40.79
Concentrate	47,688	\$ 3,449,114.20	\$ 72.33
Concentrate (Each)	1,782,161	\$ 107,352,206.40	\$ 60.24
Infused (edible)	1,564,222	\$ 60,076,284.20	\$ 38.41
Infused (non-edible)	241,373	\$ 14,336,714.10	\$ 59.40
Infused Pre-Rolls	15,987	\$ 317,772.50	\$ 19.88
Kief	9,017	\$ 276,511.50	\$ 30.67
Raw Pre-Rolls	713,747	\$ 13,873,448.30	\$ 19.44
Shake/Trim	4,442	\$ 132,132.00	\$ 29.75
Shake/Trim (by strain)	83,035	\$ 1,949,656	\$ 23.48
Suppository	47	\$ 1,200.00	\$ 25.53
Total	9,167,265	\$ 393,705,328	

Table VI.A.10. Percent of Total Units Versus Total Sales [11/20/18-11/19/19]

Product Category	Percent of Total Units	Percent of Total Sales
Buds	51%	49%
Concentrate	1%	1%
Concentrate (Each)	19%	27%
Infused (edible)	17%	15%
Infused (non-edible)	3%	4%
Infused Pre-Rolls	0%	0%
Kief	0%	0%
Raw Pre-Rolls	8%	4%
Shake/Trim	0%	0%
Shake/Trim (by strain)	1%	0%
Suppository	0%	0%
Total	100%	100%

The average price per unit of all cannabis product types combined ranged between \$39.15 and \$45.38 per month. The average price per unit in the first year of retail sales was \$42.61. [See *Graph IV.A.11. Aggregate Price Per Unit by Month*]

Graph VI.A.11. Aggregate Price Per Unit by Month [11/20/18- 11/19/19]



Note: A unit is a count of a specific item. For example, if a consumer purchases one ounce of a variety of cannabis bud, that would be one unit. If another consumer buys one pre-roll that would be one unit. This table presents raw average price per unit and does not control for potential confounding variables.

State and Local Tax

In Massachusetts, cannabis consumers pay a 6.25% sales tax and 10.75% excise tax. Additionally, municipalities have the option of adding up to a 3% local tax. As previously mentioned, price data collected in Massachusetts's seed-to-sale tracking system does **not** include tax, therefore, none of the tables/figures in this report include an assessment of taxes.

13. Preference for Licenses

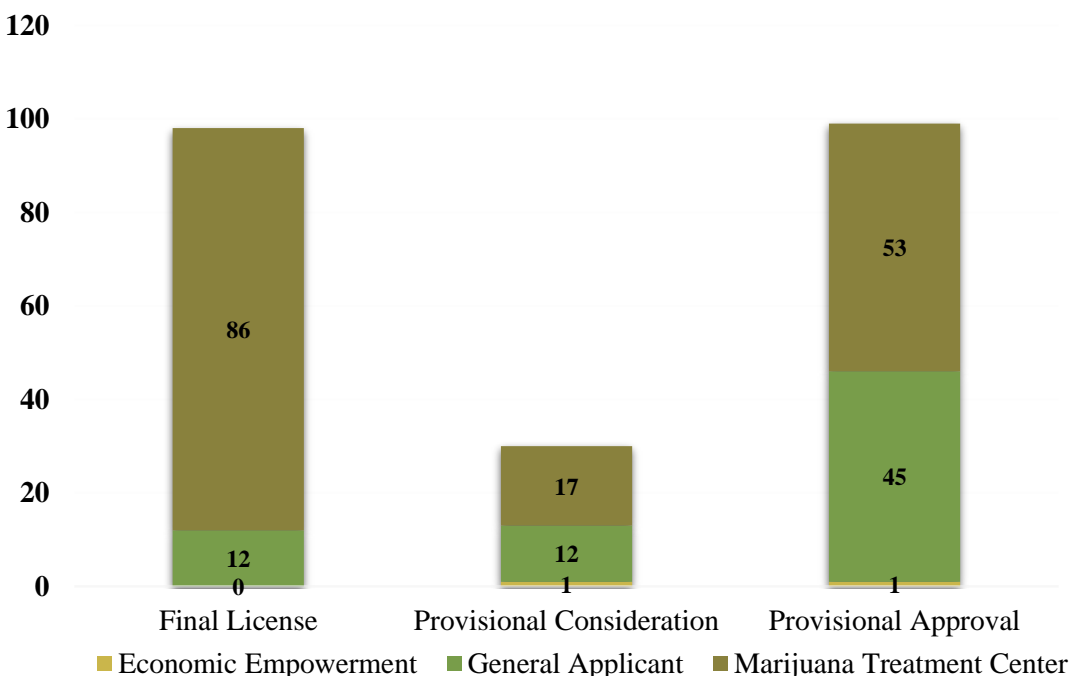
Preference for licenses directly impacts the cannabis industry and marketplace and will affect industry participation. In Massachusetts during the study period, current registered medical marijuana treatment centers (MTCs) and persons with economic empowerment certification status have priority in the licensure process (*i.e. application expedited to the front of the review line*).

The Commission's economic empowerment certification program (2018) prioritized license review for applicants residing in communities disproportionately impacted by cannabis prohibition, and explicitly included those affected by certain past drug convictions as indicated by a drug-related Criminal Record Check Services (CORI). [See *Appendix 6, Table 1* for full qualifying criteria]

Findings

As of November 20, 2019, 88% (n=86) of final licenses were registered medical marijuana treatment centers (MTCs) (*i.e. facilities already operational as medical dispensaries*) priority applications; 12% (n=12) were general applicants, and none were economic empowerment applicants. Taken together, 54% (n=70) of the final licensed, provisionally licensed, and applications under provision consideration were MTC priority applicants; 44% (n=57) were general applicants; and 2% (n=2) were economic empowerment licenses. [See *Table VI.A.12. Priority Status by License Type (Final License, Provisional Consideration, Provisional License)* and see *Appendix 6, Table 2* for priority status by all license states, including pending]

Table VI.A.12. Priority Status by License Status (Final License, Provisional Consideration, Provisional License) [as of 11/20/19]



14. Permanency

The flexibility of cannabis policy and regulation are directly impacted by policy decisions, such as sunset provisions and regulatory structure. In Massachusetts, the Cannabis Control Commission (“Commission”) was formed as a new independent agency to regulate the cannabis industry in the Commonwealth. A comprehensive review of licensee perception of permanency is outside the scope of this report.

VI.B. 15th P: “Participation” [Ownership and Employment Data]

Agent Registrations

As of November 20, 2019, 6,973 agent registrations are reported. An individual agent may have more than one agent registration if they are associated with more than one license type. There are 4,228 unique agents; However, this report is limited to reporting agent registrations, therefore, certain individuals may be counted one or more times. Additionally, agent registration data are typically reported by an owner, rather than self-reported by each individual agent, thus, the validity (accuracy) and reliability (consistency) of this data are unknown.

Total agent registrations include: 5,683 employees (82% of agent registrations), 530 managers (8%), 393 executives (6%), 206 directors (3%), 135 board members (2%), and 6 volunteers (0%). [See *Graph VI.B.1. Agent Registrations by Role* and *Appendix 7, Table 1*]

As of November 20, 2019, the greatest number of agent registrations are associated with Marijuana Retailers (n=2,674 (38%)), followed by Marijuana Cultivators (n=2,204 (32%)), and Marijuana Product Manufacturers (n=1,939 (28%)). [See *Table VI.B.2 Agent Registrations by License Type*]

The majority of agent registrations are for Massachusetts residents (83%) compared to out-of-state residences (17%) and New England residents (96%) compared to non-New England residents (4%). [See *Graph VI.B.3. Agent Registrations by Massachusetts Residency*] For additional data on agent registrations, including residency by state, see Appendix 7, Table 2.

Graph VI.B.1. Agent Registrations by Role [11/20/18-11/20/19]

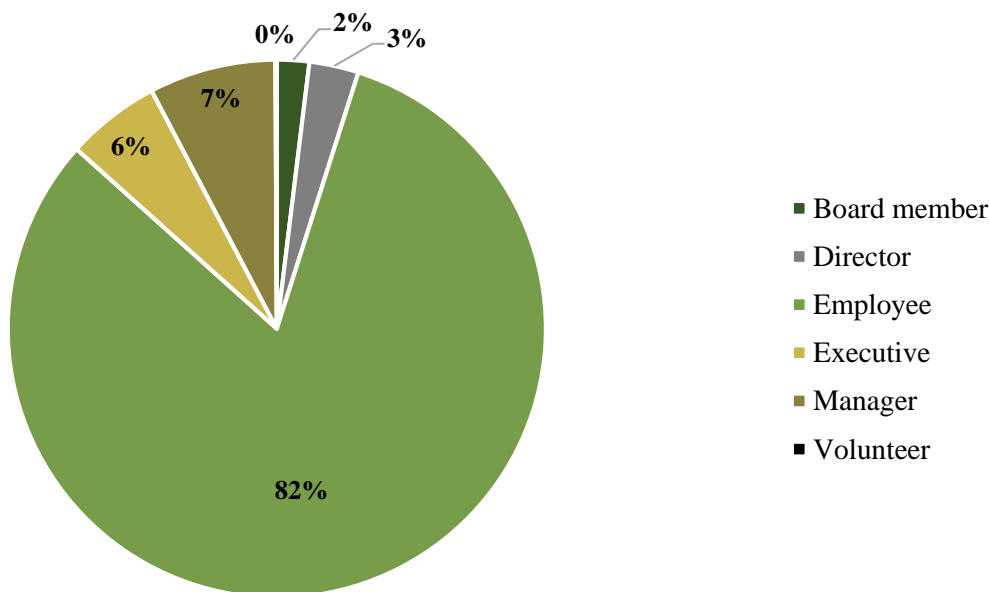
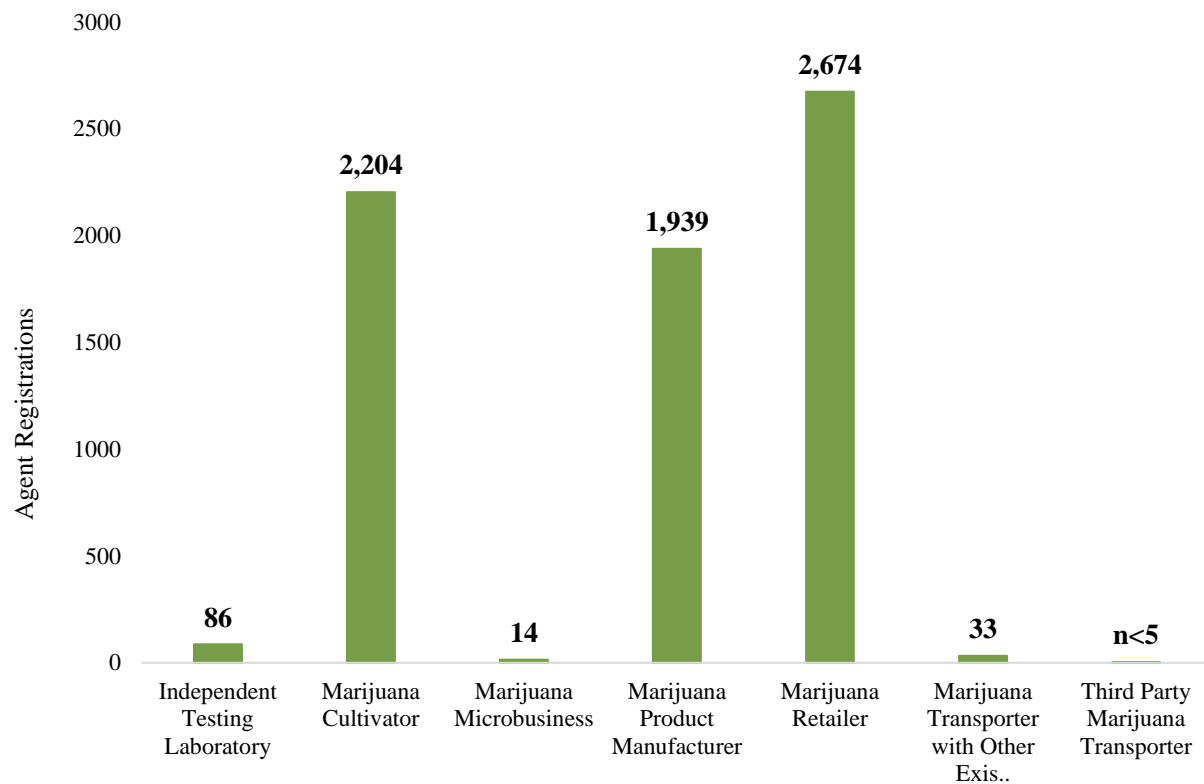
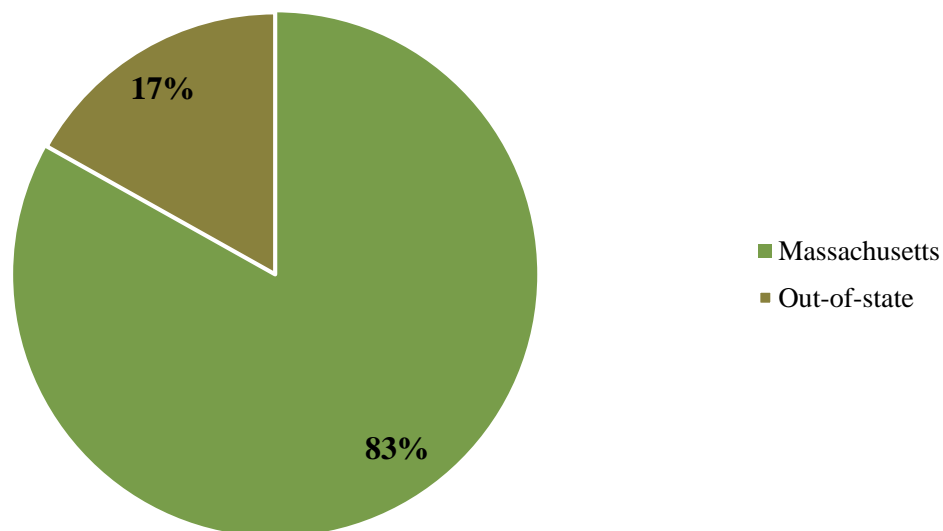


Table VI.B.2. Agent Registrations by License Type [11/20/18-11/20/19]



Graph VI.B.3. Agent Registrations by Massachusetts Residency [11/20/18-11/20/19]



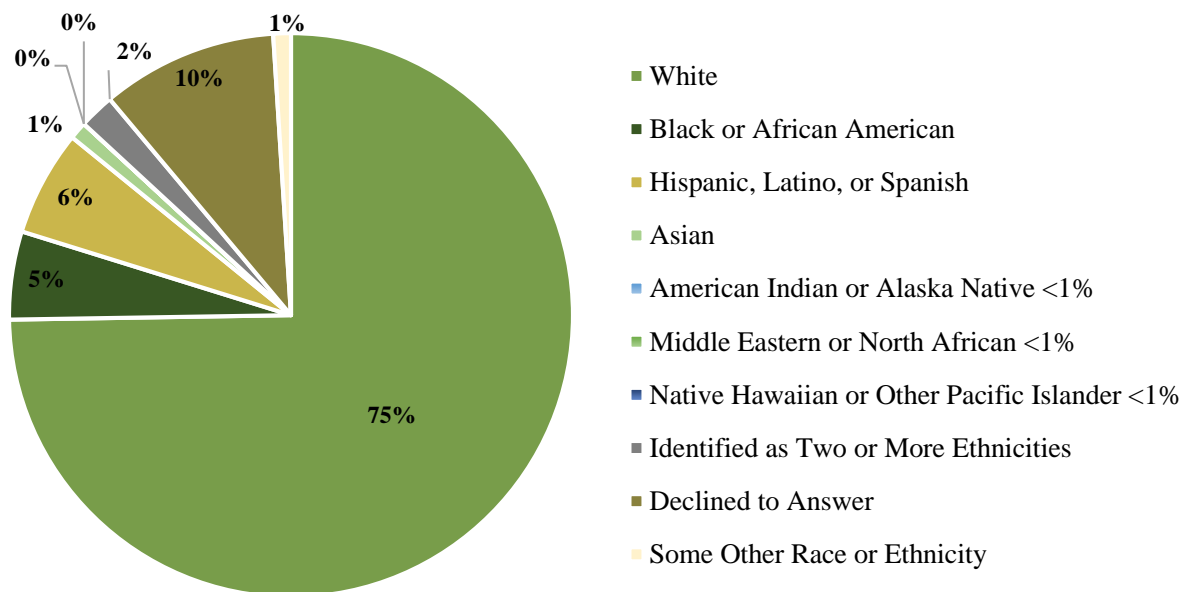
Agent Registrations by Demographics

Owners may record agent registration data in the industry participation system (i.e. MassCIP) rather than the agent themselves. Therefore, there may be inaccuracies in agent registration data, particularly for non-owner demographic information (*e.g. race/ethnicity*). The validity (accuracy) and reliability (consistency) of data are unknown. Additionally, as noted above, individuals may have more than one agent registration (*e.g. person is associated with more than one license type*). The presented data reflects total agent registrations, not individual agents as separate entities.

The majority of agent registrations identify as White (74%). Race/ethnicity is not reported (“decline to answer”) for approximately 10% of agent registrations. Approximately, 7% of agent registrations identify as Hispanic, Latino, or Spanish persons, and about 5% as Black/African American persons. All other racial/ethnic cohorts make up $\leq 2\%$ of agent registrations. [See [Table VI.B.4. Race/Ethnicity of Agent Registrations](#) below and [Appendix 4, Table 1](#) for definitions of racial/ethnic categories as recorded in Massachusetts’s seed-to-sale tracking system]

We are unable to aggregate race/ethnicity by role (*e.g. board member, owner, manager, employee, etc.*) since race/ethnicity is not currently linked at the individual-level in the data. This limitation represents a major gap to the findings presented. We aim to link these datasets to permit assessments in the future.

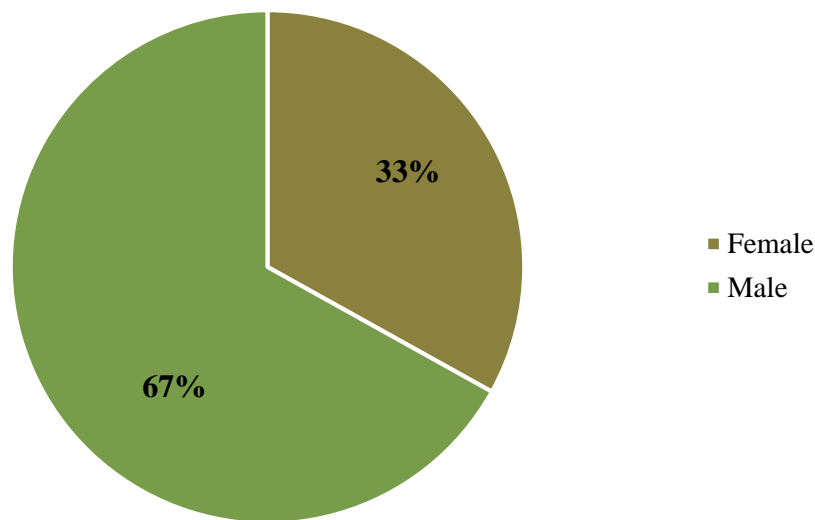
Table VI.B.4. Race/Ethnicity of Agent Registrations (N=6,953) [Current as of 11/20/19]



Like race/ethnicity, gender may be reported in agent registrations by an owner and therefore may not be self-reported. Findings reflect agent registrations (*i.e. persons will be counted more than once if they have multiple agent registrations*). The reported data show that the majority of agent registrations were for males (67%). [See [Table VI.B.5. Gender of Agent Registrations](#) below]

Compared to males, female agent registrations comprised a smaller percentage of each role. Specifically, female agent registrations made up 16% of total board member registrations, 17% of directors, 35% of employees, 19% of executives, and 31% of managers. [See [Table VI.B.6. Agent Registrations by Gender and Role](#)]

Table VI.B.5. Gender of Agent Registrations (N= 6,953) [Current as of 11/20/19]



Note: Agent registrations reporting self-defined gender not shown (n=6 (0.1%))

Table VI.B.6. Agent Registrations by Gender and Role [Current as of 11/20/19]

Role	Female (Percent)		Male (Percent)	
Board Member	21	(16%)	114	(84%)
Director	34	(17%)	172	(83%)
Employee	1,996	(35%)	3,663	(65%)
Executive	75	(19%)	318	(81%)
Manager	165	(31%)	362	(69%)
Total	2,291	(33%)	4,635	(67%)

Veteran status is also reported in agent registrations, typically by owners. Of all agent registrations, 3% report Veteran-status. The majority did not report Veteran-status (89%) or preferred not to indicate Veteran-status (8%). [See *Table VI.B.7. Veteran Status of Agent Registration*]

Of the 183 agent registrations reporting Veteran-status, 79% are employees (147), 9% are directors (16), 7% are executives (13), 3% are managers (6), and 2% are board members (n<5). [See *Table VI.B.8. Agent Registration by Veteran Status and Role*]

Table VI.B.7. Veteran Status of Agent Registrations (N= 6,953) [Current as of 11/20/19]

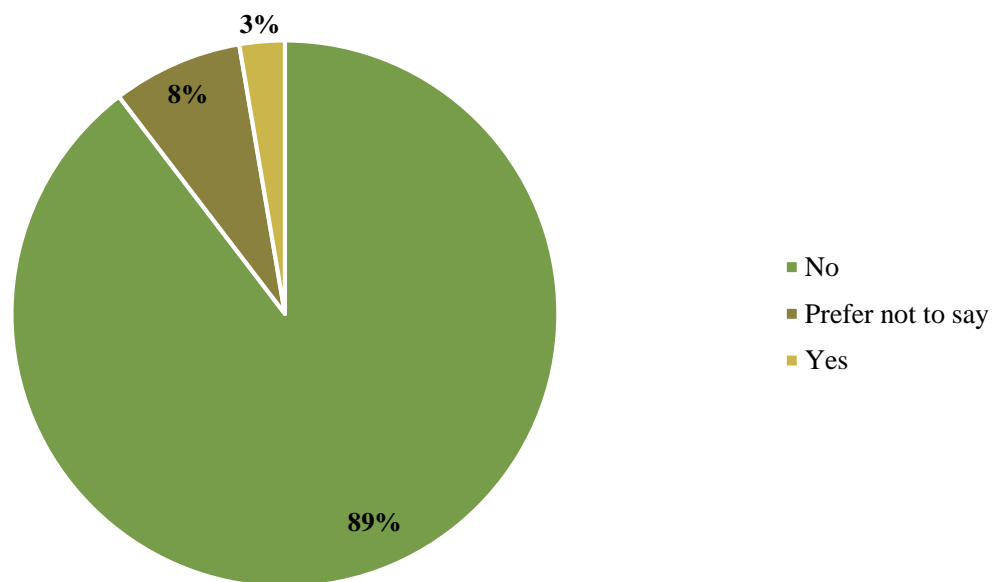
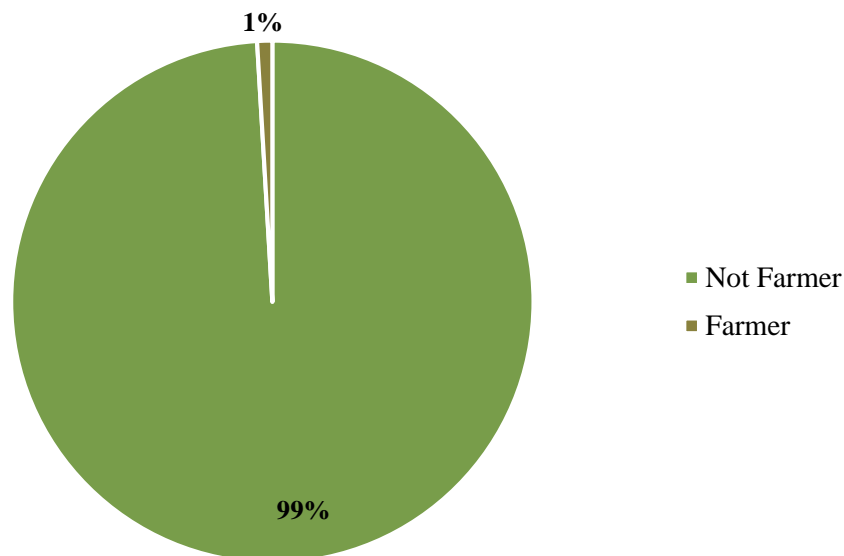


Table VI.B.8. Agent Registration by Veteran Status and Role (N= 6,953) [Current as of 11/20/19]

Role	Veteran (Percent)		Not Veteran or Do Not Disclose (Percent)	
Board member	4	(3%)	131	(97%)
Director	16	(8%)	190	(92%)
Employee	147	(3%)	5,536	(97%)
Executive	13	(3%)	380	(97%)
Manager	6	(1%)	524	(99%)
Total	186	(3%)	6,761	(97%)

Farmer-status is also reported in agent registrations. Data show that the majority of agent registrations do not report farmer-status (99%), with <1% reporting farmer-status (65). [See [Table VI.B.9. Agent Registrations by Farmer Status](#)] Of those reporting farmer-status, 60% of registrations are employees, 18% are managers, and 14% are executives.

Table VI.B.9. Agent Registrations by Farmer-Status (N= 6,953) [Current as of 11/20/19]



Areas of Disproportionate Impact (ADI) and Named Cities

This subsection assesses agent registrations from the 29 cities and towns identified as areas of disproportionate impact (ADIs) and named cities by a 2017 study contracted by the Commission and conducted by Dr. Jon B. Gettman (see report [here](#)).

Only certain census tracts qualify as an ADI in four cities (Boston, Worcester, Lowell, and Springfield); However, due to time and resource constraints, this analysis did not further stratify agent registrations into specific census tracts within each city identified in the study. Therefore, the numbers below represent all agent registrations that report residence in any one of the ADI listed cities or towns. Thus, these numbers may overestimate agent registrations solely residing in an ADI.

Persons from an ADI and named cities comprise 25% of all agent registrations and 30% of all agent registrations from Massachusetts. The ADIs or named cities with the greatest number of agent registrations are: Fall River (n=272 (4%) of total agent registrations), Worcester (n=233 (3%)), Boston (n=231 (3%)), and Springfield (n=114 (2%)). Fitchburg, Lowell, Brockton, and Holyoke followed, each reporting over 75 agent registrations. [See [Table VI.B.10. Agent Registration by ADI and Named Cities](#)]

Table VI.B.10. Agent Registrations by ADI and Named Cities (N= 6,953) [Current as of 11/20/19]

ADI and Named Cities	Total	Percent of Total Agent Registrations	Percent of Massachusetts Agent Registrations
Abington	7	0%	0%
Amherst	25	0%	0%
Boston*	231	3%	4%
Braintree	17	0%	0%
Brockton	81	1%	1%
Chelsea	8	0%	0%
Fall River	272	4%	5%
Fitchburg	89	1%	2%
Greenfield	21	0%	0%
Haverhill	54	1%	1%
Holyoke	78	1%	1%
Lowell*	83	1%	1%
Lynn	33	0%	1%
Mansfield	15	0%	0%
Monson	15	0%	0%
New Bedford	62	1%	1%
North Adams	29	0%	1%
Pittsfield	37	1%	1%
Quincy	47	1%	1%
Randolph	13	0%	0%
Revere	12	0%	0%
Southbridge	19	0%	0%
Spencer	34	0%	1%
Springfield*	114	2%	2%
Taunton	47	1%	1%
Walpole	27	0%	0%
Wareham	22	0%	0%
West Springfield	28	0%	0%
Worcester*	233	3%	4%
Total	1,753	25%	30%

*Only certain census tracts qualify as an ADI; However, this analysis includes all agent registration that report living in an ADI or named city.

Diversity in Industry Ownership (DIO)

The Commission collects data on diversity in agent registrations as well as businesses, including women-owned, minority-owned, Veteran-owned, LGBT⁺-owned, or owner is a person with a disability. This data is self-reported in the industry participation portal (*i.e. MassCIP*) with additional information requiring verification for select categories eligible for expedited review.

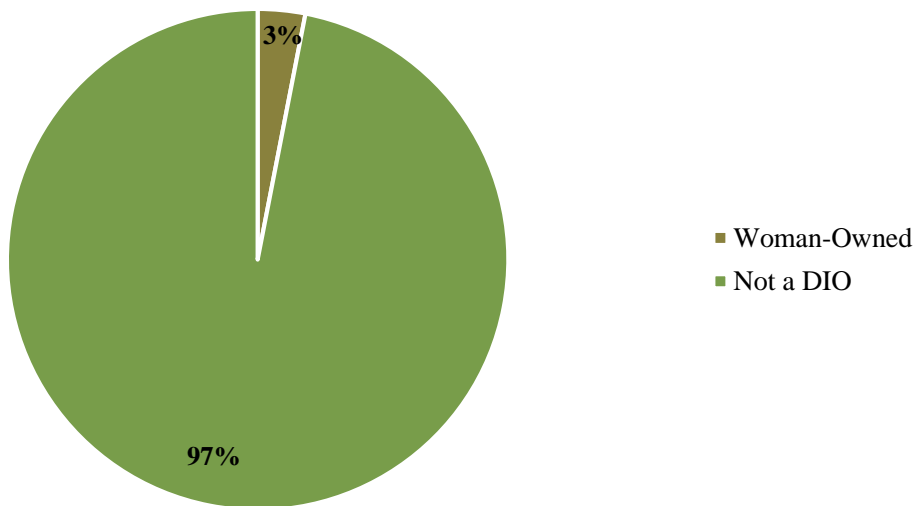
This report assessed all business-level diversity measures collected at the Commission. In this data, businesses may be included in any or all of the following categories: (1) Women-owned, (2) Veteran-owned, (3) Minority-owned, (4) LGBT-owned, and (5) Disability-owned. For purposes of this report, we refer to businesses self-reporting any of these diversity in ownership criteria as “Diversity in Ownership (DIO).” All DIO data are self-reported by the Marijuana Establishment.

As of November 20, 2019, the vast majority (97%) of Marijuana Establishments with a final license do not self-identify as a DIO. [See *Table VI.B.11. Final Licenses by DIO Status*]

***Note:** Similar to the federal-level Disadvantaged Business Enterprise (DBE) Certification program, the state-level Supplier Diversity Office (SDO) of the Operational Services Division (OSD) in the Commonwealth certifies businesses as: (1) Minority Business Enterprises (MBE); (2) Women Business Enterprises (WBE); (3) Veteran Business Enterprises (VBE), and (4) Portuguese Business Enterprises (PBE) in Massachusetts. This is commonly referred to as “diversity certification.” To be eligible, the business applicant must be 51% owned and controlled by a person with at least one of these eligibility criteria (*i.e. woman, minority, Veteran, or Portuguese*) and have a principal place of business in the Commonwealth. Certification is provided after attending a mandatory, two-hour pre-certification workshop.

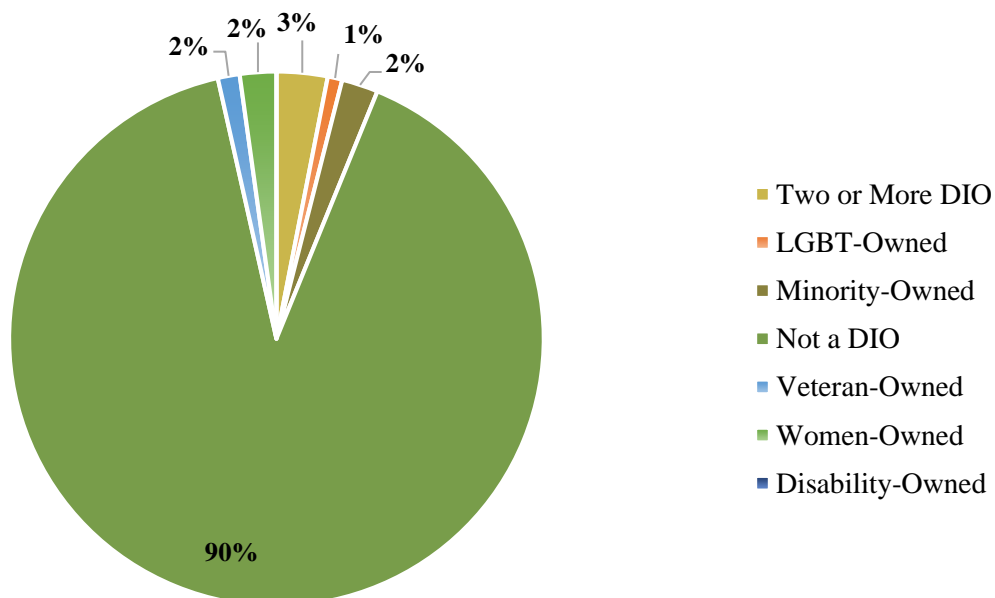
Although it is not part of the Massachusetts’s eligibility criteria for diversity certification or expedited licensing review, the Commission additionally collects industry ownership data on other measures, including: (1) Lesbian, gay, bisexual, transgender (LGBT⁺) and (2) Persons with a disability.

Table VI.B.11. Final Licenses by Diversity in Ownership (DIO) Status (n=98) [Current as of 11/20/19]



Approximately 10% of businesses identify as having diversity in ownership among final licenses, provisional licenses, and provisionally approved applications (n=227). [See *Table VI.B.12. DIO Status for Applications with Provisional License, Provisional Consideration, and Final Licensure* and *Appendix 5* for total counts]

Table VI.B.12. DIO Status of Applications with Provisional License, Provisional Consideration, and Final Licensure (n=227) [Current as of 11/20/19]



VII. Literature Review of Market and Industry Data

Methods

Targeted searches were conducted in August-October 2019 in GoogleScholar and through reference review of identified articles. Search terms included: “cannabis,” “marijuana,” “behavioral economic,” “purchase task,” “elasticity,” “demand,” “price,” “economics,” “substitution,” “seed to sale,” “market,” “illicit,” “participation,” “diversity,” and “industry.” Author reference libraries searches were also conducted. Literature reviews and studies published between 2014-September 2019 were collected. Articles with U.S. samples were prioritized, and the search was limited to English language articles.

1. Market Analysis: *Cannabis Price Elasticity and Demand (theoretical)*

Twelve studies examine the demand-side economics for cannabis, including price elasticity (*i.e. how sensitive demand for cannabis is to price*).^{40,41,50,51,42–49} Only one study is exclusive to participants living in a state with legal adult-use cannabis.⁵⁰ Other study samples include participants in states/countries where cannabis was illegal, therefore, results may not generalize to populations with access to legal cannabis.

Eight studies use a marijuana (“cannabis”) purchase task,^{41,42,45–50} one study uses crowdsource data (priceofweed.com),⁴⁰ and one study uses a survey of French cannabis users when a sample of their cannabis was collected for testing.⁴⁴ Two studies are literature reviews.^{43,51} Four studies include samples of regular and frequent cannabis users,^{41,45–47} two studies include near-daily or daily cannabis users,^{44,48} two studies include regular tobacco and cannabis users,^{42,48} and two studies include those who have used cannabis at least once in the past six months.^{49,50}

In a scoping literature review of purchase tasks for substances, Zvorksy et al. 2019 conclude that “demand tasks,” such as the cannabis purchase task, are effective in measuring demand outcomes, most sensitive to intensity (*i.e. total amount that would be obtained if the product were free*) and the maximum price to be paid for product.⁴³ Aston et al. 2015 specifically validate the cannabis purchase task and report the task has good validity and specificity.⁵² However, there are inconsistencies between studies when conducting the purchase task (*e.g. studies differ in the measure of purchase and consumption, such as “one hit” or “one joint”*), which complicates comparisons.⁴⁷

Importantly, key limitations to this literature prevent predictive analyses of consumption change based on price change and/or legal changes. In a 2014 review, Pacula and Lundberg conclude that results from this literature cannot be used to accurately predict changes to cannabis consumption in a legal cannabis market.⁵¹ Researchers emphasize the need for data on heavy users, who comprise a small proportion of total users, but make up a greater proportion of cannabis consumption and sales.⁵¹

Findings

Is Cannabis Sensitive to Price? (Elasticity)

Studies consistently report evidence of price elasticity for cannabis (*i.e. as the price of cannabis increases, demand decreases*).^{44–46,48–51} Specific estimates for the elasticity of demand vary, likely due to different samples and methods. Importantly, sensitivity may also differ by population. For example, youth typically demonstrate more sensitivity to price in comparison to adults.^{18,51}

Two studies report that legal cannabis is less elastic than illicit cannabis.^{49,50} Amlung and MacKillop 2019 report the price elasticity for legal cannabis is 43% lower than the elasticity for illicit cannabis.⁴⁹ Amlung et al. 2019 additionally report that a legal cannabis option greatly reduces the elasticity of illicit cannabis (-126%), while an illicit substitute for legal cannabis reduces the elasticity of legal cannabis to a less extent (-59%).⁵⁰ In a comparison study, Peters et al. 2017 report that respondents show greater sensitivity to cigarette prices compared to cannabis.⁴⁸

Critically, there are additional factors beyond price that have either been empirically shown to affect or theoretically affect demand for cannabis. While outside the scope of this section, Pacula and Lundberg 2014 identify harm perception, policy environment, and legal risks to also impact demand.⁵¹ Therefore, individuals living in a state with legal cannabis may weigh systematically different risks/benefits when determining their demand for cannabis than those in non-legalized states.

Does User Type Affect Price Elasticity?

Two studies use a cannabis purchase task to examine differences between user groups and report that heavier users are more sensitive to cannabis price compared to lighter users.^{45,46} Specifically, Collins et al. 2014 report that heavy cannabis users report greater sensitivity to price, and Vincent et al. 2017 report that heavy users have a lower price in which they would stop purchasing cannabis (*i.e. lower breakpoint*).^{45,46} Researchers note this finding may be due to increased knowledge about typical cannabis prices among heavy users.⁴⁵ Additionally, the cannabis purchase task may not be reflective of real world behaviors.⁴⁶

In review, Pacula and Lundberg 2014 report similar results among alcohol consumers, where very heavy consumers show greater price elasticity than light drinkers.⁵¹

Do Cravings and Satiety Affect Price Elasticity?

Cannabis demand and price elasticity appear to be influenced by craving and satiety.^{41,42} Metrik et al. 2016 induced craving for cannabis prior to a cannabis purchase task and report that craving increases demand and the price participants indicate they would pay for cannabis.⁴¹ Conversely, Hindocha et al. 2017 provided a sample of participants with cannabis prior to the cannabis purchase task to induce satiety, and report that participants decrease their demand and price they

would pay for additional cannabis.⁴² These studies suggest demand is not static, and may change based on craving or satiety experiences.

Does the Quality of Cannabis Impact Price Elasticity?

The quality of cannabis may also play a role in determining levels of price elasticity. One cannabis purchase task study asks users about their purchase behavior for low, medium, and high quality cannabis, and report that participants are willing to pay more for higher quality cannabis.⁴⁵ In contrast, one study of French near-daily illicit users, report that price elasticity is not influenced by real or perceived product potency/quality.⁴⁴ Neither study uses data from legal retail stores, which are required to test products and label potency, unlike illicit sources, therefore findings may not generalize to populations living in a state with a legal market.

Is Legal Cannabis a Substitute for Illicit Cannabis?

Two behavioral economic studies use an online marijuana (“cannabis”) purchase task⁵² to examine substitution effects for illicit and legal cannabis.^{49,50} Both report evidence of “asymmetric substitutability,” where legal cannabis is favored as a substitute (*i.e. decreased demand*) for illicit cannabis.^{49,50} Both studies also report a preference for legal cannabis with participants reporting that if both legal and illicit cannabis were freely available, they would consume more legal cannabis.^{49,50} Amlung et al. 2019 report that participants would increase their demand by 4.5 grams if both options were freely available.⁵⁰ As noted above, an important caveat is that Amlung and MacKillop 2019 report high-risk users showing less sensitivity to a legal cannabis option than lower-risk user groups.⁴⁹

Price also impacts substitution.^{49,50} Consumers are willing to pay more for legal cannabis until a certain threshold, when preference changes back to illicit cannabis if price(s) are deemed too high. Amlung and MacKillop 2019 report that legal cannabis is strongly preferred when priced similarly or slightly higher than illicit cannabis.⁴⁹ In a Canadian sample, this price fell between \$10–\$12/gram, but researchers report preference for illicit cannabis when the price increased beyond this threshold.⁴⁹ In an American sample, Amlung et al. 2019 report that “\$10/gram of illegal cannabis is roughly equivalent to \$15/gram of legal cannabis, while \$10/gram of legal cannabis is roughly equivalent to \$7/gram of illegal cannabis.”⁵⁰ At a higher price of \$20/gram, researchers report that average consumption would be 64% illicit.⁵⁰ Therefore, while legal cannabis is preferred, a price that is too high may result in more users staying in or moving to the illicit market. Amlung and MacKillop 2019 conclude that pricing policy will need to be optimized to maximize the benefits of a legally regulated cannabis marketplace.⁴⁹

2. Observation from Real Markets (Legal and Illicit)

Seven studies assess consumer patterns and/or product and potency patterns in legal adult-use and illicit cannabis markets.^{14,17–19,37,53,54} All studies examine the legal adult-use market,^{14,18,19,53} and two examine both the legal and illicit markets.^{17,54} The majority of studies only examine Washington state data,^{14,17–19,37,54} and one study examines data from both Washington and Colorado.⁵³ Studies most frequently use seed-to-sale tracking data.^{14,17–19,37} Additional data sources include wastewater,⁵⁴ an extraction of advertised prices by cannabis dispensaries,⁵³ the National Survey of Drug Use and Health (NSDUH),¹⁷ and other primary surveys.^{17,53}

Findings

How are Consumer Patterns in the Illicit Market Impacted by Legalization?

In the Commission’s report, “*Special Report: Evaluating the Impact of Cannabis Legalization in Massachusetts: State of the Data*,” we identify two approaches for estimation of a drug market including: (1) supply side (*i.e. production-based and seizure-based*); and (2) demand side (*i.e. consumption-based and expenditure-based*) estimates.^{55,56} While the illicit market is notoriously challenging to measure (see Kilmer et al. 2011),⁵⁷ two studies examine the impact of legalization in the illicit market through both supply and demand.^{17,54} Caulkins et al. 2019 examined one year of Washington state seed-to-sale data (July 2016-2017) and compare results to rates of cannabis use as reported in the state’s National Survey on Drug Use and Health (NSDUH) data.¹⁷ Separately, researchers conducted a survey to understand the frequency and amount of cannabis typically consumed by different user groups.¹⁷ Researchers did not expect to find a perfect match between legal cannabis sales and self-reported consumption, even if all cannabis had been obtained through the legal market due to use by tourists, legal home grow, medical purposes, unused products, and diversion, among other factors.^{17,58} However, researchers report that a large portion of cannabis sales and product (*i.e. \$1.66 billion and over 200 metric tons of flower*) occur in the illicit market.¹⁷

Burgard et al. 2019 examine wastewater for the metabolite, 11-nor-9-carboxy- Δ^9 -tetrahydrocannabinol (THC-COOH), in a three-year period spanning pre- and post-cannabis retail sales in Washington state.⁵⁴ Researchers report cannabis consumption approximately doubled over the study period as measured in THC-COOH while cannabis sales in retail stores increased at 60-70%.⁵⁴ Researchers conclude that some users switched from the illicit to the legal market but could not estimate the percent of legal or illicit consumption.⁵⁴

In the gray literature, a report commissioned by the Colorado Department of Revenue and Marijuana Enforcement Division report that in 2017, (*~three years after the first retail cannabis store opened*), the illicit market was largely absorbed by the legal market.⁵⁸ Importantly, there is policy heterogeneity [see section V. *P’s of Legalization*] between each state that has legalized adult-use cannabis which make state-to-state comparisons challenging.⁵⁹

How is Price Impacted by Adult-Use Legalization?

Price is important to track as it affects consumption and tax revenue.⁵³ Two theoretical studies report that legal cannabis is preferred to illicit cannabis, where consumers indicate a willingness to pay more, but only up to a certain point before many turn back to the illicit market.^{49,50}

Four articles examine cannabis price in the legal adult-use market.^{14,18,19,53} One study reports that in the short term (4-5 months after legal cannabis markets opened), cannabis prices do not decrease.⁵³ Three studies in Washington state report that cannabis prices decreased soon after the market opened, and over a period of two-to three years.^{14,18,19}

Researchers expect cannabis prices to decrease if there is a move from the illicit to a legal market due to increased efficiencies (*see Hunt and Pacula 2017*).⁵³ However, in the short-term, this may not be seen for varying reasons such as a delay in licensing, heightened demand, lags in production capacity. Hunt and Pacula 2017 argue that if prices do not decrease, short run factors are dominating the current market.⁵³ If short run factors are at play, researchers suggest consumption levels are unlikely to change significantly, and therefore any research assessing the impact of cannabis laws and potential harms will not fully capture the impact of a mature market.⁵³

Hunt and Pacula 2017 examine Colorado and Washington cannabis prices at four- to five-months following adult-use implementation (“retail stores open”).⁵³ This study employs a cannabis-user survey and crowdsource data to capture both legal and illicit prices and report no change in price of adult-use or medical cannabis at four- to five- months after the market opened.⁵³ Seed-to-sale data are not examined in this study. When researchers look specifically at participants reporting purchase from adult-use stores, purchasers report higher prices than those purchasing from a friend in the short-term following implementation.⁵³

In a two-year analysis (2014-2016) of flower and extract legal sales in Washington’s seed-to-sale database, Smart et al. 2017 report that prices dropped sharply and then stabilized, after retail stores opened.¹⁹ Potency is associated with higher prices, but price per unit of THC in more potent products are lower than cost per unit of THC in less potent products.¹⁹ There is no evidence that retail stores offer significant savings for buying larger quantities,¹⁹ unlike quantity discounts that are reported in the illicit market.⁴⁴ A separate analysis of 2.5 years of Washington state seed-to-sale data assess factors beyond retail price and report steep initial decreases in price among cannabis for processors and retailers in the first year with retail stores.¹⁸ Prices continue to decrease in the next year and a half; However, prices drop at a slower rate.¹⁸ Interestingly, researchers report the wholesale to retail price remains stable at an approximate 3:1 ratio.¹⁸

In the gray literature, a Colorado report finds retail store cannabis prices decrease, but the price of a single THC serving decreases quicker than the price of flower.⁵⁸ An Oregon report also finds a rapid decrease in median price per gram resulting from high-supply and low-wholesale price.²²

How are Product Types and Potency Impacted by Adult-Use Legalization?

Four studies examine the types of legal adult-use products sold. All studies use Washington state data.^{14,18,19,37}

Flower accounts for the majority of sales, but later declines in percent of market share as other forms of consumption gained popularity.^{14,18,19} An analysis of 2.5 years of Washington state retail sales report that together, wax, shatter, and resin represent the fastest growing product segment.¹⁸ Smart et al. 2017 also report increases in demand for inhalable extracts.¹⁹

There appears to be a trend toward higher potency products in the legal market. Smart et al. 2017 observes a trend toward a higher percent of THC in flower products and among inhalable extracts.¹⁹ Jikomes and Zoorob 2018 examine THC content across time in the six largest testing laboratories in Washington state, thereby controlling for between laboratory differences, and report THC levels in flower and concentrates increase from 2014 to 2015, and stabilize from 2015 to April, 2017.³⁷

In the gray literature, a Colorado report finds cannabis potency in the legal market increased between 2014 and 2017.⁵⁸ An Oregon report similarly finds a shift from flower, leaves, and non-infused pre-rolls towards extracts and concentrates since 2017.²²

3. Participation in Legal Cannabis Industry

While participation in the cannabis industry is not new, participation in the legal cannabis market is a new phenomenon. Lack of diversity is a major concern in the nascent industry, particularly in the context of the historic inequities of cannabis prohibition and enforcement. See [A Baseline Review and Assessment of Cannabis Use and Public Safety Part 2: 94C Violations and Social Equity: Literature Review and Preliminary Data in Massachusetts](#) for a review of cannabis violations in Massachusetts. Consistent with other literature, this report finds that Black and Hispanic/Latino cohorts are disproportionately impacted by cannabis prohibition and enforcement.⁶⁰

For additional context, research shows that Black and Hispanic/Latino cohorts hold fewer position of ownership in U.S. businesses compared to White cohorts.^{61–63} There are also significant income and wealth gaps between racial/ethnic minorities, particularly Black and Hispanic/Latinos in comparison to White cohort counterparts.^{61,64} Research additionally shows that women hold fewer positions of ownership and leadership in U.S. businesses, and hold less wealth compared to men.⁶⁵ Importantly, persons of certain intersectional identities (*e.g. Black women*)^{66,67} and persons from other demographic cohorts (*e.g. people with disabilities*)⁶⁸ also have disproportionately lower positions of ownership and leadership compared to their share of the population. The scope of this review is limited to racial/ethnic minorities and women and is limited to articles examining the cannabis market specifically.

Seven articles were identified.^{1,69–74} Studies include qualitative data analysis of interviews,^{69,72} advertisements,⁶⁹ job postings,⁷² and consisted of commentary papers^{70,71} and legal analysis¹ or reviews.⁷³ All, with the exception of one paper, primarily focuses on participation in the legal cannabis market.⁷² No articles analyze demographic data from legal cannabis markets.

Findings

Theoretical

Cannabis industry participation assessments are just beginning to develop, and remain largely in journalism, gray literature reports, and student-research,^{75,76} rather than peer-review journals. However, a small body of research applies historical findings, qualitative review, and projections to identify potential barriers to legal cannabis market participation among Black and Hispanic/Latino people and women.^{1,69–71,73,74} Themes from these studies and reviews are synthesized below and provide context to the disparities identified in baseline data. [See section *VI. Baseline Data*]

Research identifies several components in the legal cannabis market that pose greater challenges to Black and Hispanic/Latino cohorts compared to their White counterparts. Specific to the licensure process, researchers identify criminal record restrictions, high fees, and other cost-prohibitive practices as barriers.⁷⁰ Four studies identify restrictions that prevent those with felony records from working in the legal industry as a major obstacle.^{1,70,73,74} Research suggests that the disproportionate impact of policing and drug law violations, including cannabis, on Black and Hispanic/Latino communities results in systematic exclusion of the people most affected by

cannabis prohibition from benefiting from legalization.¹ One study additionally identifies that high fees associated with licensure disproportionately impacts Blacks compared to Whites due to racial disparities in wealth.⁷⁰ Beyond licensure fees, researchers also identify the high cost of conducting business, including for regulatory compliance, and lack of access to traditional banking, as barriers to entry.¹

External to the licensure process, two studies identify the legally tenuous position of cannabis, (*i.e. remains federally illegal*) disincentivizes minority involvement in comparison to other race cohorts.^{70,74} Bender 2017 describes this phenomenon as a reluctance of minorities, already subject to undue scrutiny by law enforcement officials, to enter a high-profile market that is not fully legal.⁷⁴ These cannabis-specific barriers occur in the context of larger and structural barriers beyond the scope of this section and report.

In studies of female participation in the cannabis market, two articles identify sexualization of the cannabis plant, plant trimmers, and products in the cannabis market as elements that may negatively affect female participation and leadership opportunity.^{69,72} August 2013 examine job postings for cannabis trimmers in the illicit market and report many postings were sexualized.⁷² In a study of women participating in the legal market, Kittel 2018 also identifies sexism and sexualization in qualitative interviews with participants (N=5); However, participants differ in how they perceive the impact of sexualization on participation.⁶⁹ Access to capital and lack of traditional banking concerns in the cannabis-industry may also disproportionately impact women, and as noted previously, cannabis-specific barriers occur in the context of larger and structural barriers beyond the scope of this review.

Legal Market

One peer review article examines racial/ethnic or gender representation in the legal cannabis markets.³⁶ [See Section VI. *Baseline Data for Massachusetts data*] Adinoff and Reiman report participation data by race/ethnicity lacks, and identifies Massachusetts as the only state reporting industry participation by race/ethnicity.³⁶ This represents a critical area for future research. Separately, two papers cite journalist Amanda Chicago Lewis (2016), who reports that Black owners comprise approximately 1% of legal cannabis owners.^{1,74,77} One author notes that earlier states to legalize cannabis have lower proportions of minorities, particularly Black residents, compared to the country.⁷⁴ As additional states move toward cannabis legalization, studies of industry participation are critical.

VIII. Research Gaps

After a baseline review of the data and literature regarding the legal adult-use cannabis market and participation, the Commission's Research Department, with consultation and collaboration with varying researchers, highlight the following gaps in our collective knowledge, gaps needed to guide evidence-based policy decisions.

- Participation in the legal cannabis market, including ancillary business, by demographic cohort, including race/ethnicity, gender and other underrepresented cohorts (with stratification by employee versus owner);
- Impact of social equity provisions on the industry and market, including participation;
- Purchase behavior, use, and consumption behaviors among heavy users who will comprise the largest proportion of consumption and sales;
- Purchasing behavior in the adult-use market among all use groups;
- Market segmentation in the adult-use market;
- Geospatial characteristics of retail stores and other license types;
- Impact of legalization on product potency, price, and types of product;
- Price sensitivity across varying cohorts in the legal versus illicit market;
- Efficacy of laboratory testing for purity, quality, accuracy, and impact of consumer perception of product purity;
- Percent and characteristics of sales occurring in the legal market compared to the illicit market.

IX. References

1. Rahwanji M. “Hash”ing Out Inequality in the Legal Recreational Cannabis Industry. *Northwest J Int Law Bus.* 2019;39(3):333-358.
2. Kilmer B. Policy designs for cannabis legalization: starting with the eight Ps. *Am J Drug Alcohol Abuse.* 2014;40(4):259-261. doi:10.3109/00952990.2014.894047
3. Bostwick JM. Blurred Boundaries: The Therapeutics and Politics of Medical Marijuana. *Mayo Clin Proc.* 2012;87(2):172-186. doi:10.1016/j.mayocp.2011.10.003
4. Pacula RL, Chriqui JF, Reichmann DA, Terry-McElrath YM. State medical marijuana laws: understanding the laws and their limitations. *J Public Health Policy.* 2002;23(4):413-439. <http://www.ncbi.nlm.nih.gov/pubmed/12532682>.
5. Courtwright DT, Belenko SR. Drugs and Drug Policy in America: A Documentary History. *Am J Leg Hist.* 2000;44(3):317. doi:10.2307/3113869
6. Mikuriya TH. Marijuana in medicine: past, present and future. *Calif Med.* 1969;110(1):34-40. <http://www.ncbi.nlm.nih.gov/pubmed/4883504>.
7. Bridgeman MB, Abazia DT. Medicinal cannabis: history, pharmacology, and implications for the acute care setting. *Pharm Ther.* 2017;42(3):180-188. doi:10.1177/2045125312457586
8. David F. Musto. Opium, Cocaine and Marijuana in American History. *Sci Am.* 1991;265(1):40-47. https://www.jstor.org/stable/24936977?seq=1#page_scan_tab_contents.
9. Gieringer DH. The Forgotten Origins of Cannabis Prohibition in California. *Contemp Drug Probl.* 1999;26(2):237-288. doi:10.1177/009145099902600204
10. Diversion Control Division, Drug Enforcement Administration (DEA) USD of J (DOJ). Title 21 United States Code (USC) Controlled Substances Act. <https://www.deadiversion.usdoj.gov/21cfr/21usc/>. Accessed October 16, 2018.
11. U.S. Drug Enforcement Agency. Drug Scheduling. webpage. <https://www.dea.gov/drug-scheduling>. Accessed October 16, 2018.
12. Jeffrey Miron. *The Effect of Marijuana Decriminalization on the Budgets of Massachusetts Governments, With a Discussion of Decriminalization’s Effect on Marijuana Use: An Update of Miron (2002a)*. Cambridge, MA; 2008. https://scholar.harvard.edu/files/miron/files/decrim_update_2007-1.pdf.
13. National Conference of State Legislatures. Marijuana Overview. webpage. <http://www.ncsl.org/research/civil-and-criminal-justice/marijuana-overview.aspx>. Accessed October 16, 2018.
14. Davenport S. Price and product variation in Washington’s recreational cannabis market. *Int J Drug Policy.* 2019;(xxxx):0-1. doi:10.1016/j.drugpo.2019.08.004
15. Williams J, Banta-Green C, Burgard D. The Need for Better Marijuana Sales Data. *Addiction.* 2017;112:2179-2181. doi:10.1007/978-3-642-17410-0
16. Massachusetts Department of Public Health. *Marijuana Baseline Health Study.*; 2019. <https://www.mass.gov/report/massachusetts-department-of-public-health-marijuana-research>.
17. Caulkins JP, Davenport S, Doanvo A, et al. Triangulating web & general population surveys: Do results match legal cannabis market sales? *Int J Drug Policy.* 2019;(June):1-8. doi:10.1016/j.drugpo.2019.06.010
18. Caulkins JP, Bao Y, Davenport S, et al. Big data on a big new market: Insights from



- Washington State's legal cannabis market. *Int J Drug Policy*. 2018;57:86-94. doi:10.1016/j.drugpo.2018.03.031
19. Smart R, Caulkins JP, Kilmer B, Davenport S, Midgette G. Variation in cannabis potency and prices in a newly legal market: evidence from 30 million cannabis sales in Washington state. *Addiction*. 2017;112(12):2167-2177. doi:10.1111/add.13886
 20. Kilmer B. How will cannabis legalization affect health, safety, and social equity outcomes? It largely depends on the 14 Ps. *Am J Drug Alcohol Abuse*. July 2019:1-9. doi:10.1080/00952990.2019.1611841
 21. Callaghan RC, Sanches M, Benny C, Stockwell T, Sherk A, Kish S. Who consumes most of the cannabis in Canada? Profiles of cannabis consumption by quantity. *Drug Alcohol Depend*. 2019;205(September):107587. doi:10.1016/j.drugalcdep.2019.107587
 22. Oregon Liquor Control Commission. *Recreational Marijuana Supply and Demand Legislative Report*.; 2019. [https://www.oregon.gov/olcc/marijuana/Documents/Bulletins/2019 Supply and Demand Legislative Report FINAL for Publication\(PDFA\).pdf](https://www.oregon.gov/olcc/marijuana/Documents/Bulletins/2019%20Supply%20and%20Demand%20Legislative%20Report%20FINAL%20for%20Publication(PDFA).pdf).
 23. Oregon Liquor Control Commission. Recreational Marijuana FAQs: Licensing-General. <https://www.oregon.gov/olcc/marijuana/Pages/FAQs-Licensing-General.aspx>.
 24. Everson EM, Dilley JA, Maher JE, Mack CE. Post-Legalization Opening of Retail Cannabis Stores and Adult Cannabis Use in Washington State, 2009–2016. *Am J Public Health*. 2019;109(9):1294-1301. doi:10.2105/ajph.2019.305191
 25. Cooke A, Freisthler B, Mulholland E. Examination of Market Segmentation among Medical Marijuana Dispensaries. *Subst Use Misuse*. 2018;53(9):1463-1467. doi:10.1080/10826084.2017.1413391
 26. Lipperman-Kreda S, Grube JW. Impacts of Marijuana Commercialization on Adolescents' Marijuana Beliefs, Use, and Co-use With Other Substances. *J Adolesc Heal*. 2018;63(1):5-6. doi:10.1016/j.jadohealth.2018.05.003
 27. Berg CJ, Henriksen L, Cavazos-Rehg PA, Haardoefer R, Freisthler B. The emerging marijuana retail environment: Key lessons learned from tobacco and alcohol retail research. *Addict Behav*. 2018;81(5):26-31. doi:10.1016/j.addbeh.2018.01.040
 28. Freisthler B, Gruenewald PJ. Examining the relationship between the physical availability of medical marijuana and marijuana use across fifty California cities. *Drug Alcohol Depend*. 2014;143(4):244-250. doi:10.1016/j.drugalcdep.2014.07.036
 29. Mair C, Freisthler B, Ponicki WR, Gaidus A. The impacts of marijuana dispensary density and neighborhood ecology on marijuana abuse and dependence. *Drug Alcohol Depend*. 2015;154(3):111-116. doi:10.1016/j.drugalcdep.2015.06.019
 30. Lankenau SE, Tabb LP, Kioumarsis A, Ataiants J, Iverson E, Wong CF. Density of Medical Marijuana Dispensaries and Current Marijuana Use among Young Adult Marijuana Users in Los Angeles. *Subst Use Misuse*. 2019;6084. doi:10.1080/10826084.2019.1618332
 31. Shi Y. The availability of medical marijuana dispensary and adolescent marijuana use. *Prev Med (Baltim)*. 2016;91:1-7. doi:10.1016/j.ypmed.2016.07.015
 32. Shi Y, Cummins SE, Zhu S-H. Medical Marijuana Availability, Price, and Product Variety, and Adolescents' Marijuana Use. *J Adolesc Heal*. 2018;63(1):88-93. doi:10.1016/j.jadohealth.2018.01.008
 33. Myran DT, Brown CRL, Tanuseputro P. Access to cannabis retail stores across Canada 6 months following legalization: a descriptive study. *C Open*. 2019;7(3):E454-E461.



- doi:10.9778/cmajo.20190012
34. Tabb LP, Fillmore C, Melly S. Location, location, location: Assessing the spatial patterning between marijuana licenses, alcohol outlets and neighborhood characteristics within Washington state. *Drug Alcohol Depend.* 2018;185(February):214-218. doi:10.1016/j.drugalcdep.2018.01.004
 35. Shi Y, Meseck K, Jankowska MM. Availability of Medical and Recreational Marijuana Stores and Neighborhood Characteristics in Colorado. *J Addict.* 2016;2016:1-7. doi:10.1155/2016/7193740
 36. Adinoff B, Reiman A. Implementing social justice in the transition from illicit to legal cannabis. *Am J Drug Alcohol Abuse.* 2019;2990. doi:10.1080/00952990.2019.1674862
 37. Jikomes N, Zoorob M. The Cannabinoid Content of Legal Cannabis in Washington State Varies Systematically Across Testing Facilities and Popular Consumer Products. *Sci Rep.* 2018;8(1):1-15. doi:10.1038/s41598-018-22755-2
 38. Kepple NJ, Freisthler B. Who's Buying What and How Much? Correlates of Purchase Behaviors From Medical Marijuana Dispensaries in Los Angeles, California. *J Prim Prev.* 2018;39(6):571-589. doi:10.1007/s10935-018-0528-5
 39. Kepple NJ, Freisthler B. Place over traits? Purchasing edibles from medical marijuana dispensaries in Los Angeles, CA. *Addict Behav.* 2017;73(November 2016):1-3. doi:10.1016/j.addbeh.2017.04.010
 40. Davis AJ, Geisler KR, Nichols MW. The price elasticity of marijuana demand: evidence from crowd-sourced transaction data. *Empir Econ.* 2015;50(4):1171-1192. doi:10.1007/s00181-015-0992-1
 41. Metrik J, Aston ER, Kahler CW, et al. Cue-elicited increases in incentive salience for marijuana: Craving, demand, and attentional bias. *Drug Alcohol Depend.* 2016;167(3):82-88. doi:10.1016/j.drugalcdep.2016.07.027
 42. Hindocha C, Lawn W, Freeman TP, Curran HV. Individual and combined effects of cannabis and tobacco on drug reward processing in non-dependent users. *Psychopharmacology (Berl).* 2017;234(21):3153-3163. doi:10.1007/s00213-017-4698-2
 43. Zvorsky I, Nighbor TD, Kurti AN, et al. Sensitivity of hypothetical purchase task indices when studying substance use: A systematic literature review. *Prev Med (Baltim).* 2019;(August):105789. doi:10.1016/j.ypmed.2019.105789
 44. Ben Lakhdar C, Vaillant NG, Wolff FC. Price elasticity of demand for cannabis: Does potency matter? *Addict Res Theory.* 2016;24(4):300-312. doi:10.3109/16066359.2016.1139699
 45. Vincent PC, Collins RL, Liu L, Yu J, De Leo JA, Earleywine M. The effects of perceived quality on behavioral economic demand for marijuana: A web-based experiment. *Drug Alcohol Depend.* 2017;170:174-180. doi:10.1016/j.drugalcdep.2016.11.013
 46. Collins RL, Vincent PC, Yu J, Liu L, Epstein LH. A behavioral economic approach to assessing demand for marijuana. *Exp Clin Psychopharmacol.* 2014;22(3):211-221. doi:10.1037/a0035318
 47. Aston ER, Farris SG, MacKillop J, Metrik J. Latent factor structure of a behavioral economic marijuana demand curve. *Psychopharmacology (Berl).* 2017;234(16):2421-2429. doi:10.1007/s00213-017-4633-6
 48. Peters EN, Rosenberry ZR, Schauer GL, O'Grady KE, Johnson PS. Marijuana and tobacco cigarettes: Estimating their behavioral economic relationship using purchasing tasks. *Exp Clin Psychopharmacol.* 2017;25(3):208-215. doi:10.1037/pha0000122



49. Amlung M, MacKillop J. Availability of legalized cannabis reduces demand for illegal cannabis among Canadian cannabis users: evidence from a behavioural economic substitution paradigm. *Can J Public Heal.* 2019;110(2):216-221. doi:10.17269/s41997-018-0160-4
50. Amlung M, Reed DD, Morris V, Aston ER, Metrik J, MacKillop J. Price elasticity of illegal versus legal cannabis: a behavioral economic substitutability analysis. *Addiction.* 2019;114(1):112-118. doi:10.1111/add.14437
51. Pacula RL, Lundberg R. Why Changes in Price Matter When Thinking About Marijuana Policy: A Review of the Literature on the Elasticity of Demand. *Public Heal Rev.* 2014;35(2):1-18.
52. Aston ER, Metrik J, MacKillop J. Further validation of a marijuana purchase task. *Drug Alcohol Depend.* 2015;152(8):32-38. doi:10.1016/j.drugalcdep.2015.04.025
53. Hunt P, Pacula RL. Early Impacts of Marijuana Legalization: An Evaluation of Prices in Colorado and Washington. *J Prim Prev.* 2017;38(3):221-248. doi:10.1007/s10935-017-0471-x
54. Burgard DA, Williams J, Westerman D, et al. Using wastewater-based analysis to monitor the effects of legalized retail sales on cannabis consumption in Washington State, USA. *Addiction.* 2019;114(9):1582-1590. doi:10.1111/add.14641
55. Whitehill JM, Geissler KH, Doonan SM, Johnson JK. *Special Report: Evaluating the Impact of Cannabis Legalization in Massachusetts: State of the Data.* Boston, MA; 2019. <https://mass-cannabis-control.com/wp-content/uploads/2019/11/RR5-Special-Report-Evaluating-the-Impact-of-Cannabis-Legalization-in-MA-State-of-the-Data-Nov-2019-2.pdf>.
56. Parey M, Rasul I. Measuring the Market Size for Cannabis: A New Approach Using Forensic Economics. *CEPR Discuss Pap.* 2017. doi:10.1111/(ISSN)1468-0335
57. Kilmer B, Caulkins JP, Pacula RL, Reuter PH. Bringing perspective to illicit markets: estimating the size of the U.S. marijuana market. *Drug Alcohol Depend.* 2011. doi:10.1016/j.drugalcdep.2011.08.008
58. Orens A, Light M, Lewandowski B, Rowberry J, Saloga C. *Market Size and Demand for Marijuana in Colorado 2017 Market Update.*; 2018. [https://www.colorado.gov/pacific/sites/default/files/MED Demand and Market Study 082018.pdf](https://www.colorado.gov/pacific/sites/default/files/MED%20Demand%20and%20Market%20Study%20082018.pdf).
59. Johnson JK, Doonan SM. Building Evidence-Based Prevention Mechanisms Into Cannabis Legalization Policy and Regulations. *Am J Public Health.* 2019;9(109):1165-1166. <https://ajph.aphapublications.org/doi/10.2105/AJPH.2019.305249>.
60. Doonan SM, Johnson JK. *A Baseline Review and Assessment of Cannabis Use and Public Safety Part 2: 94C Violations and Social Equity: Literature Review and Preliminary Data in Massachusetts.*; 2019. <https://mass-cannabis-control.com/wp-content/uploads/2019/04/1.-RR2-94C-Violations-FINAL.pdf>.
61. Herring C, Henderson L. Wealth Inequality in Black and White: Cultural and Structural Sources of the Racial Wealth Gap. *Race Soc Probl.* 2016;8(1):4-17. doi:10.1007/s12552-016-9159-8
62. Beckwith AL, Carter DR, Peters T. The Underrepresentation of African American Women in Executive Leadership: What's Getting in the Way? *J Bus Stud Q.* 2016;7(4):115-134. www.money.cnn.com/2015/01/28/news/economy/mcdonalds-ceo-diversity.
63. U.S. Census Bureau. Annual Survey of Entrepreneurs. 2016.



- <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk#>.
64. Oliver M, Shapiro T. *Black Wealth/White Wealth: A New Perspective on Racial Inequality*. Routledge; 2013.
 65. Ruel E, Hauser RM. Explaining the Gender Wealth Gap. *Demography*. 2013;50(4):1155-1176. doi:10.1007/s13524-012-0182-0
 66. Gibbs SR. The bitter truth: A comparative analysis of black male and black female entrepreneurs. *J Dev Entrep*. 2014;19(1). doi:10.1142/S108494671450006X
 67. Neumeyer X, Santos SC, Caetano A, Kalbfleisch P. Entrepreneurship ecosystems and women entrepreneurs: a social capital and network approach. *Small Bus Econ*. 2019;1-15. doi:10.1007/s11187-018-9996-5
 68. Renko M, Parker Harris S, Caldwell K. Entrepreneurial entry by people with disabilities. *Int Small Bus J Res Entrep*. 2016;34(5):555-578. doi:10.1177/0266242615579112
 69. Kittel J. Women in Weed: Gender, Race, and Class in the Cannabis Industry. *Arbutus Rev*. 2018;9(1):32-45.
 70. Danquah-Brobby E. Comment: Prison For You. Profit For Me. Systemic Racism Effectively Bars Blacks From Participation in Newly-Legal Marijuana Industry. *Univ Balt Law Rev*. 2017;46(3):523-546.
 71. Valleriani J, Lavalley J, McNeil R. A missed opportunity? Cannabis legalization and reparations in Canada. *Can J Public Heal*. 2018;109(5-6):745-747. doi:10.17269/s41997-018-0121-y
 72. August K. Women in the marijuana industry. *Humboldt J Soc Relat*. 2013;35(1):89-103.
 73. Thompson BY. “Good moral characters”: how drug felons are impacted under state marijuana legalization laws. *Contemp Justice Rev Issues Crim Soc Restor Justice*. 2017;20(2):211-226. doi:10.1080/10282580.2017.1307109
 74. Bender SW. The Colors of Cannabis: Reflections on the Racial Justice Implications of California’s Proposition 64. *UC Davis Law Rev*. 2016;689(2014):11-23.
 75. Pruitt AS. Managing the Inclusivity-Exclusivity Dialectic: a Comparison of Women in Tech, Funeral Directing, and Cannabis. 2019. https://scholar.colorado.edu/socy_gradetds/75.
 76. Rogers KA. Breaking the Grass Ceiling: Race, Gender, and Sexuality in the U.S. Legal Cannabis Industry. 2017.
 77. Chicago Lewis A. How Black People Are Being Shut Out of America’s Weed Boom: Whitewashing the Green Rush. *BuzzFeed News*. <https://www.buzzfeednews.com/article/amandachicagolewis/americas-white-only-weed-boom>. Published 2016.

X. Appendices

Appendix 1. Acronyms

Acronym	Meaning
BRFSS	Behavioral Risk Factor Surveillance System
CBD	Cannabidiol
CSA	Controlled Substance Act
DBE	Disadvantaged Business Enterprise
DEA	U.S. Drug Enforcement Agency
DIO	Diversity in Ownership
DPH	Department of Public Health
HVAC	Heating/Ventilation/Air Conditioning
LGBT+	Lesbian, Gay, Bisexual, Transgender
M.G.L.	Massachusetts General Law
MA	Massachusetts
ME	Marijuana Establishment
MBE	Minority Business Enterprises
MTC	Medical Marijuana Treatment Center
NIBRS	National Incident Based Reporting System
NSDUH	National Survey on Drug Use and Health
OSD	Operational Services Division
PBE	Portuguese Business Enterprises
SDO	Supplier Diversity Office
THC	Delta 9-Tetrahydrocannabinol
THC-A	Tetrahydrocannabinolic Acid
U.S.	United States
VBE	Veteran Business Enterprises
WBE	Women Business Enterprises
YRBS	Youth Risk Behavior Survey

Appendix 2. Final Adult-Use License Data

Table 1. License Types and Descriptions [Current as of 11/20/19]

License Type	Description
Marijuana Retailer	A Marijuana Retailer is an entity authorized to purchase and deliver cannabis and cannabis products from Marijuana Establishments and to sell or otherwise transfer cannabis and cannabis products to Marijuana Establishments and to consumers.
Marijuana Cultivator	A Marijuana Cultivator may cultivate, process and package cannabis, to transfer and deliver cannabis products to Marijuana Establishments, but not to consumers. A Craft Marijuana Cooperative, which will be discussed in further detail below, is a type of Marijuana Cultivator. Cultivators may select what tier they will be in, which will affect their application and licensing fees. The following options are available, but no licensee may have a total canopy of more than 100,000 square feet.
Marijuana Product Manufacturer	A Marijuana Product Manufacturer is an entity authorized to obtain, manufacture, process and package cannabis and cannabis products, to deliver cannabis and cannabis products to Marijuana Establishments and to transfer cannabis and cannabis products to other Marijuana Establishments, but not to consumers.
Marijuana Transporter with Other Existing Marijuana Establishment License	A Marijuana Transporter is an entity that may only transport cannabis or cannabis products when such transportation is not already authorized under a Marijuana Establishment license if it is licensed as a Marijuana Transporter
Marijuana Microbusiness	A Microbusiness is a co-located Tier 1 Marijuana Cultivator, and/or Marijuana Product Manufacturer limited to purchase 2,000 pounds of cannabis from other Marijuana Establishments in one year.
Independent Testing Laboratory	An Independent Testing Laboratory is an entity that does not hold any other type of Marijuana Establishment license and is properly accredited to perform tests in compliance with protocols for testing cannabis and cannabis products.
Standards Testing Laboratory	A Standards Testing Laboratory is an entity that would otherwise qualify to be an Independent Testing Laboratory but instead performs blind tests to verify the results of an Independent Testing Laboratory at the request of the Commission
Craft Marijuana Cooperative	A Craft Marijuana Cooperative is a type of Marijuana Cultivator which may cultivate, obtain, manufacture, process, package and brand cannabis and cannabis products to deliver cannabis to Marijuana Establishment but not to consumers.

For more detail see Commission Guidance, “Guidance on Types of Marijuana Establishment Licenses”
<https://mass-cannabis-control.com/wp-content/uploads/2018/04/Guidance-License-Types.pdf>

Table 2. Final Adult-Use License by City/Town [Current as of 11/20/19]

City/Town/Location	Total	Total Industry (%)
Andover	2	(2.0%)
Attleboro	1	(1.0%)
Ayer	3	(3.1%)
Barre	1	(1.0%)
Bellingham	2	(2.0%)
Boston	4	(4.1%)
Bridgewater	2	(2.0%)
Brockton	3	(3.1%)
Cambridge	1	(1.0%)
Chicago	1	(1.0%)
Chicopee	3	(3.1%)
Easthampton	3	(3.1%)
Fall River	3	(3.1%)
Fitchburg	3	(3.1%)
Framingham	1	(1.0%)
Franklin	4	(4.1%)
Gardner	1	(1.0%)
Georgetown	3	(3.1%)
Great Barrington	1	(1.0%)
Greenfield	1	(1.0%)
Hudson	1	(1.0%)
Leicester	3	(3.1%)
Littleton	2	(2.0%)
Lowell	3	(3.1%)
Marlborough	1	(1.0%)
Medway	2	(2.0%)
Millbury	1	(1.0%)
Millis	1	(1.0%)
Nantucket	3	(3.1%)
Newburyport	2	(2.0%)
Newton	1	(1.0%)
Oxford	1	(1.0%)
Pittsfield	7	(7.1%)
Plymouth	3	(3.1%)
Somerset	1	(1.0%)
Salem	3	(3.1%)
Salisbury	1	(1.0%)
Sheffield	1	(1.0%)
Somerset	1	(1.0%)

Turners Falls	3	(3.1%)
Uxbridge	2	(2.0%)
Woburn	3	(3.1%)
Wareham	1	(1.0%)
Webster	2	(2.0%)
West Newton	1	(1.0%)
Westborough	2	(2.0%)
Worcester	3	(3.1%)

Table 3. Final Adult-Use License by License Type [Current as of 11/20/19]

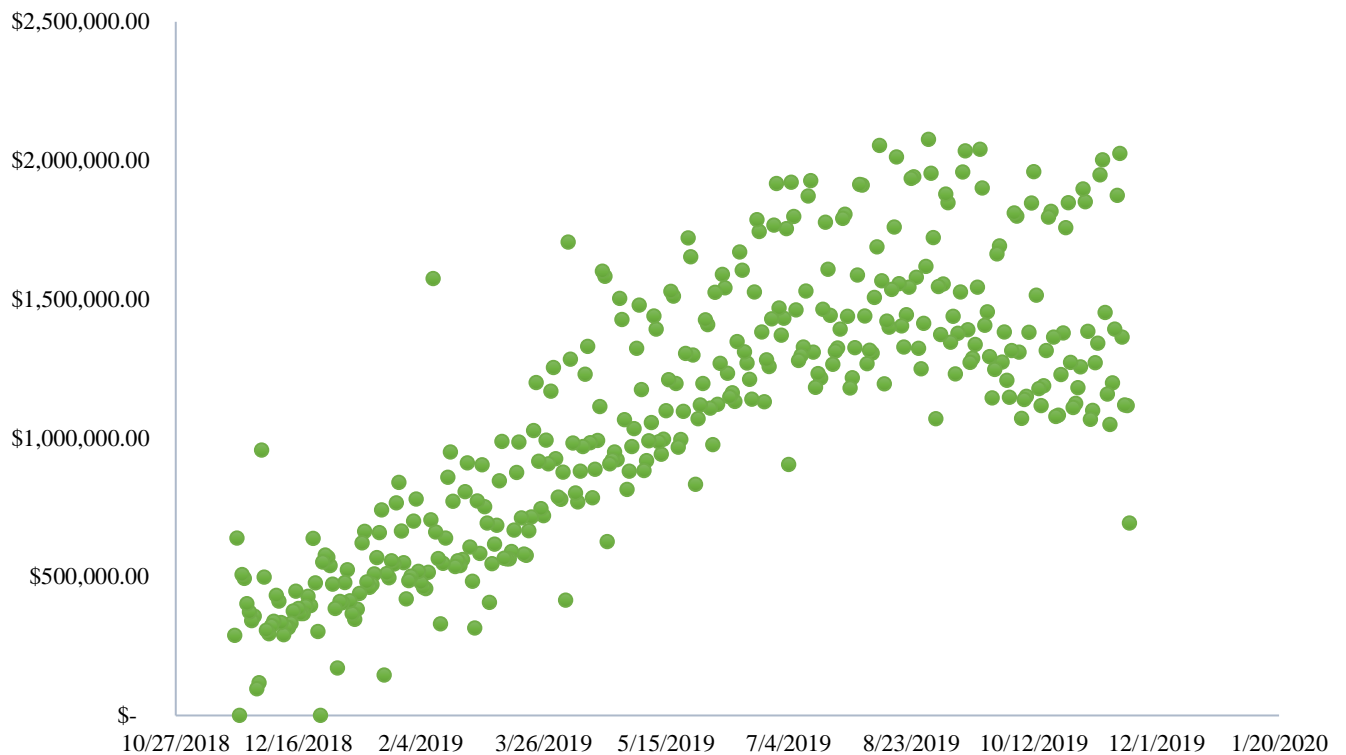
License Type	Total	Percent of Industry (%)
Independent Testing Laboratory	2	(2%)
Marijuana Cultivator	31	(32%)
Marijuana Microbusiness	1	(1%)
Marijuana Product Manufacturer	26	(27%)
Marijuana Retailer	36	(37%)
Marijuana Transporter with Other Existing License	2	(2%)
Total	98	(100%)

Appendix 3. Adult-Use Sales Data

Table 1. Sales by Product Category [11/20/18-11/20/19]

Product Category	Total	(%)
Buds	4,705,546	(51%)
Concentrate	47,688	(1%)
Concentrate (Each)	1,782,161	(19%)
Infused (edible)	1,564,222	(17%)
Infused (non-edible)	241,373	(3%)
Infused Pre-Rolls	15,987	(0%)
Kief	9,017	(0%)
Raw Pre-Rolls	713,747	(8%)
Shake/Trim	4,442	(0%)
Shake/Trim (by strain)	83,035	(1%)
Suppository	47	(0%)
Total	9,167,265	(100%)

Chart 2. Adult-Use Sales Per Day [11/20/18-11/20/19]



***Note:** Reporting total sales per day for all adult-use stores. Data does not control for additional number of retail stores over time.

Table 3. Sales by Product Category for Week of 11/13/19-11/19/19

Product Category	Total Units	Total in Dollars	Average Price Per Unit
Buds	133,110	\$ 5,884,005.20	\$ 44.20
Concentrate	1,697	\$ 125,829.90	\$ 74.15
Concentrate (Each)	19,654	\$ 1,118,636.41	\$ 56.92
Infused (edible)	50,037	\$ 1,952,034.10	\$ 39.01
Infused (non-edible)	1,461	\$ 66,348.78	\$ 45.41
Infused Pre-Rolls	58	\$ 1,131.50	\$ 19.51
Kief	696	\$ 17,120.30	\$ 24.60
Raw Pre-Rolls	50,086	\$ 860,395.00	\$ 17.18

Appendix 4. Race/Ethnicity Data

Table 1. Race and Ethnicity Definitions

Description [as recored in Massachusetts seed-to-sale tracking system]
Asian (Chinese, Filipino, Asian Indian, Vietnamese, Korean, Japanese)
American Indian or Alaska Native
Black or African American (of African Descent, African American, Nigerian, Jamaican, Ethiopian, Haitian, Somali)
Declined to answer
Hispanic, Latino, or Spanish (Mexican or Mexican American, Puerto Rican, Cuban, Salvadoran, Dominican, Colombian)
Middle Eastern or North African (Lebanese, Iranian, Egyptian, Syrian, Moroccan, Algerian)
Native Hawaiian or Other Pacific Islander (Native Hawaiian, Samoan, Chamorro, Tongan, Fijian, Marshallese)
Some Other Race or Ethnicity
Two or more Race/Ethnicity categories

Table 2. Race and Ethnicity for Agent Registrations [Current as of 11/20/19]

Race/Ethnicity	Total	(%)
Asian	92	(1%)
American Indian or Alaska Native	23	(0%)
Black or African American	369	(5%)
Declined to answer	718	(10%)
Hispanic, Latino, or Spanish	508	(7%)
Middle Eastern or North Africa	24	(0%)
Native Hawaiian or Other Pacific Islander	6	(0%)
Some Other Race or Ethnicity	100	(1%)
White	5,249	(74%)
Total	7,089	(100%)

Table 3. Race/Ethnicity (%) of Agent Registrations Between License Types with ≥ 5 unique entities [Current as of 11/20/19]

	Marijuana Cultivator Freq. (%)		Marijuana Product Manufacturer Freq. (%)		Marijuana Retailer Freq. (%)	
Asian	23	(1%)	29	(1%)	92	(1%)
American Indian or Alaska Native	11	(0%)	6	(0%)	23	(0%)
Black or African American	108	(5%)	81	(4%)	369	(5%)
Declined to answer	227	(10%)	247	(13%)	718	(10%)
Hispanic, Latino, or Spanish	139	(6%)	136	(7%)	508	(7%)
Middle Eastern or North African	7	(0%)	≤ 5	(0%)	24	(0%)
Native Hawaiian or Other Pacific Islander	≤ 5	(0%)	≤ 5	(0%)	6	(0%)
Some Other Race or Ethnicity	26	(1%)	30	(2%)	100	(1%)
White	1,711	(76%)	1,440	(73%)	5,249	(74%)

Appendix 5. Diversity in Ownership Business Enterprise Data

Table 1. Diversity in Ownership (DIO) Status for All Application Statuses [Current as of 11/20/19]

	Final License (n=98)	Provisional License (n=99)	Provisional Consideration (n=33)	In Process (n=4,366)	Denied (n=4)	Total
Two or More DIO	0	6	1	146	0	153
LGBT-owned	0	2	0	18	0	20
Minority-Owned	0	2	3	145	0	150
Not a DIO	95	84	26	840	4	1,049
Veteran-Owned	0	3	0	24	0	27
Women-Owned	3	2	0	82	0	87
Disability-Owned	0	0	0	11	0	11
Total	98	99	30	1,266	4	1,497

Table 2. DIO Status by License Type for All Approved and Pending Licenses (n=670) [Current as of 11/20/19]

	Disability-Owned	LGBT-Owned	Minority-Owned	Veteran-Owned	Woman-Owned
Craft Marijuana Cooperative	1	0	0	1	1
Independent Testing Lab	0	0	1	0	1
Marijuana Cultivator	2	4	14	7	13
Marijuana Microbusiness	2	1	2	2	3
Marijuana Product Manufacturer	1	5	9	4	9
Marijuana Research Facility	1	1	1	2	2
Marijuana Retailer	2	4	29	7	25
Marijuana Transporter	0	0	0	0	1
Standards Laboratory	0	0	0	0	0
Third Party Marijuana Transporter	0	0	1	0	1
Total	9	15	57	23	56

***Note:** Data includes all applications (licensed and non-licensed)

Appendix 6. Priority Status Data

Table 1. Economic Empowerment Certification Program (2018) Eligibility [Applicants must have met 3:5 criteria]

Majority of ownership belongs to people who have lived in areas of disproportionate impact* for five of the last ten years;
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;
At least 51% of current employees/sub-contractors reside in areas of disproportionate impact and will increase to 75% by first day of business;
At least 51% of employees or sub-contractors have a drug-related CORI, but are otherwise legally employable in a cannabis-related enterprise;
A majority of the ownership is made up of individuals from Black, African American, Hispanic, or Latino descent; and
Owners can demonstrate significant past experience in or business practices that promote economic empowerment in areas of disproportionate impact.

Note: See <https://mass-cannabis-control.com/wp-content/uploads/2018/04/Guidance-for-Identifying-Areas-of-Disproportionate-Impact.pdf> for list of cities designated areas of disproportionate impact.

Table 2. Priority Application Status for All Application Status' [Current as of 11/20/19]

	Final License (n=98)	Provisional License (n=99)	Provisional Consideration (n=33)	In Process (n= 4,366)	Denied (n=4)	Total
Economic Empowerment	0	1	1	110	0	112
General Applicant	12	45	12	4,093	4	4,166
Registered Medical Dispensary	86	53	17	163	0	319
Total	98	99	30	4,366	4	4,593

Appendix 7. Adult-Use Agent Registration Data

Table 1. Agent Registration by Role

Role	Total	Percent
Board member	135	2%
Director	206	3%
Employee	5,683	82%
Executive	393	6%
Manager	530	8%
Volunteer	6	0%
Total	6,953	100%

Table 2. Agent Registration by State of Residency

State	Total	Percent
AK	2	0%
AL	1	0%
AZ	6	0%
CA	3	0%
CO	62	1%
CT	149	2%
FL	52	1%
GA	2	0%
IA	1	0%
IL	26	0%
IN	3	0%
KY	1	0%
MA	5,780	83%
MD	18	0%
ME	35	1%
MI	1	0%
MN	3	0%
NC	1	0%
NH	178	3%
NJ	19	0%
NV	5	0%
NY	47	1%
OH	2	0%
OR	7	0%
PA	9	0%
RI	507	7%

TX	5	0%
VA	7	0%
VT	10	0%
WA	10	0%
WV	1	0%
Total	6,953	100%

CANNABIS CONTROL COMMISSION
Public Meeting

February 6, 2020

10:00AM

Cannabis Control Commission
Union Station
2 Washington Square
Worcester, MA

All meeting materials available at
masscannabiscontrol.com/documents

Agenda

- 1) Call to Order
- 2) Chairman's Comments & Updates
- 3) Approval of Minutes
- 4) Executive Director's Report
- 5) Staff Recommendations on Changes of Ownership
- 6) Staff Recommendations on Renewals
- 7) Staff Recommendations on Final Licenses
- 8) Staff Recommendations on Provisional Licenses
- 9) Commission Discussion and Votes
- 10) New Business that the Chairman did not anticipate at time of posting
- 11) Next Meeting Date
- 12) Executive Session
- 13) Adjournment

All meeting materials available at
masscannabiscontrol.com/documents

Licensing Applications | February 6, 2020

The totals below are applications that have submitted all four packets and are pending review.

Type	#
Craft Marijuana Cooperative	1
Independent Testing Laboratory	5
Marijuana Cultivator	125
Marijuana Microbusiness	11
Marijuana Product Manufacturer	96
Marijuana Research Facility	4
Marijuana Retailer	178
Marijuana Transporter with Other Existing ME License	5
Third Party Transporter	6
Total	431

Licensing Applications | February 6, 2020

The totals below are all license application received to date.

Type	#
Pending (All 4 packets submitted)	431
Withdrawn	454
Incomplete (Less than 4 packets submitted)	3,839
Denied	4
Approved	284
Total	5,012

Licensing Applications | February 6, 2020

The totals below are number of licenses approved by category.

Type	#
Craft Marijuana Cooperative	1
Independent Testing Laboratory	3
Marijuana Cultivator	91
Marijuana Microbusiness	4
Marijuana Product Manufacturer	67
Marijuana Research Facility	0
Marijuana Retailer	115
Marijuana Third Party Transporter	1
Marijuana Transporter with Other Existing ME License	2
Total	284

Licensing Applications | February 6, 2020

The totals below are number of licenses approved by stage.

Type	#
Provisionally Approved	38
Provisional License	140
Final License	14
Commence Operations	92
Total	284

Provisionally approved means approved by the Commission but has not submitted license fee payment yet – provisional license has not started

Licensing Applications | February 6, 2020

The totals below are distinct license numbers that have submitted all required packets.

The 719 applications represent 380 separate entities

Type	#
RMD Priority	233
Economic Empowerment Priority	27
Expedited Review	66
General Applicant	393
Total	719

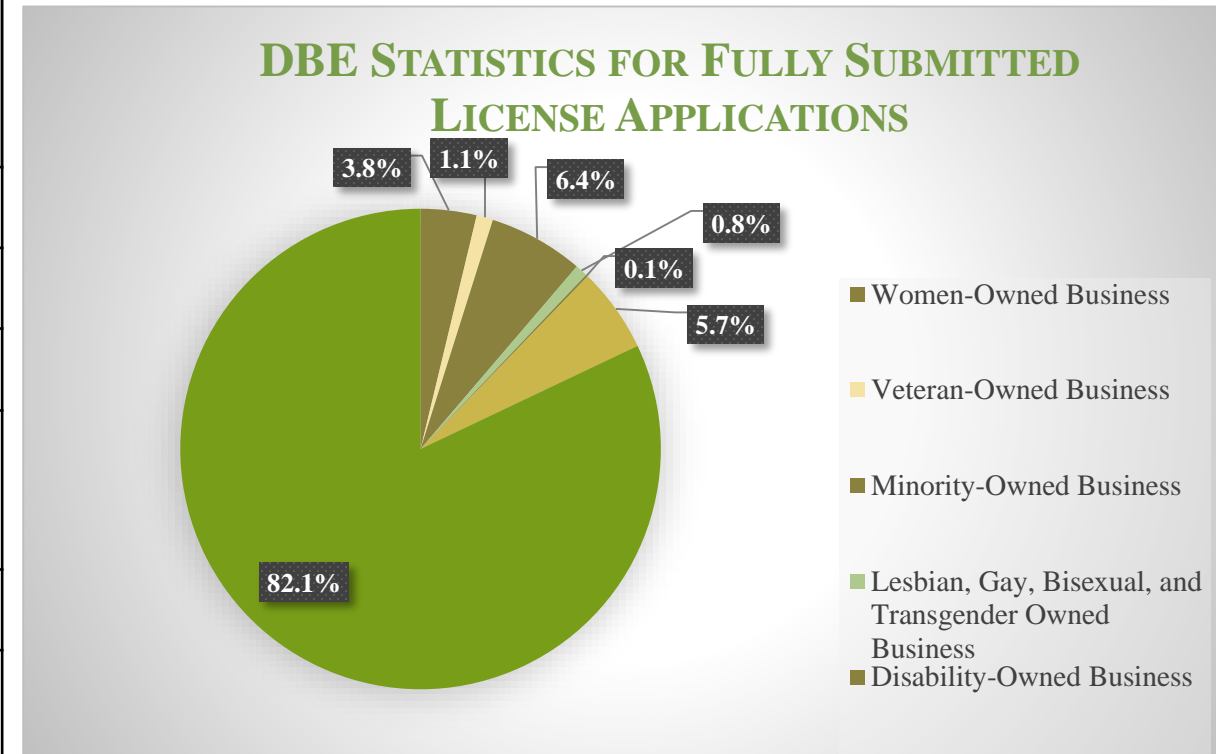
Expedited Applications	
Expedited: License Type	15
Expedited: Social Equity Participant	14
Expedited: Disadvantaged Business Enterprise	31
Expedited: Two or More Categories	6
Total	66

Licensing Applications | February 6, 2020

Disadvantaged Business Enterprise (DBE) Statistics

The totals below are distinct license numbers that have submitted all required packets.

Type	#	% of Group
Women-Owned Business	27	3.8%
Veteran-Owned Business	8	1.1%
Minority-Owned Business	46	6.4%
Lesbian Gay, Bisexual, and Transgender Owned Business	6	0.8%
Disability-Owned Business	1	0.1%
Identified as Two or More DBE Business Types	41	5.7%
Did Not Identify as a DBE Business	590	82.1%
Total	719	100%



Licensing Applications | February 6, 2020

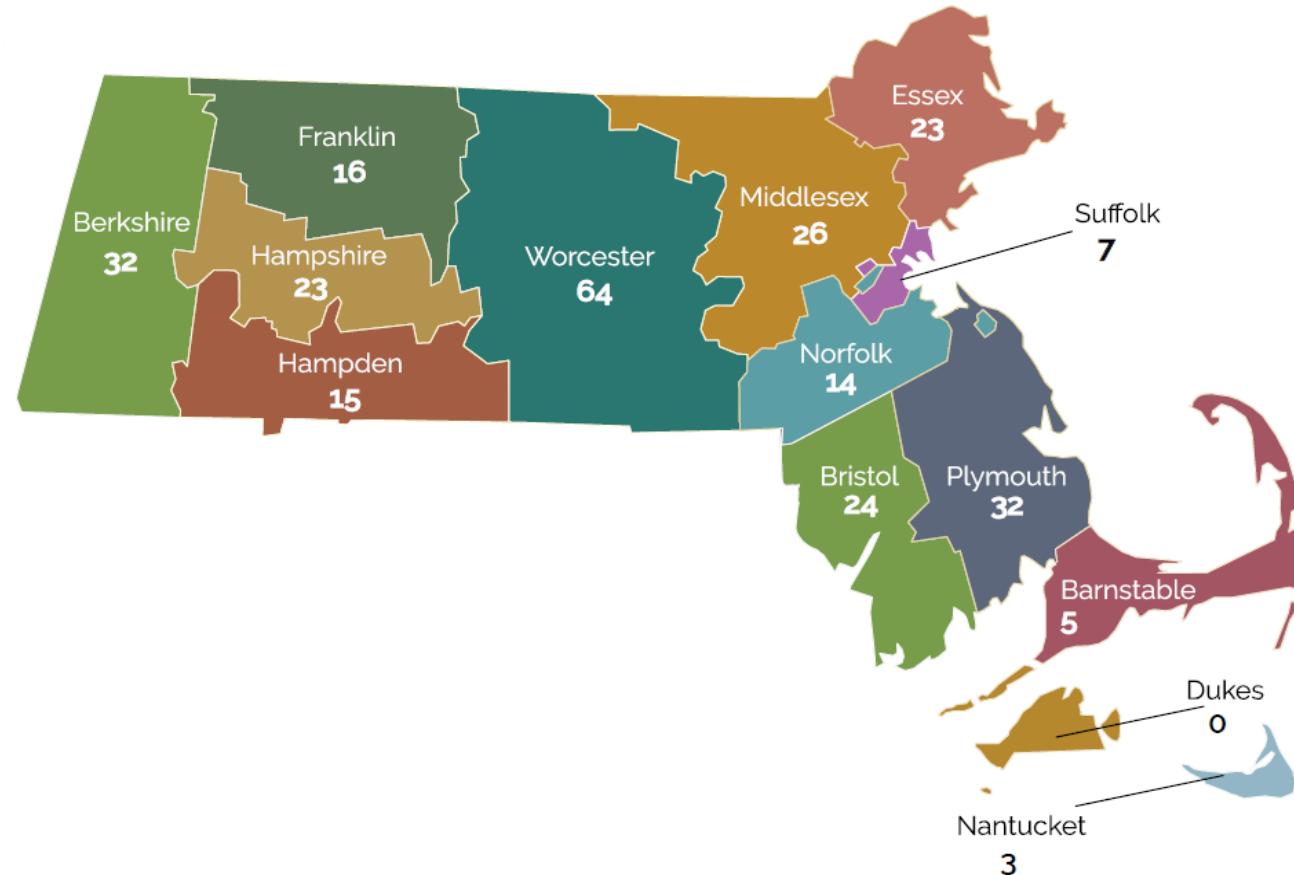
Status	#
Application Submitted: Awaiting Review	154
Application Reviewed: More Information Requested	184
Application Deemed Complete: Awaiting 3 rd Party Responses	66
All Information Received: Awaiting Staff Recommendation	27
Applications Considered by Commission	288
Total	719



Licensing Applications | February 6, 2020

The totals below are the total number of licenses by county.

COUNTY	#	+/-
BARNSTABLE	5	
BERKSHIRE	32	+6
BRISTOL	24	
DUKES	0	
ESSEX	23	+1
FRANKLIN	16	+2
HAMPDEN	15	+1
HAMPSHIRE	23	+1
MIDDLESEX	26	
NANTUCKET	3	
NORFOLK	14	
PLYMOUTH	32	+5
SUFFOLK	7	
WORCESTER	64	+10
TOTAL	284	+26

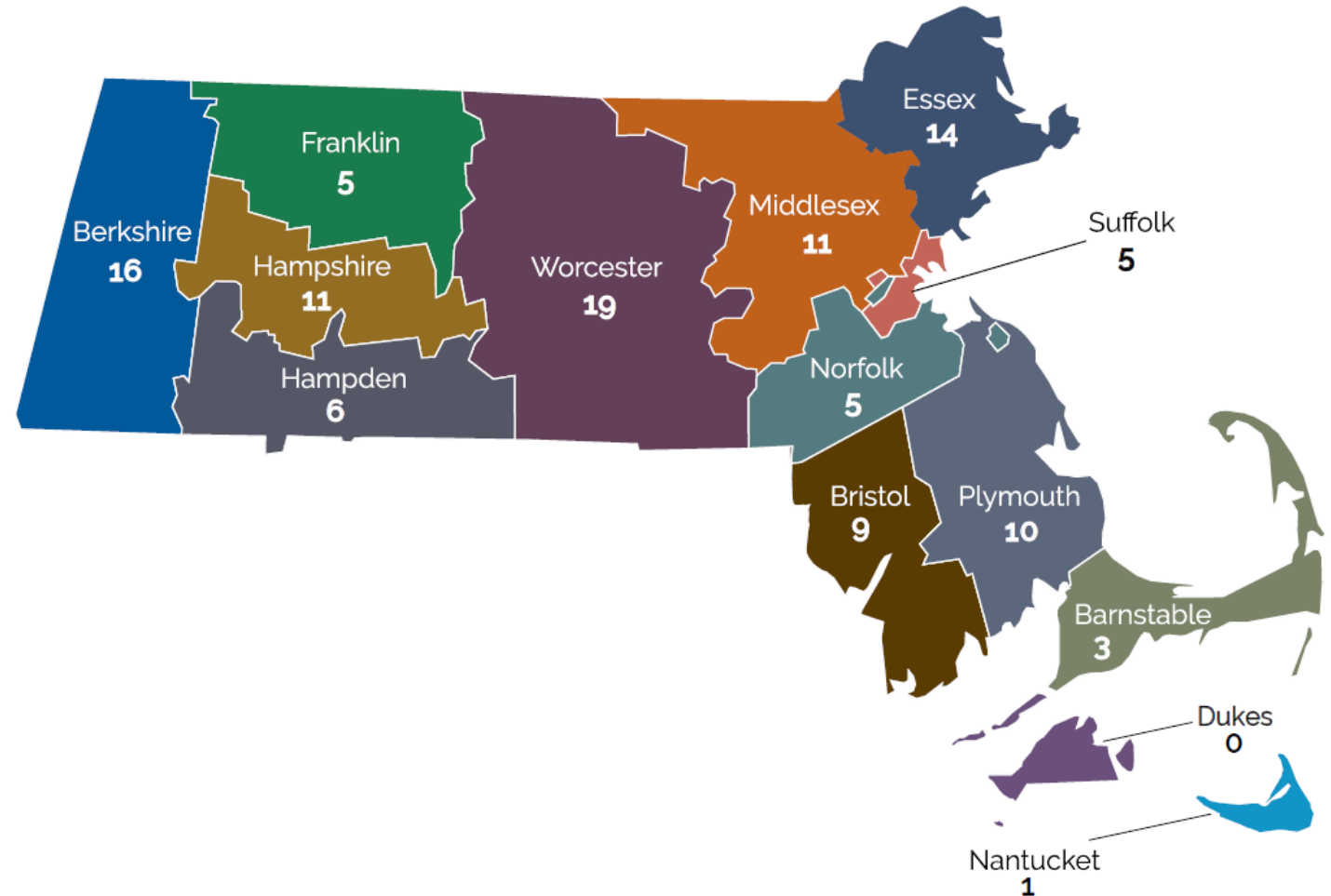


As of February 4, 2020

Retail Applications | February 6, 2020

The totals below are the total number of retail licenses by county.

COUNTY	#	+/-
BARNSTABLE	3	
BERKSHIRE	16	+2
BRISTOL	9	
DUKES	0	
ESSEX	14	+1
FRANKLIN	5	+1
HAMPDEN	6	+1
HAMPSHIRE	11	+1
MIDDLESEX	11	
NANTUCKET	1	
NORFOLK	5	
PLYMOUTH	10	+2
SUFFOLK	5	
WORCESTER	19	+3
TOTAL	115	+11



Licensing Applications | February 6, 2020

TYPE	PENDING APPLICATION	INITIAL LICENSE DENIED	PROVISIONAL LY APPROVED	PROVISIONAL LICENSE	FINAL LICENSE	COMMENCE OPERATION	TOTAL
Craft Marijuana Cooperative	1	0	1	0	0	0	2
Independent Testing Laboratory	5	0	0	1	0	2	8
Marijuana Cultivator	125	2	13	45	6	27	218
Marijuana Microbusiness	11	0	1	2	0	1	15
Marijuana Product Manufacturer	96	1	8	31	4	24	164
Marijuana Research Facility	4	0	0	0	0	0	4
Marijuana Retailer	178	1	15	60	4	36	294
Marijuana Transporter with Other Existing ME License	5	0	0	0	0	2	7
Third Party Transporter	6	0	0	1	0	0	7
Total	431	4	38	140	14	92	719

Adult Use Agent Applications | February 6, 2020

11,561 Total Agent Applications:

- 152
Total
- 147 Pending Establishment Agents
 - 5 Pending Laboratory Agents
 - 554 Withdrawn
 - 1,175 Incomplete
 - 33 Expired
 - 1,968 Surrendered
 - 7,679 Active

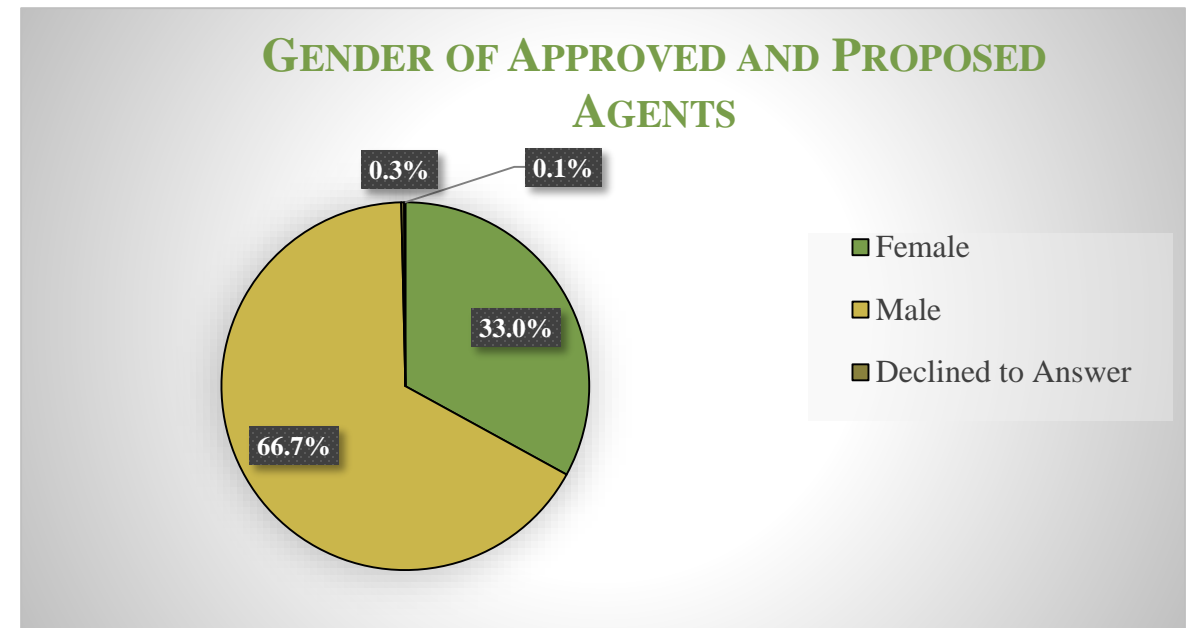
Of Total Pending:

- 26 not yet reviewed
- 124 CCC requested more information
- 2 awaiting third party response
- 0 Review complete; awaiting approval

Agent Applications | February 6, 2020

Demographics of Approved and Pending Agents

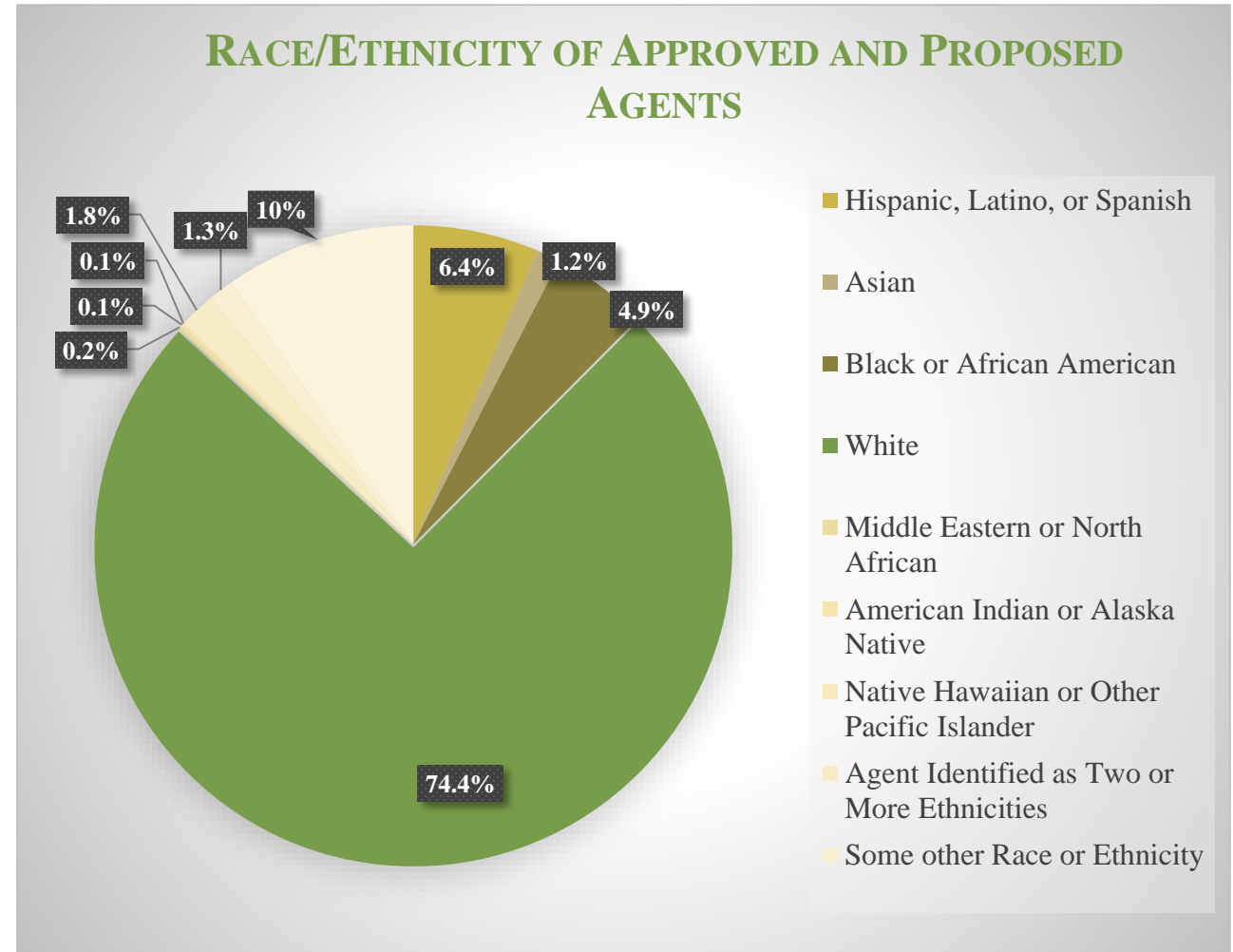
Gender	#	%
Female	2,583	33%
Male	5,220	66.7%
Declined to Answer	20	0.3%
Gender Defined by Applicant	8	0.1%
Total	7,831	100%



Agent Applications | February 6, 2020

Demographics of Approved and Pending Agents

Race/Ethnicity	#	%
Hispanic; Latino; Spanish	498	6.4%
Asian	94	1.2%
Black; African American	384	4.9%
White	5,824	74.4%
Middle Eastern; North African	14	0.2%
American Indian; Alaska Native	10	0.1%
Native Hawaiian; Other Pacific Islander	5	0.1%
Identified as Two or More Ethnicities	144	1.8%
Other Race or Ethnicity	101	1.3%
Declined to Answer	757	9.7%
Total	7,831	100%



MMJ Licensing Data | January 16, 2020

MTC License Applications	#
Pending-Application of Intent Stage	36
Pending-Management and Operations Profile Stage	10
Pending-Siting Profile Stage	8
Application Expired	100
Application Withdrawn	3
Total	157

MTC Licenses	#
Provisional	90
Final	8
Commence Operations	58
License Expired	10
Total	166

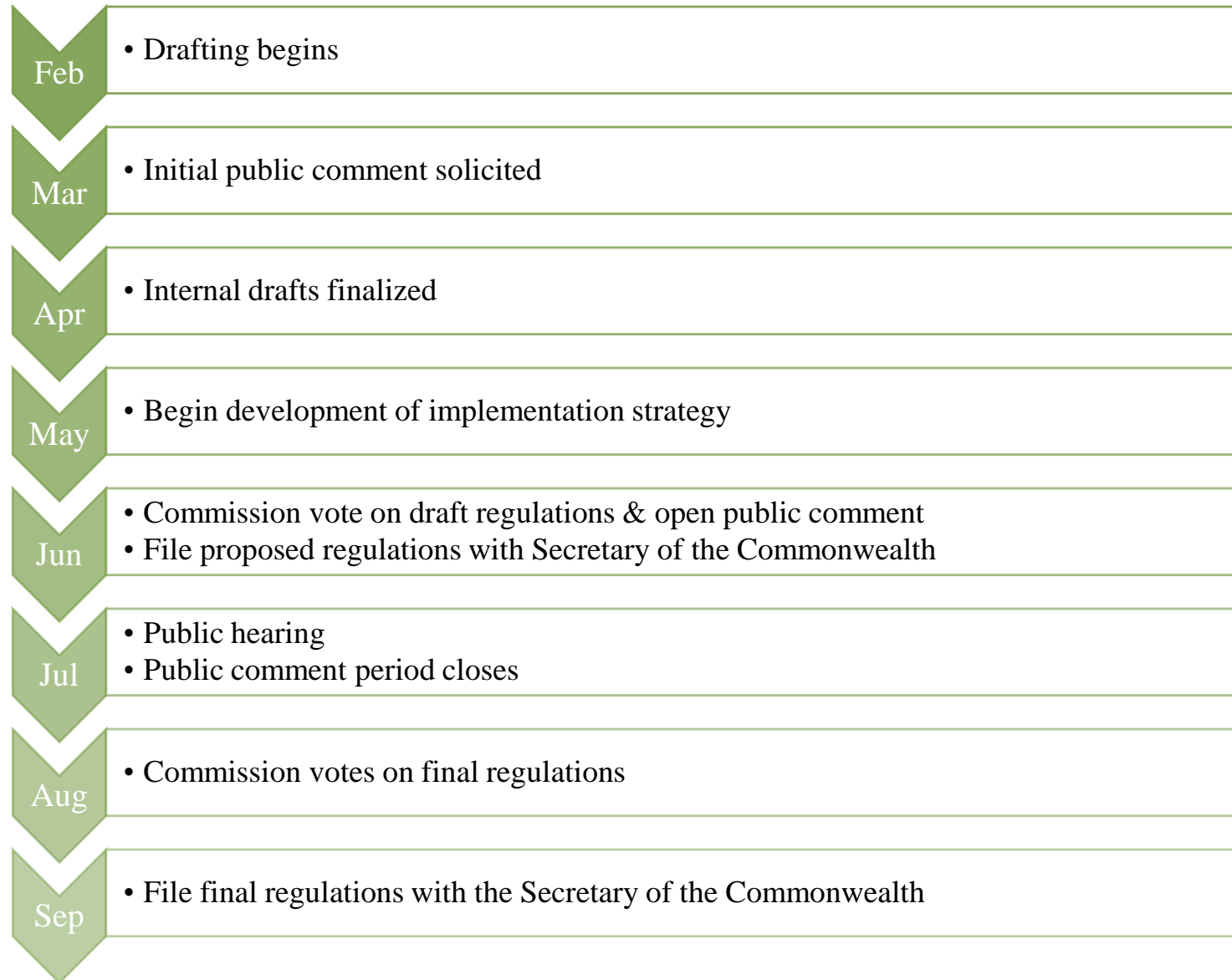
MMJ Agent and Program Data | January 16, 2020

The numbers below are a snapshot of the program for the month of January.

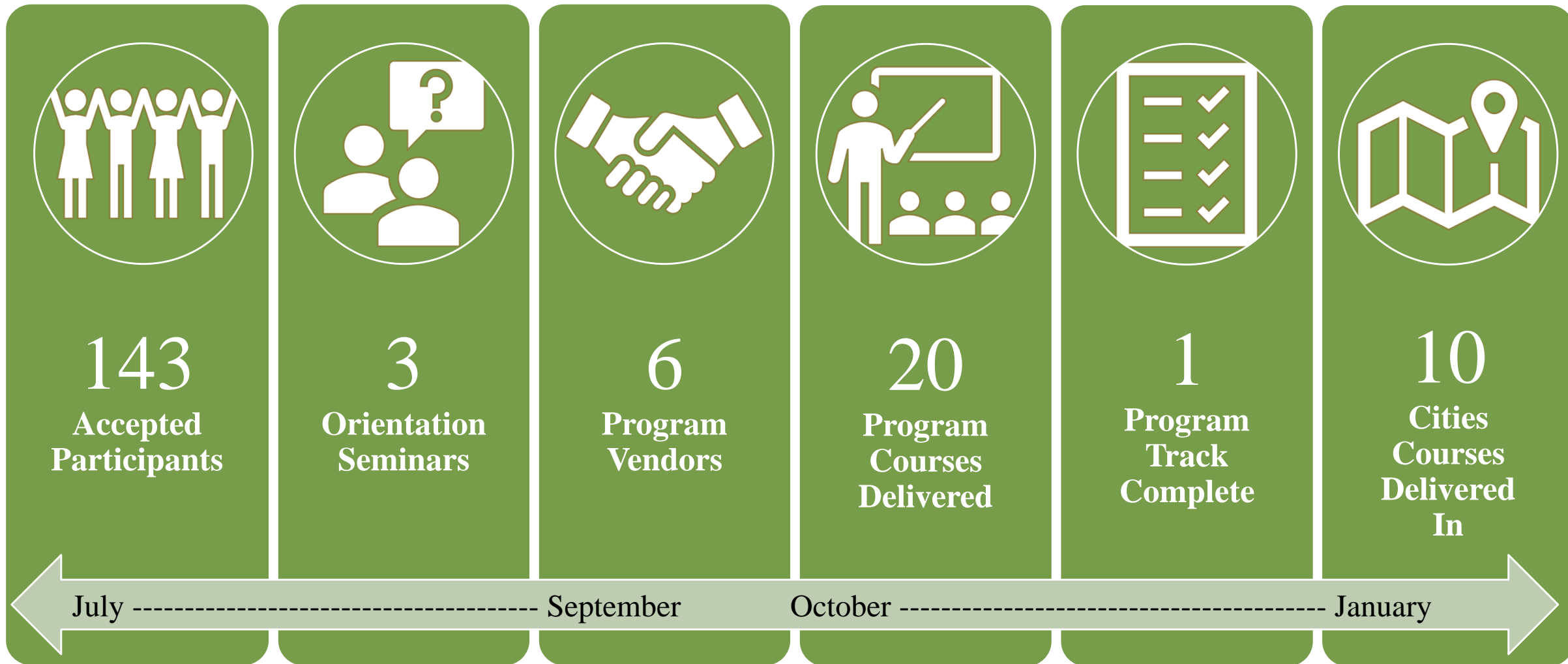
MTC Agent Applications	#
Pending-MTC Agent Applications	13
Pending-Laboratory Agents	0
Revoked	3
Surrendered	2,751
Expired	448
Active	5,588
Total	8,803

MMJ Program	#
Certified Patients	67,228
Certified Active Patients	61,379
Active Caregivers	5,434
Registered Certifying Physicians	263
Registered Certifying Nurse Practitioners	75
Ounces Sold	40,070

Executive Director's Report: Regulatory Timeline

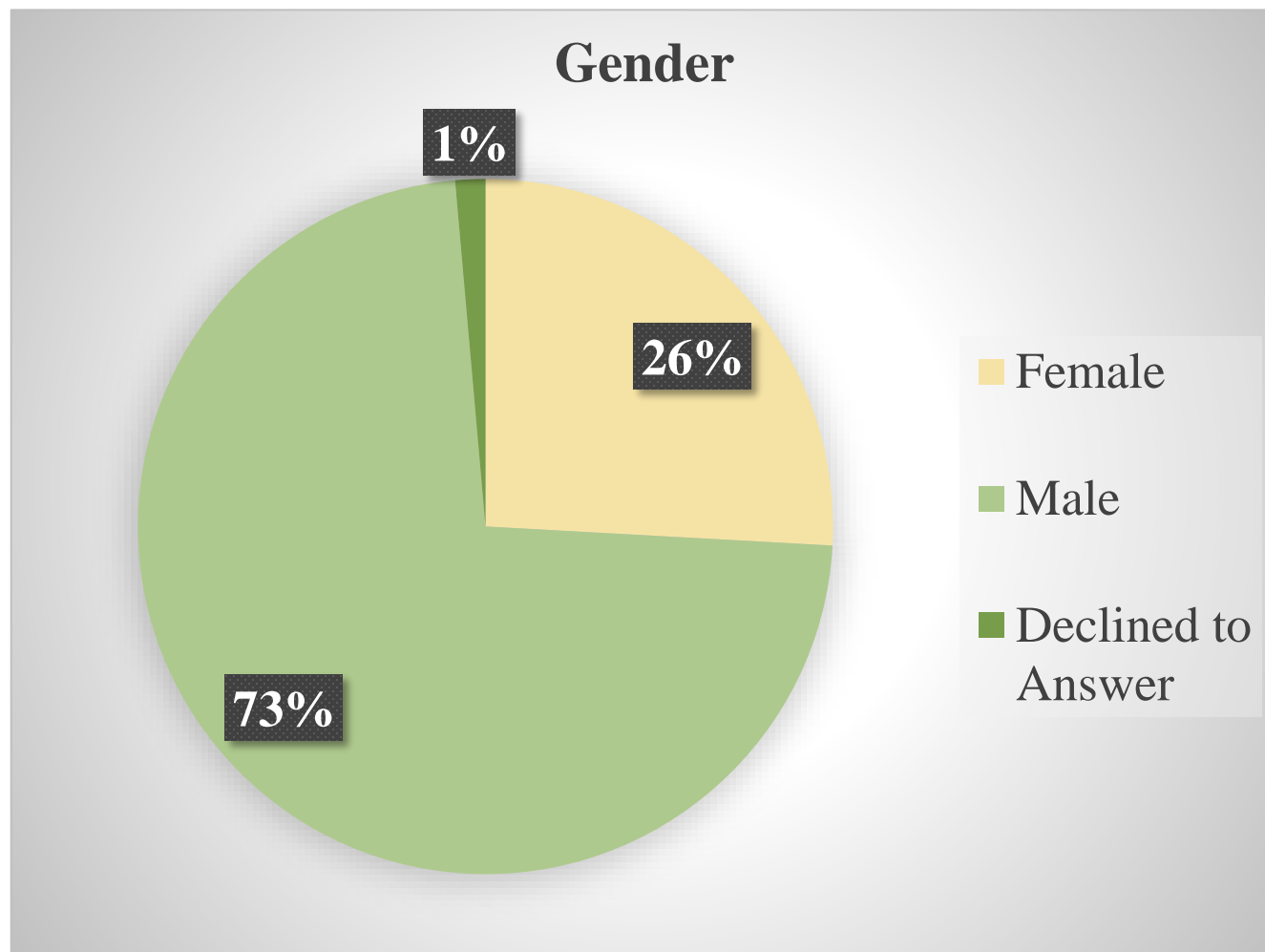


Social Equity Program: First Cohort Overview By the Numbers



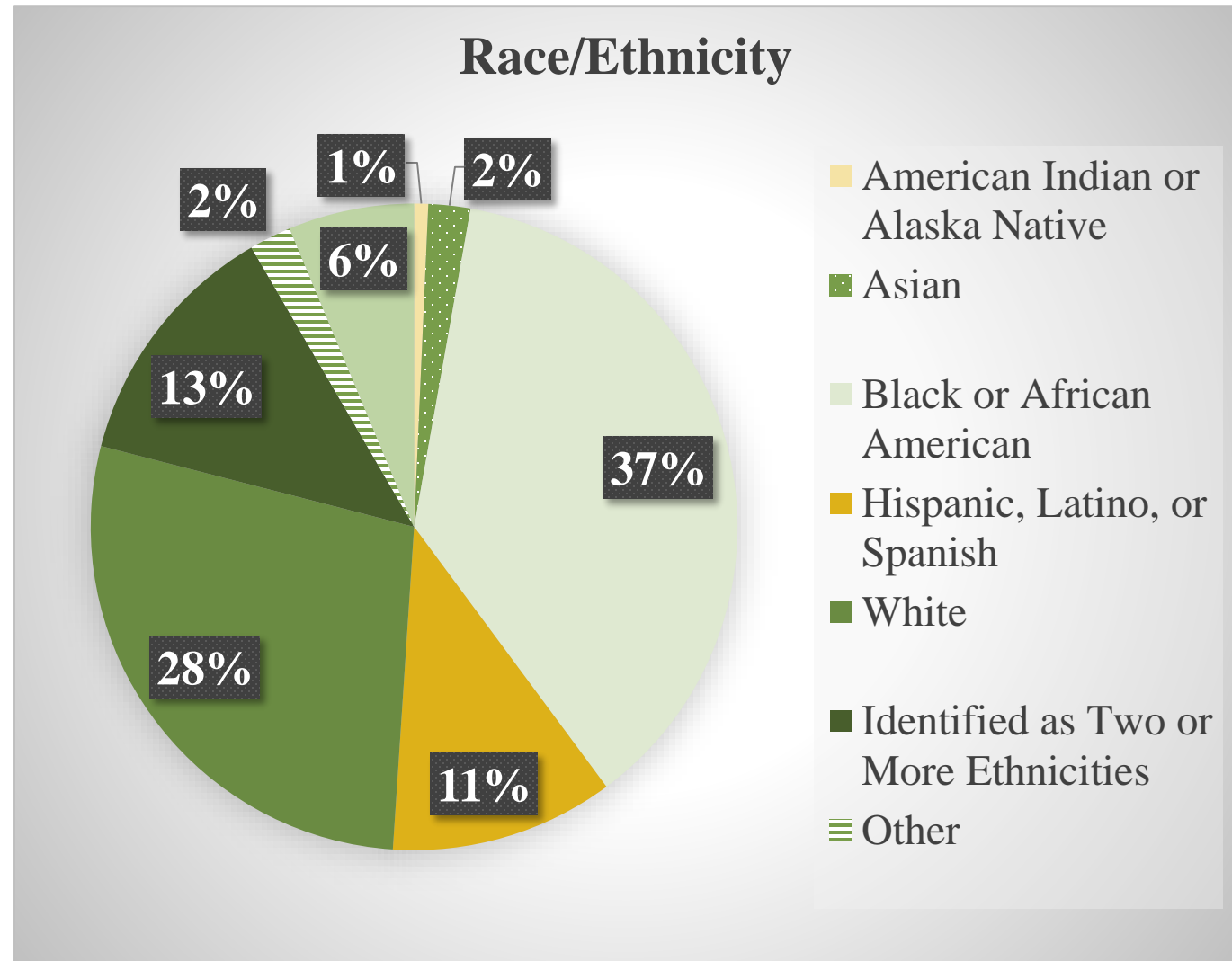
Social Equity Program: First Cohort Accepted Applications | February 6, 2020

Gender	#	%
Female	37	26%
Male	104	73%
Declined to Answer	2	1%
User Defined Gender	0	0
Total	143	100%



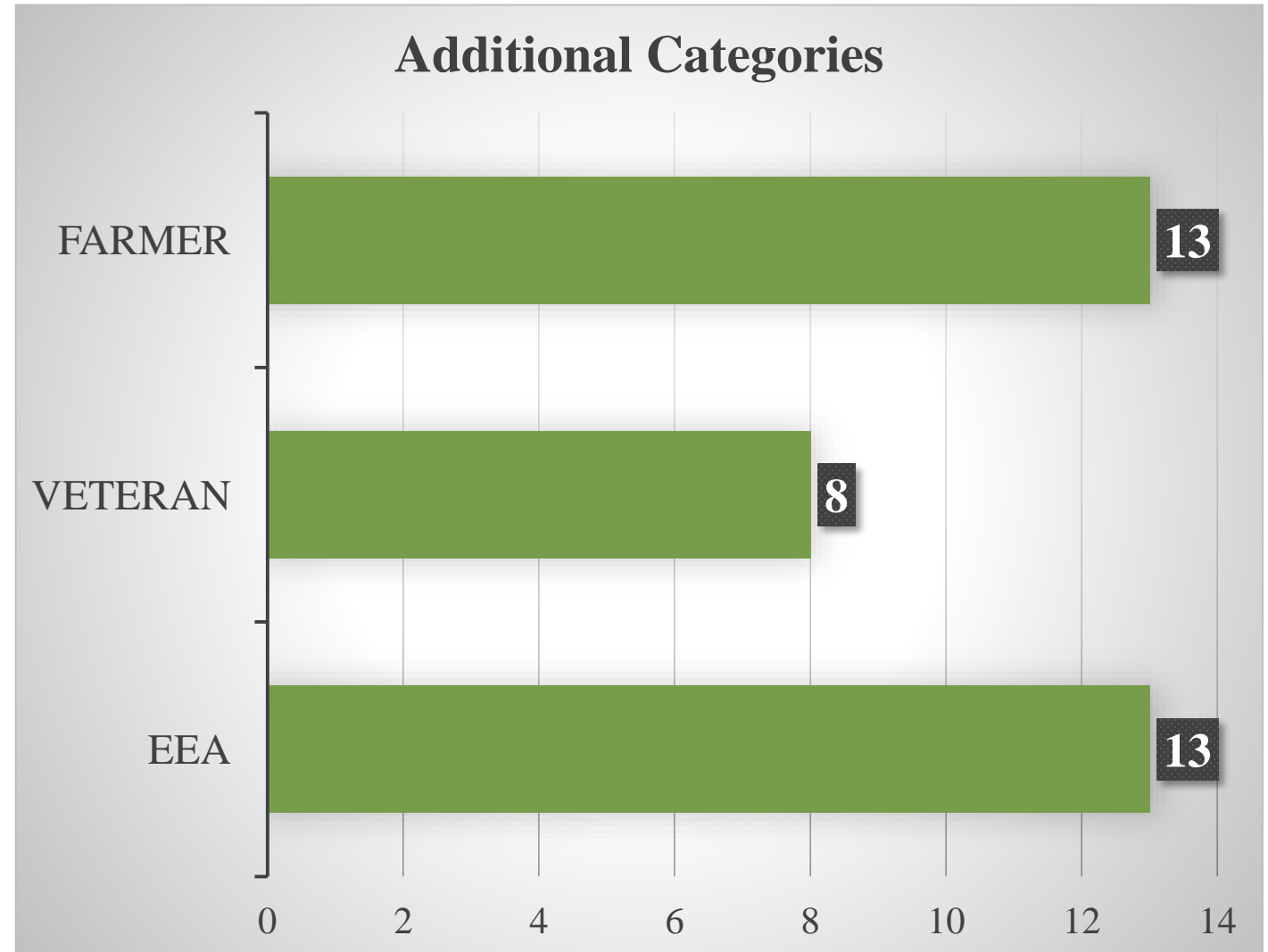
Social Equity Program: First Cohort Accepted Applications | February 6, 2020

Race/Ethnicity	#	%
American Indian or Alaska Native	1	0.7%
Asian	3	2.1%
Black or African American	53	37.06%
Hispanic, Latino, or Spanish	16	11.19%
White	40	27.97%
Identified as Two or More Ethnicities	18	12.59%
Other	3	2.1%
Declined to Answer	9	6.29%
Total	143	100%



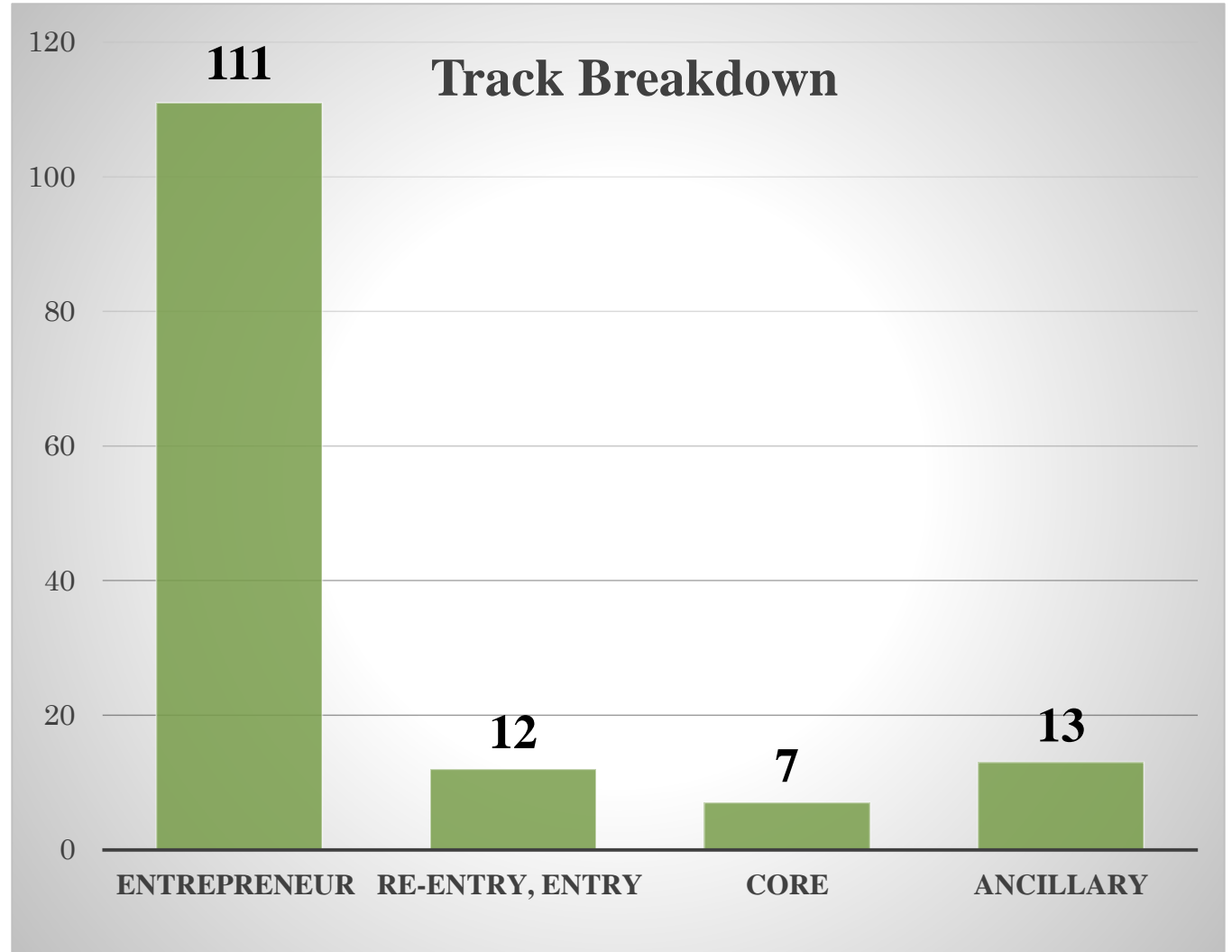
Social Equity Program: First Cohort Accepted Applications | February 6, 2020

Additional Categories	#	%
Farmer	13	9.09%
Veteran	8	5.59%
Economic Empowerment Applicant (EEA)	13	9.09%
Total	$\frac{34}{143}$	23.77%



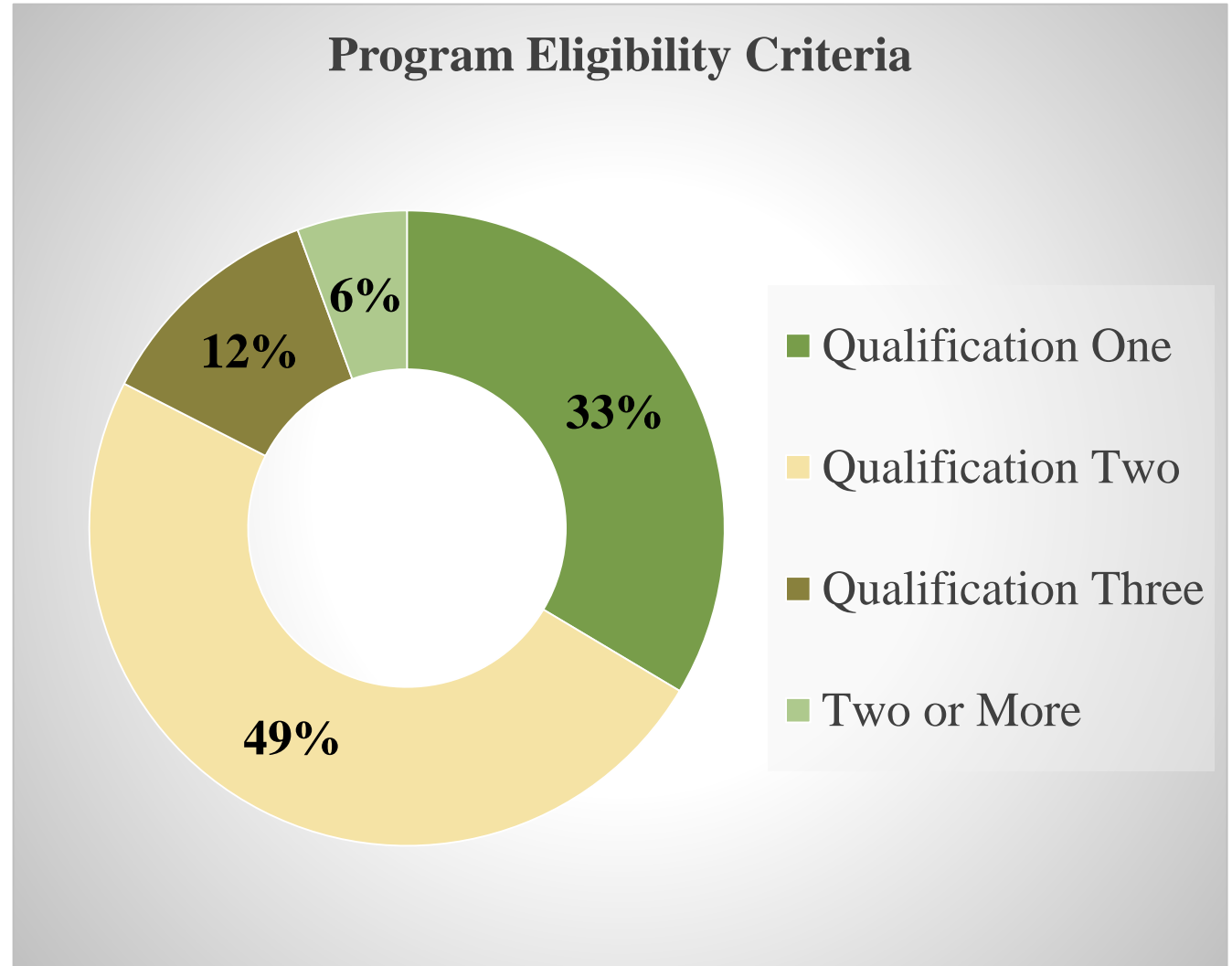
Social Equity Program: First Cohort Accepted Applications | February 6, 2020

Track Breakdown	#	%
Entrepreneur	111	77.62%
Re-entry, Entry	12	8.39%
Core	7	4.9%
Ancillary	13	9.09%
Total	143	100%



Social Equity Program: First Cohort Accepted Applications | February 6, 2020

Program Eligibility	#	%
Qualification One <ul style="list-style-type: none"> Residence in an area of disproportionate impact for at least 5 of the past 10 years Income that does not exceed 400% of the Federal Poverty Level 	48	33%
Qualification Two <ul style="list-style-type: none"> A past drug conviction Residence in Massachusetts for at least the preceding 12 months 	70	49%
Qualification Three <ul style="list-style-type: none"> Married to or the child of a person with a drug conviction Residence in Massachusetts for at least the preceding 12 months 	17	12%
Two or More Qualifications	8	6%
Total	143	100%



Social Equity Program: First Cohort
Entrepreneur Track | February 6, 2020

Entrepreneur Track

Participants
interested in or seeking
licensure of a
Marijuana Establishment



Social Equity Program: First Cohort Entrepreneur Track | February 6, 2020

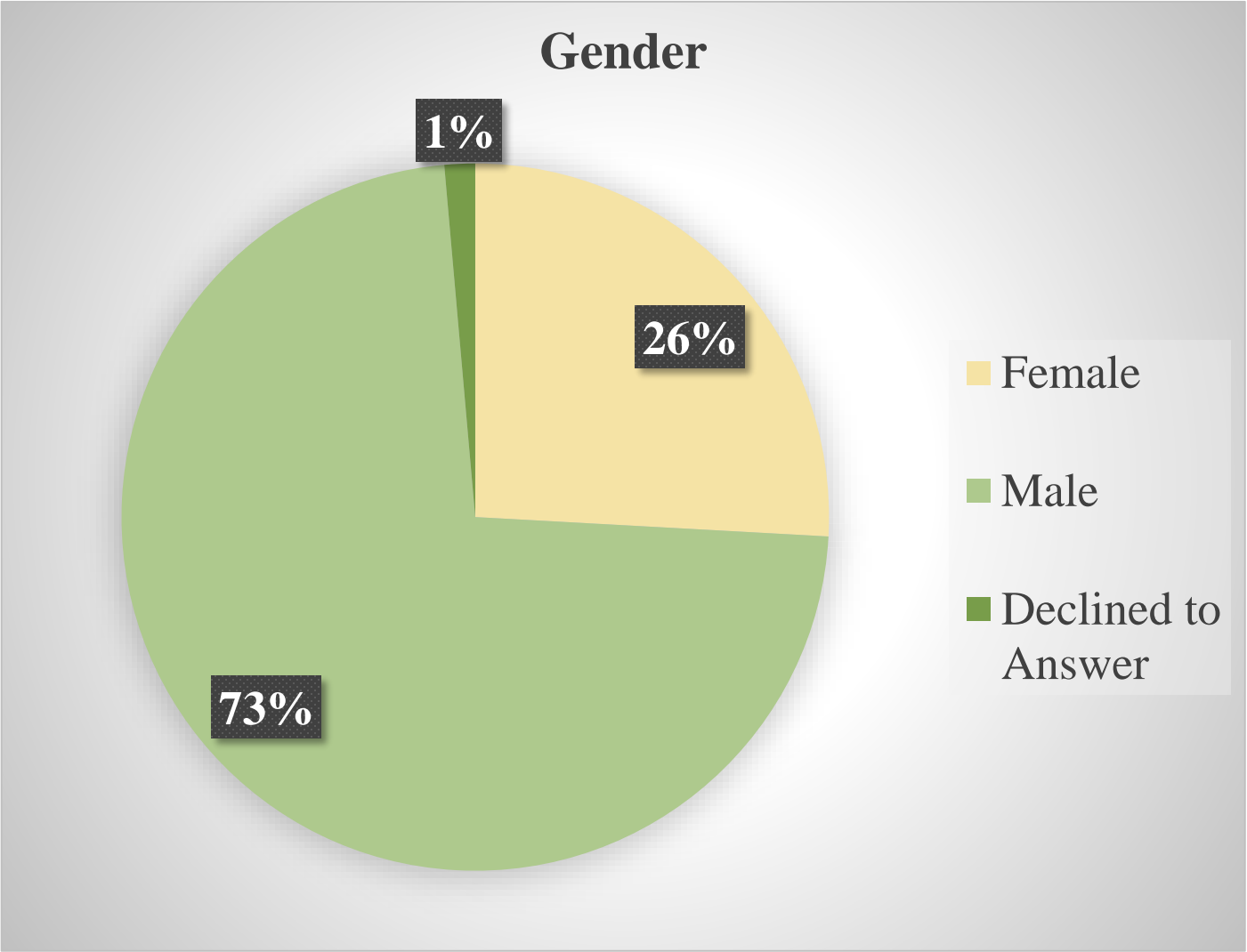
Delivered Courses	# Vendors	# Cities
Ownership Regulations	CCC	1
Application & Licensing Process	3	4
Cannabis Business Compliance & Challenges	1	1
Business Plan Creation & Development	2	2
Raising Capital in the Cannabis Industry	2	2
Facility Design & Location Search	1	1
Municipal Approval Process	4	4



Remaining Courses	# Vendors	# Cities
Host Community Agreements (HCA's)	4	4
Security & Working with Law Enforcement	1	1
Branding, Marketing & Advertising	2	2
Accounting & Taxes for Cannabis Businesses	2	2
Testing Process	1	2
Agent Recruitment & Training	2	2
Post Licensure Operations	1	1

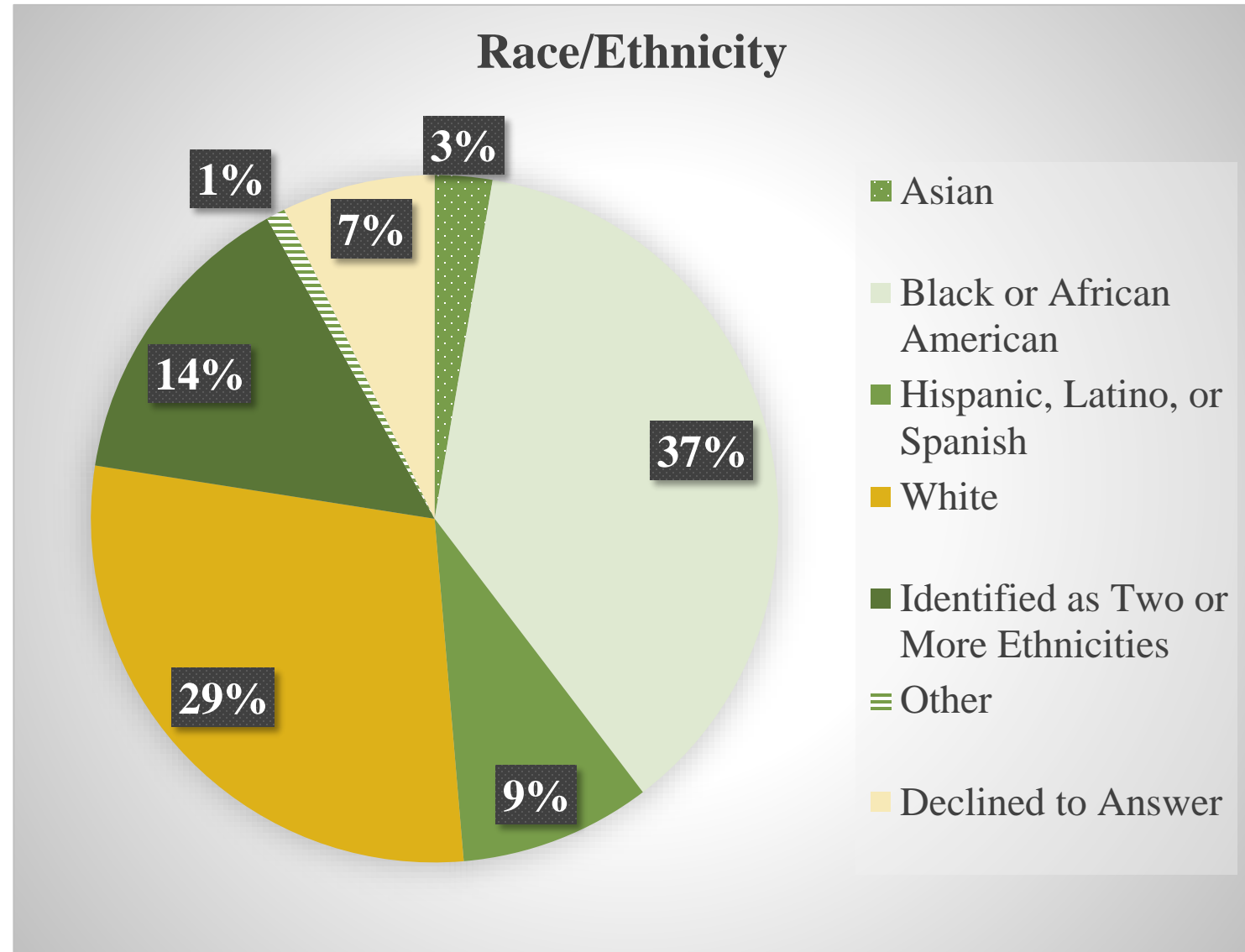
**Social Equity Program: First Cohort
Entrepreneur Track | February 6, 2020**

Gender	#	%
Female	29	26%
Male	81	73%
Declined to Answer	1	1%
User Defined Gender	0	0
Total	111	100%



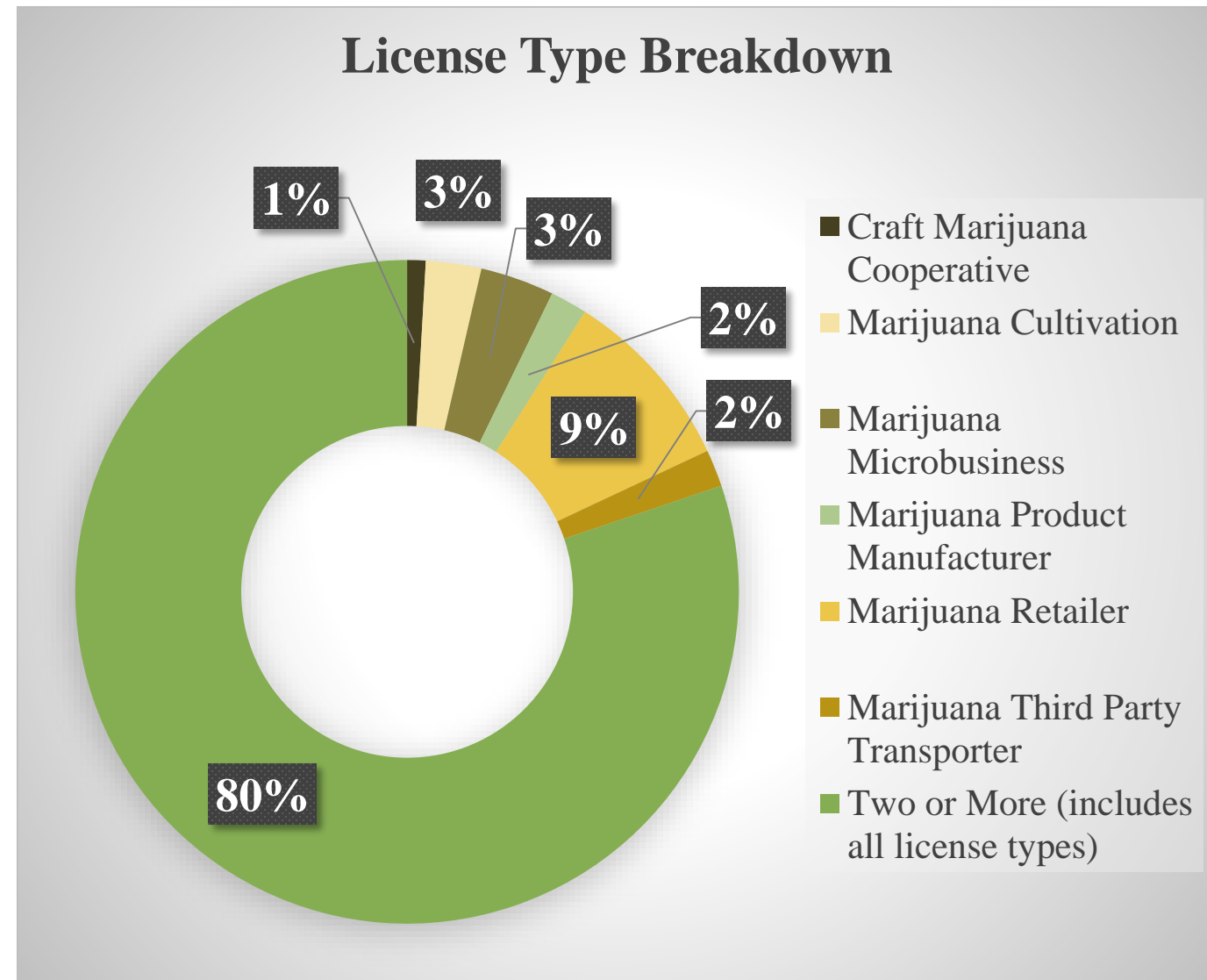
Social Equity Program: First Cohort Entrepreneur Track | February 6, 2020

Race/Ethnicity	#	%
American Indian or Alaska Native	0	0%
Asian	3	3%
Black or African American	41	37%
Hispanic, Latino, or Spanish	10	9%
White	32	29%
Identified as Two or More Ethnicities	16	14%
Other	1	1%
Declined to Answer	8	7%
Total	111	100%



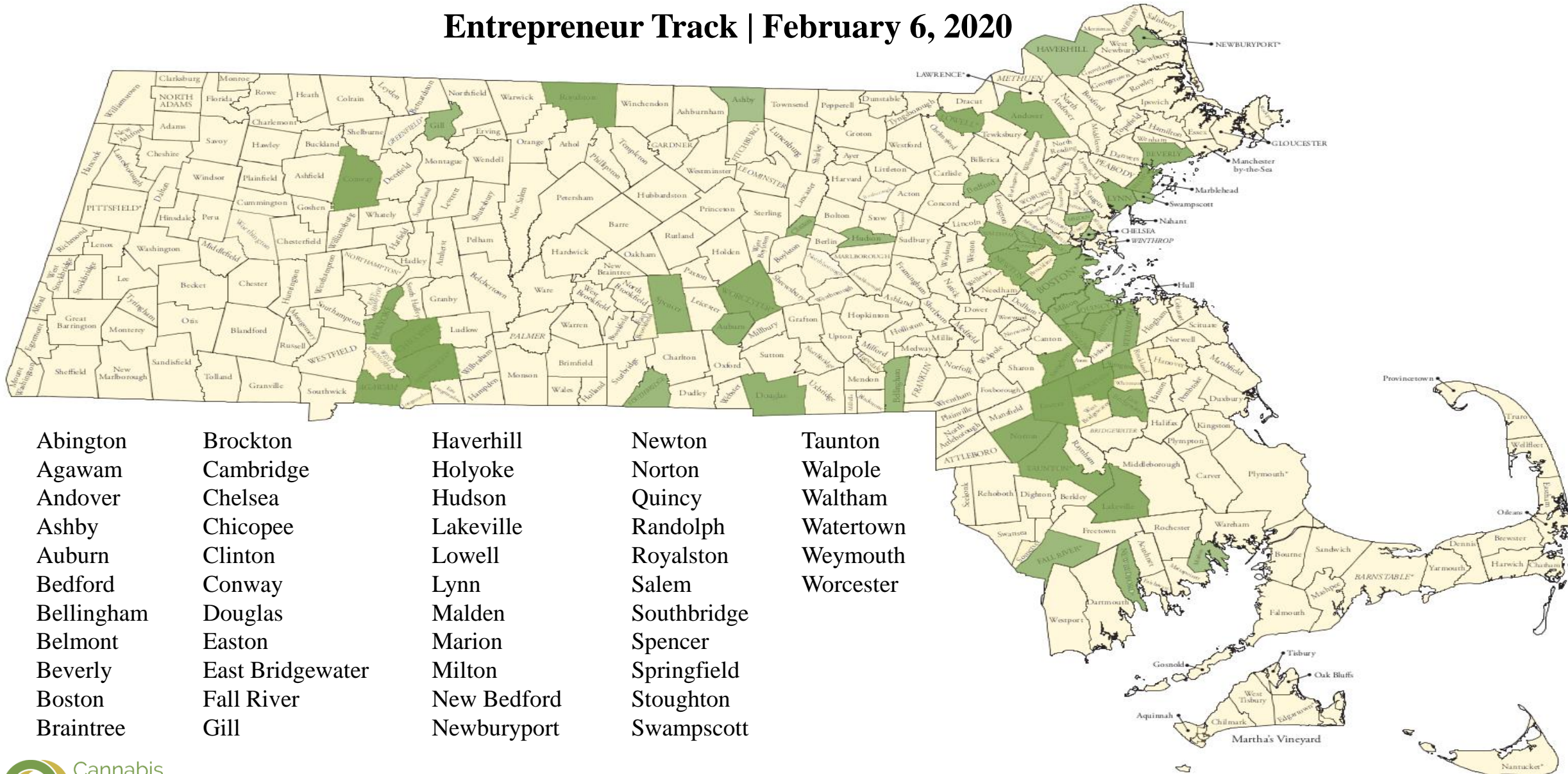
Social Equity Program: First Cohort Entrepreneur Track | February 6, 2020

License Type Breakdown	#	%
Craft Marijuana Cooperative	1	0.9%
Marijuana Cultivation	3	2.7%
Marijuana Microbusiness	4	3.6%
Marijuana Product Manufacturer	2	1.8%
Marijuana Retailer	10	9%
Marijuana Third Party Transporter	2	1.8%
Two or More (includes all license types)	89	80.1%
Total	111	100%



Social Equity Program: First Cohort

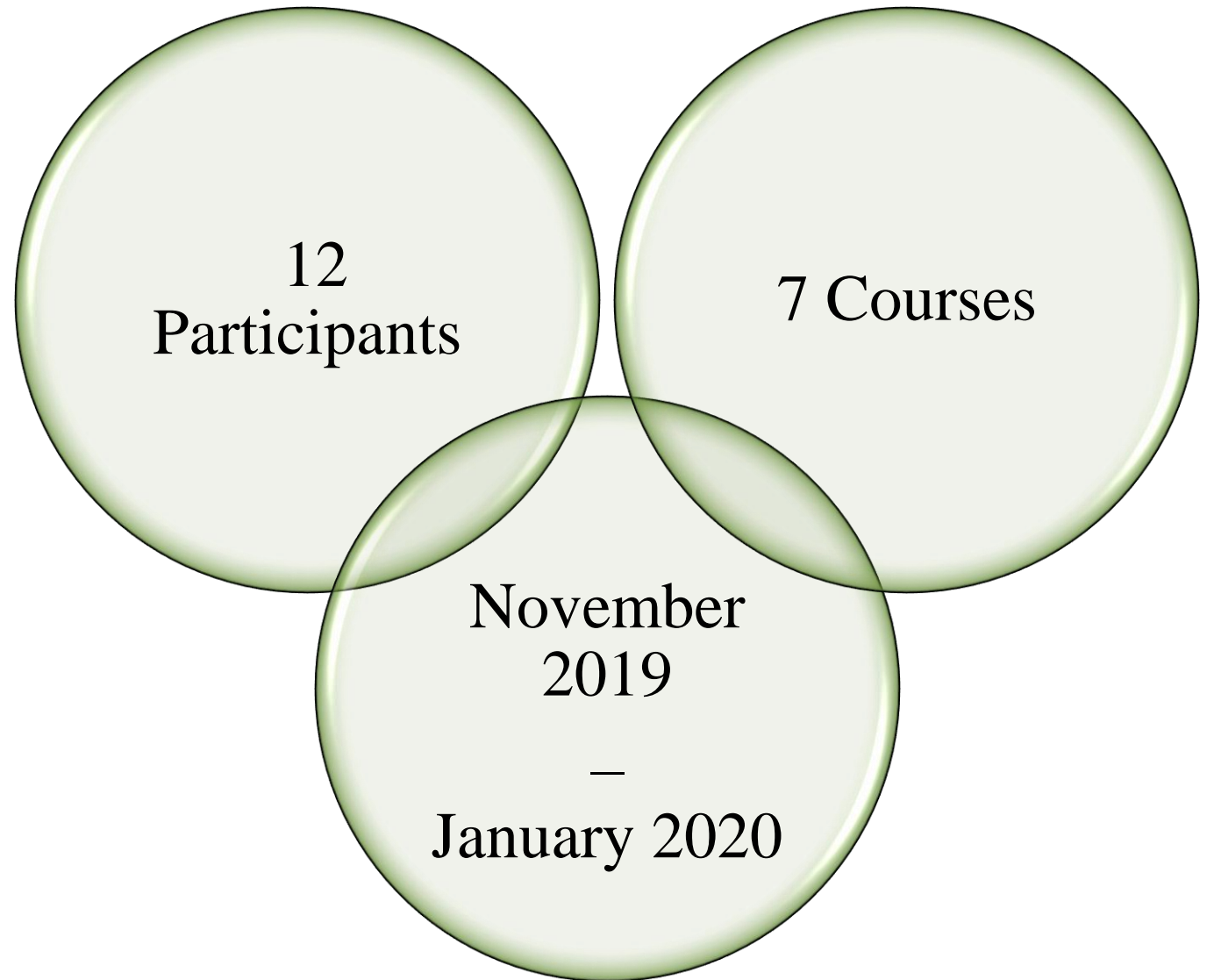
Entrepreneur Track | February 6, 2020



Social Equity Program: First Cohort
Re-entry, Entry Track | February 6, 2020

Re-entry, Entry Track

Participants
interested in entry level
positions within
Marijuana Establishments



Social Equity Program First Cohort Re-entry, Entry Track | February 6, 2020

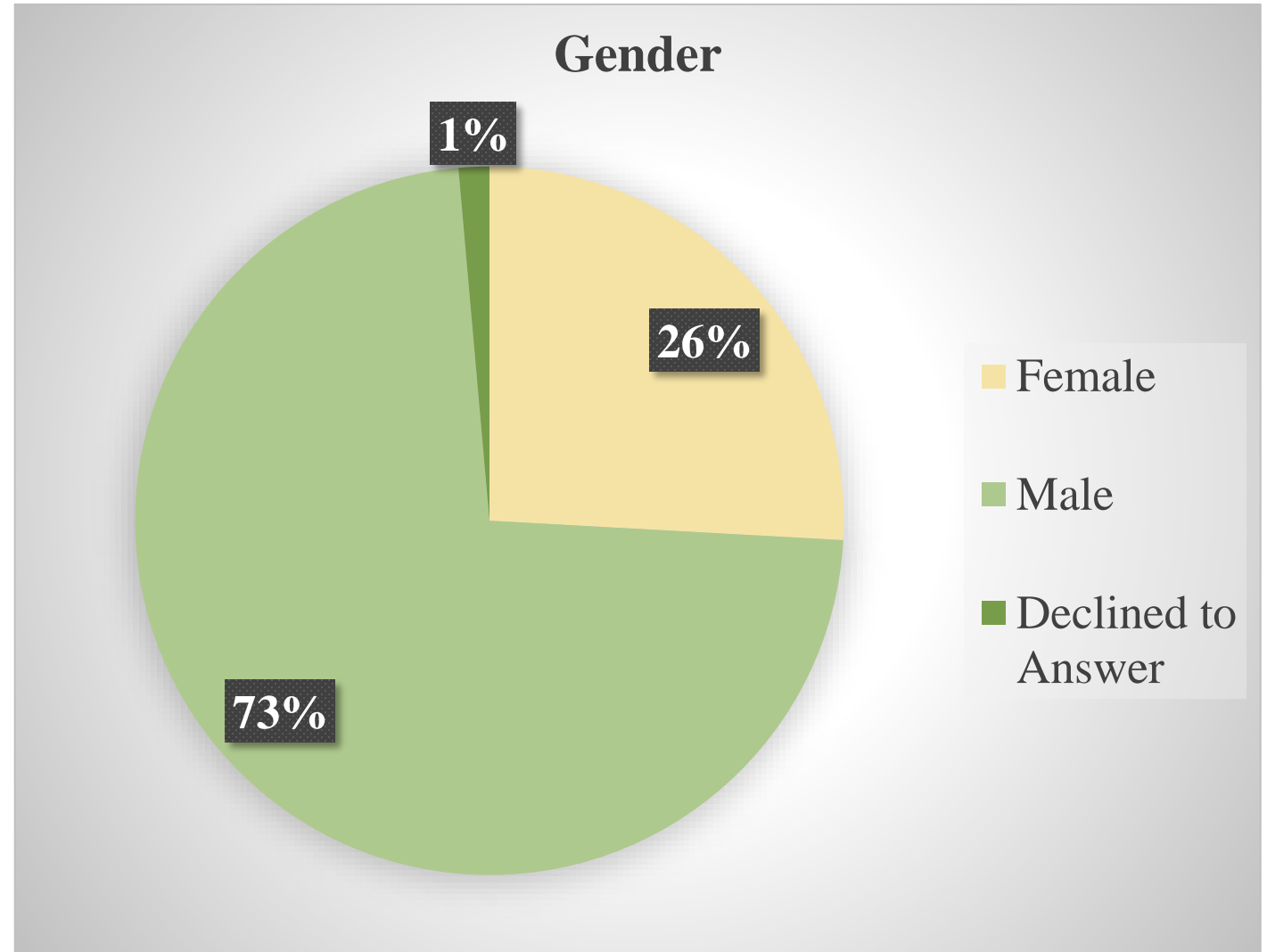
Delivered Courses	Vendors	Cities
Introduction to the Cannabis Plant & Legal History	CCC	1
Introduction to Cannabis Laws	1	1
Introduction to Cannabis as Medicine	1	1
Skills-based Training: Cultivation	1	1
Skills-based Training: Product Manufacturing	1	1
Skills-based Training: Retail	1	1
Resume & Interview Prep for Cannabis Careers	1	1



Remaining Courses	Vendors	Cities
-------------------	---------	--------

Social Equity Program: First Cohort Re-entry, Entry Track | February 6, 2020

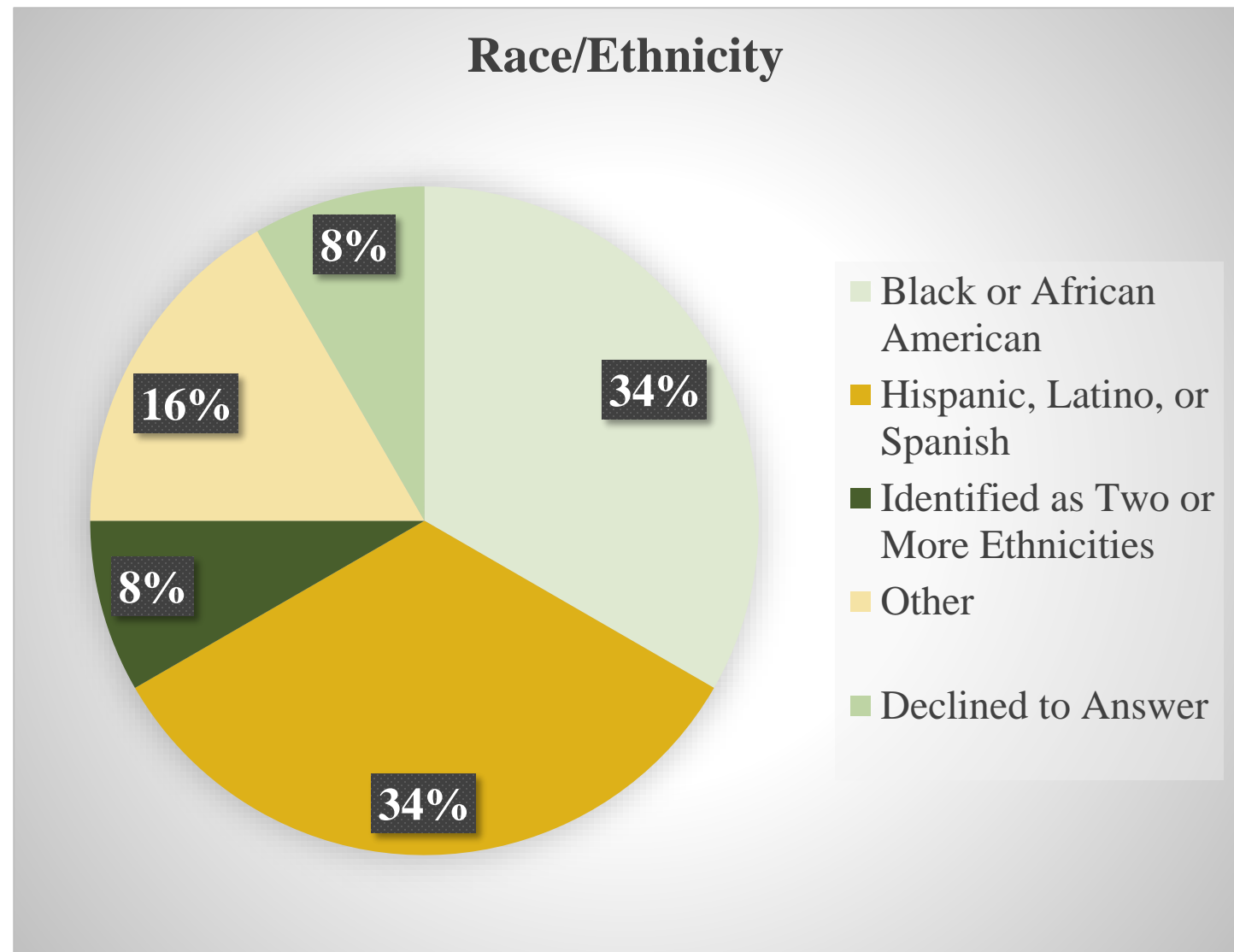
Gender	#	%
Female	3	26%
Male	8	73%
Declined to Answer	1	1%
User Defined Gender	0	0%
Total	12	100%



Social Equity Applications | February 6, 2020

Re-entry, Entry Track | February 6, 2020

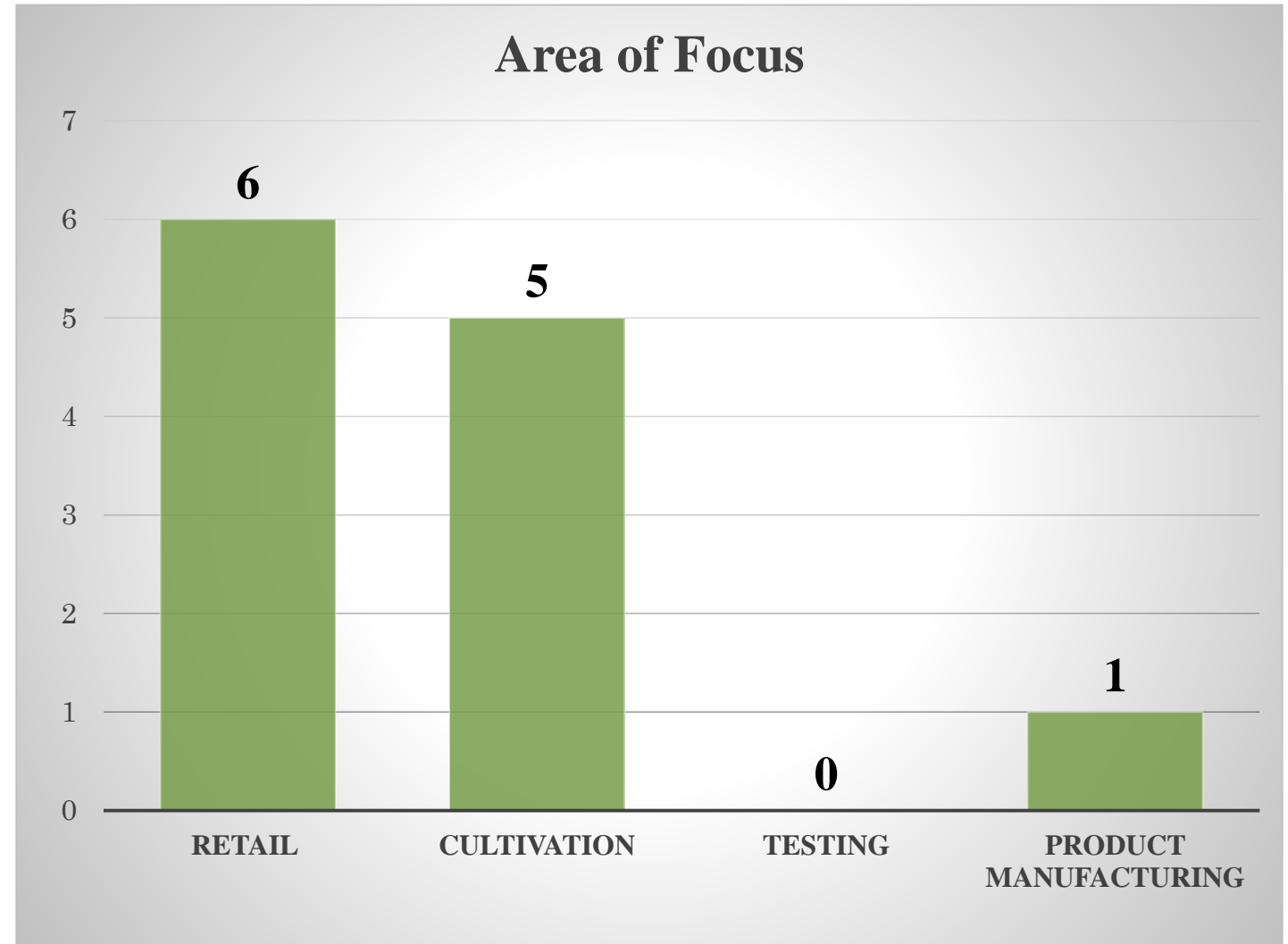
Race/Ethnicity	#	%
American Indian or Alaska Native	0	0%
Asian	0	0%
Black or African American	4	34%
Hispanic, Latino, or Spanish	4	34%
White	0	0%
Identified as Two or More Ethnicities	1	8%
Other	2	16%
Declined to Answer	1	8%
Total	12	100%



Social Equity Program: First Cohort

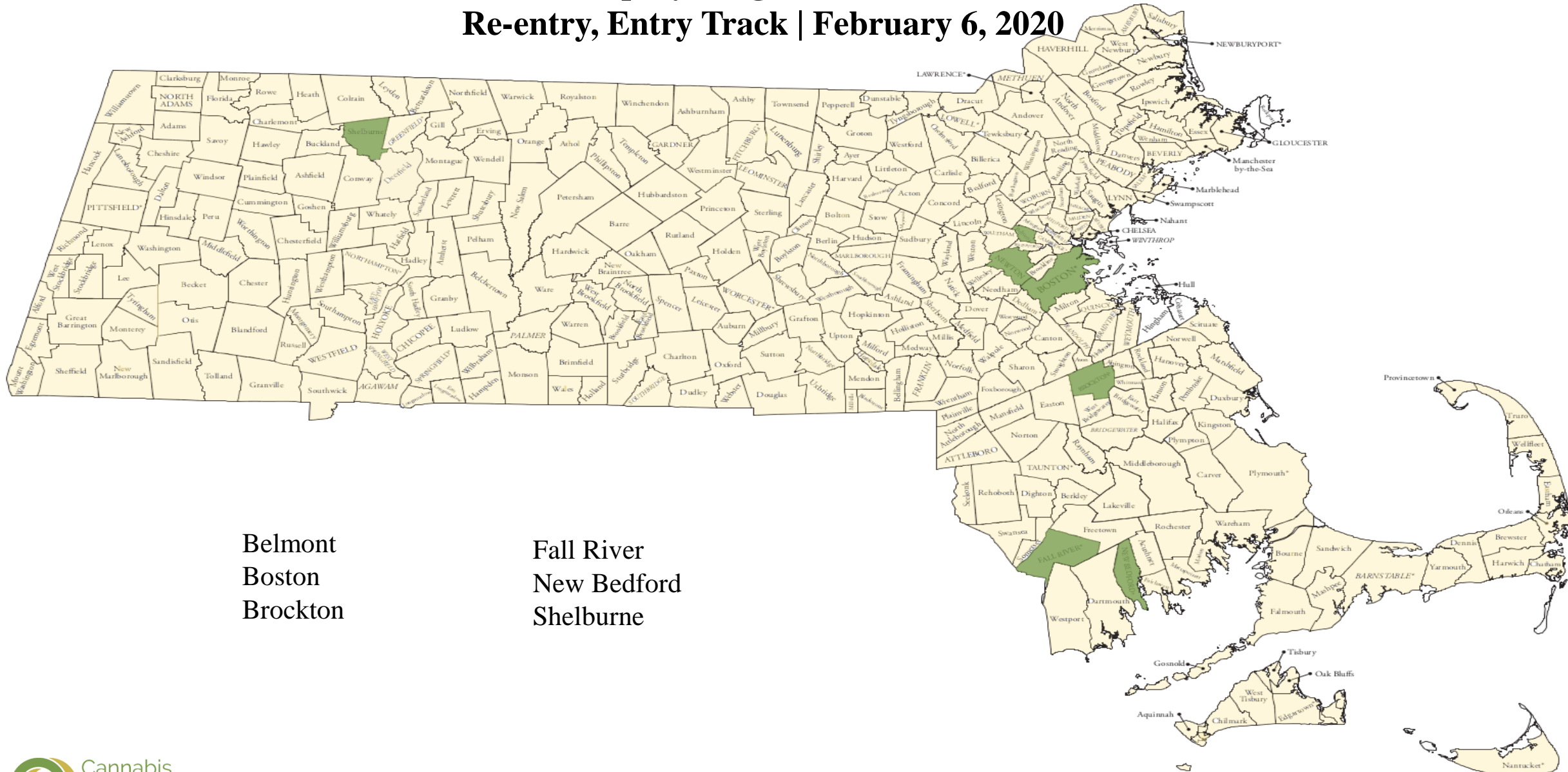
Re-entry, Entry Track | February 6, 2020

Re-entry, Entry Track Area of Focus	#
Retail	6
Cultivation	5
Testing	0
Product Manufacturing	1
Total	12



Social Equity Program: First Cohort

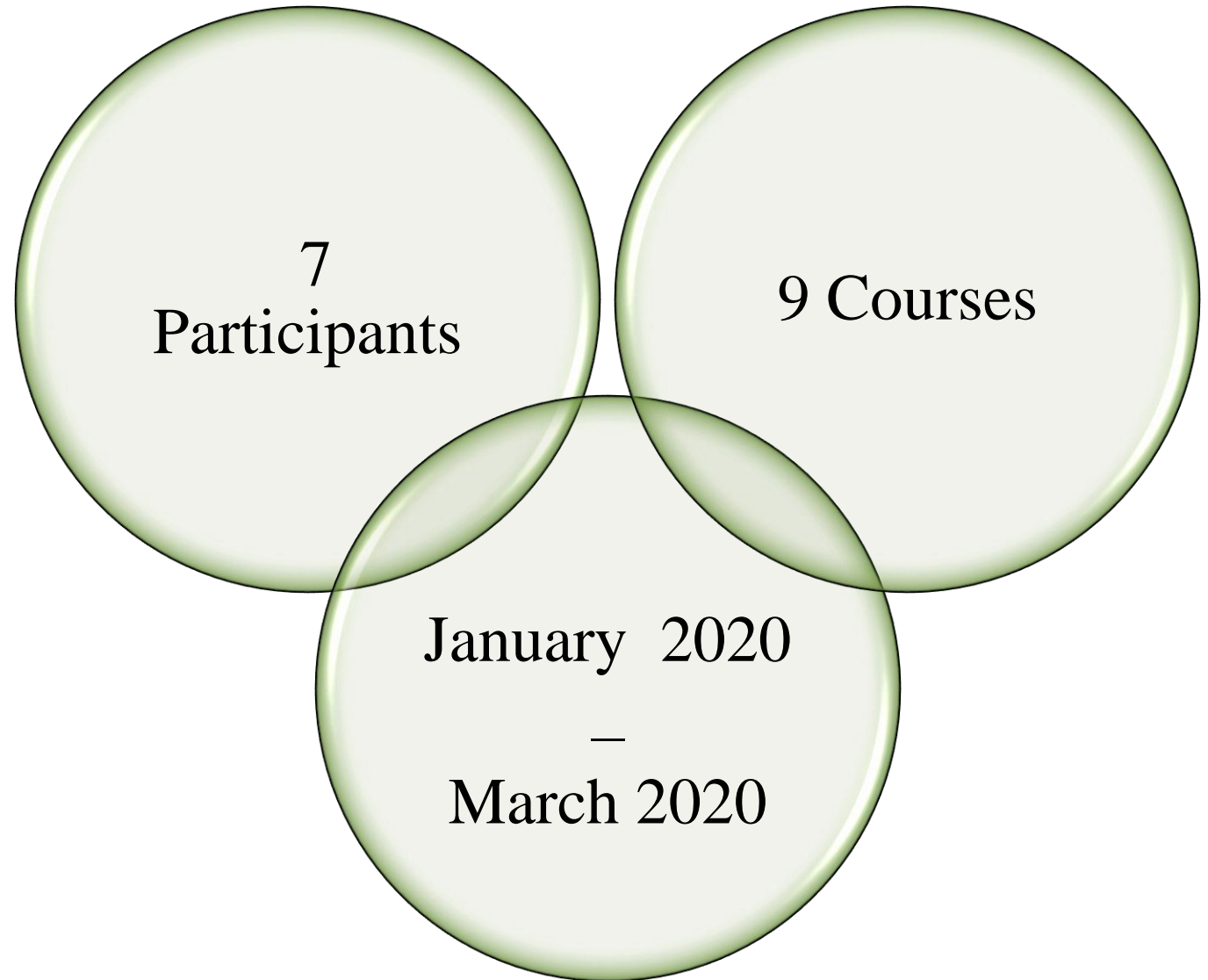
Re-entry, Entry Track | February 6, 2020



Social Equity Program: First Cohort
Core Track | February 6, 2020

Core Track

Participants
interested in managerial
positions within
Marijuana Establishments



Social Equity Program: First Cohort

Core Track | February 6, 2020

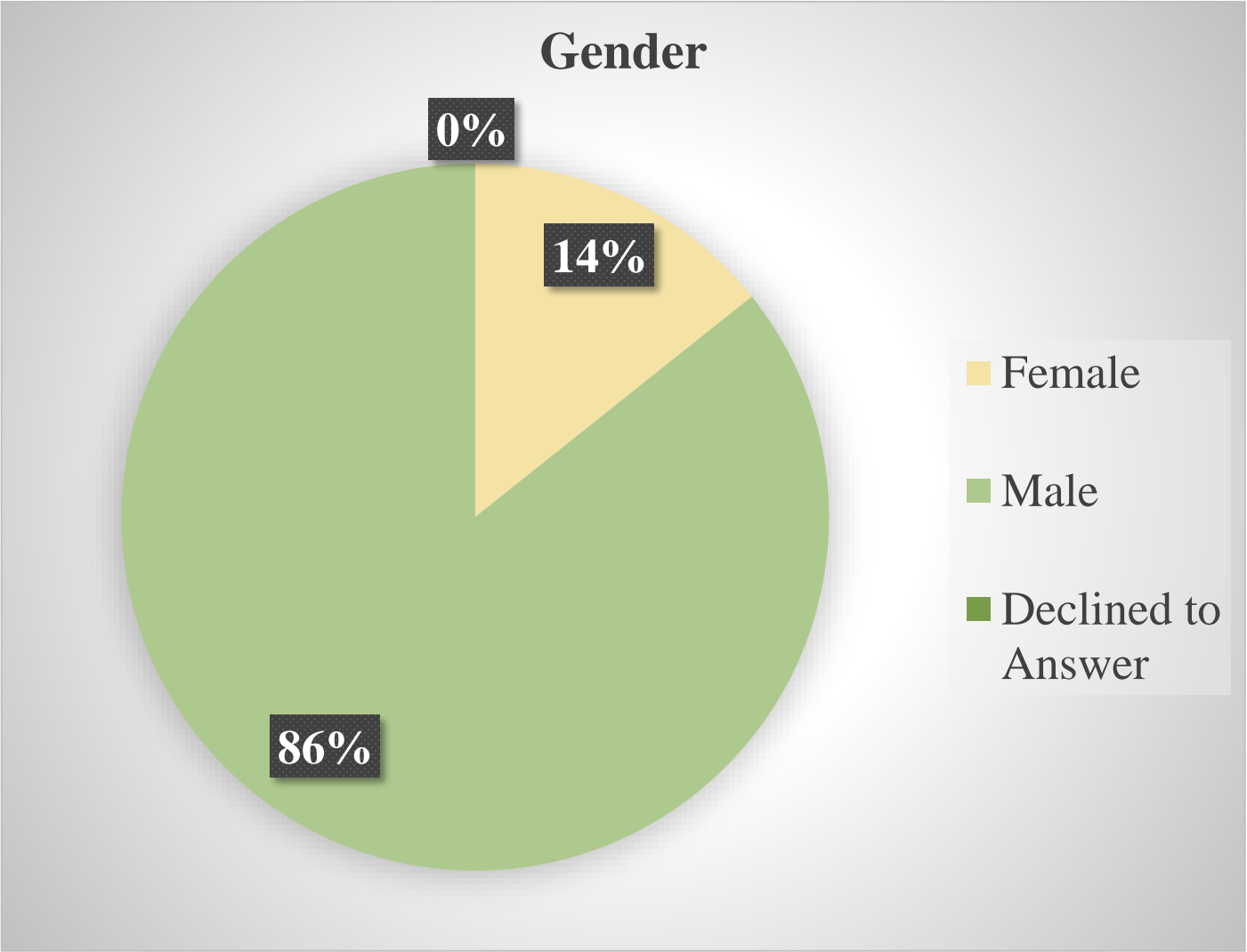
Delivered Courses	Vendors	Cities
Management for Cannabis Businesses	1	1
Municipal Process	1	1



Remaining Courses	Vendors	Cities
Branding, Marketing & Advertising	1	1
Accounting & Taxes for Cannabis Businesses	1	1
Facility Design & Location Search	1	1
Agent Recruitment & Training	1	1
Security & Working with Law Enforcement	1	1
Advanced Skills-Based Training: Cultivation	1	1
Resume & Interview Prep for Cannabis Careers	1	1

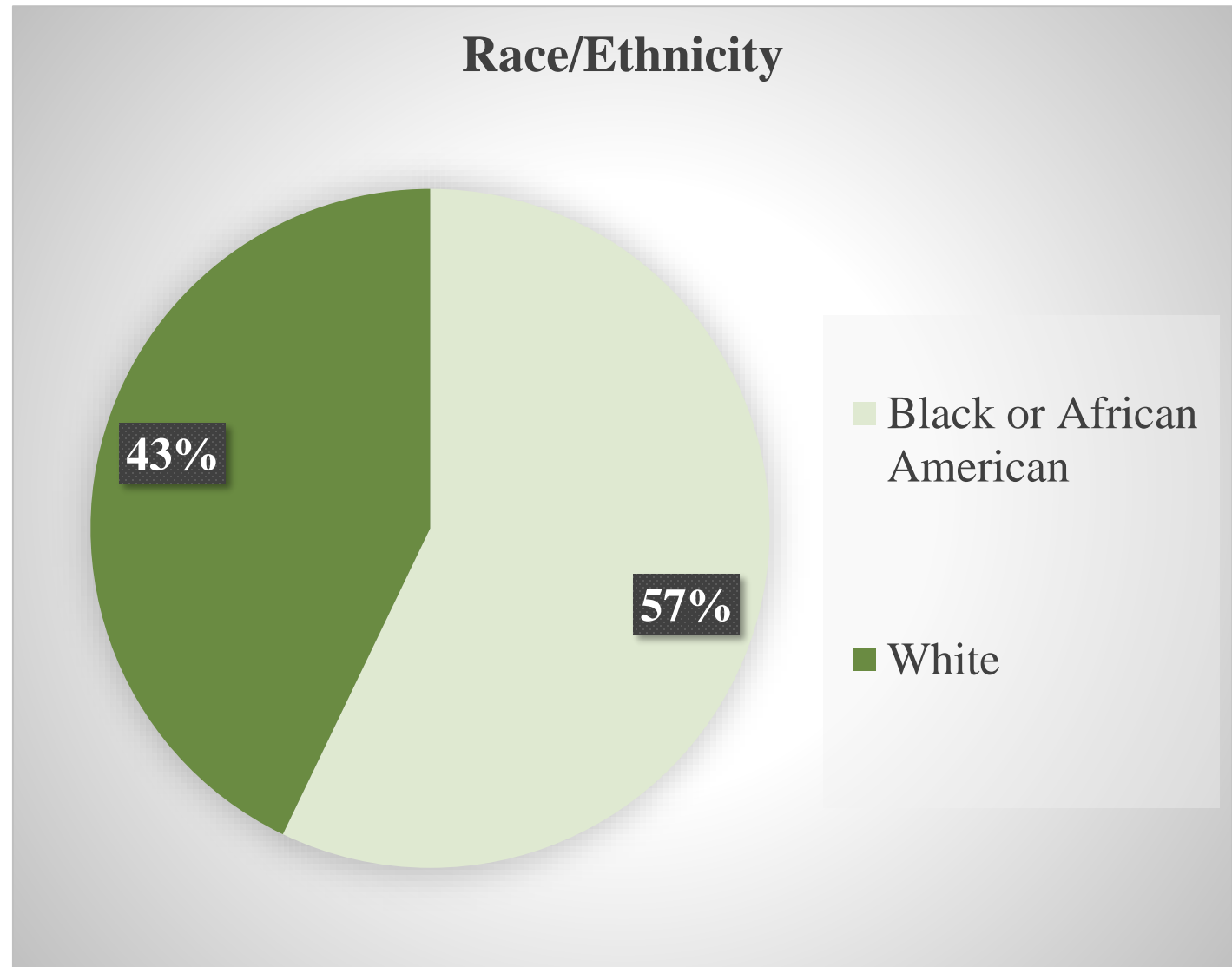
Social Equity Program: First Cohort
Core Track | February 6, 2020

Gender	#	%
Female	1	14%
Male	6	86%
Declined to Answer	0	0%
User Defined Gender	0	0%
Total	7	100%



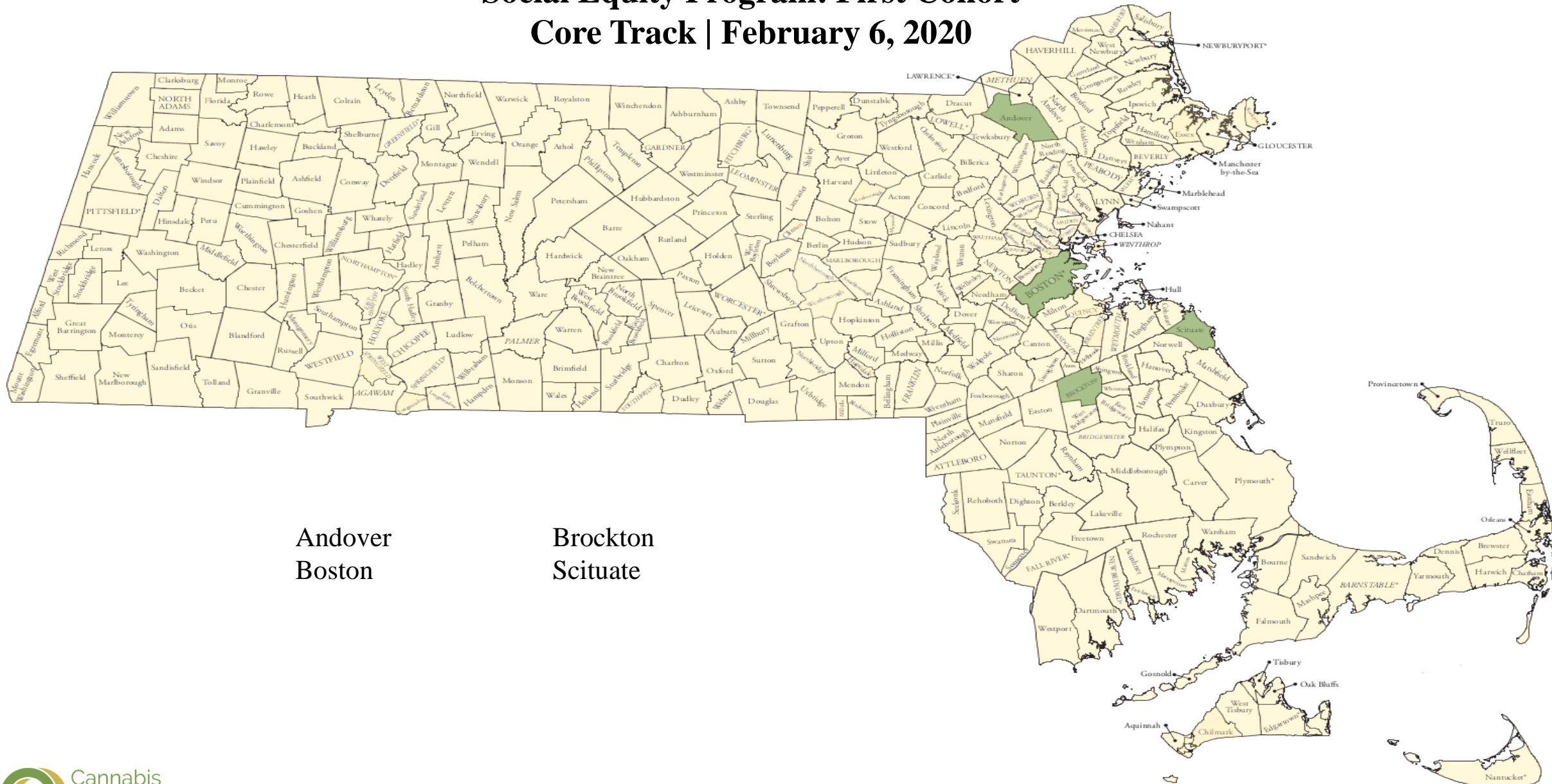
Social Equity Program: First Cohort Core Track | February 6, 2020

Race/Ethnicity	#	%
American Indian or Alaska Native	0	0%
Asian	0	0%
Black or African American	4	57%
Hispanic, Latino, or Spanish	0	%
White	3	43%
Identified as Two or More Ethnicities	0	0%
Other	0	0%
Declined to Answer	0	0%
Total	7	100%



Social Equity Program: First Cohort

Core Track | February 6, 2020



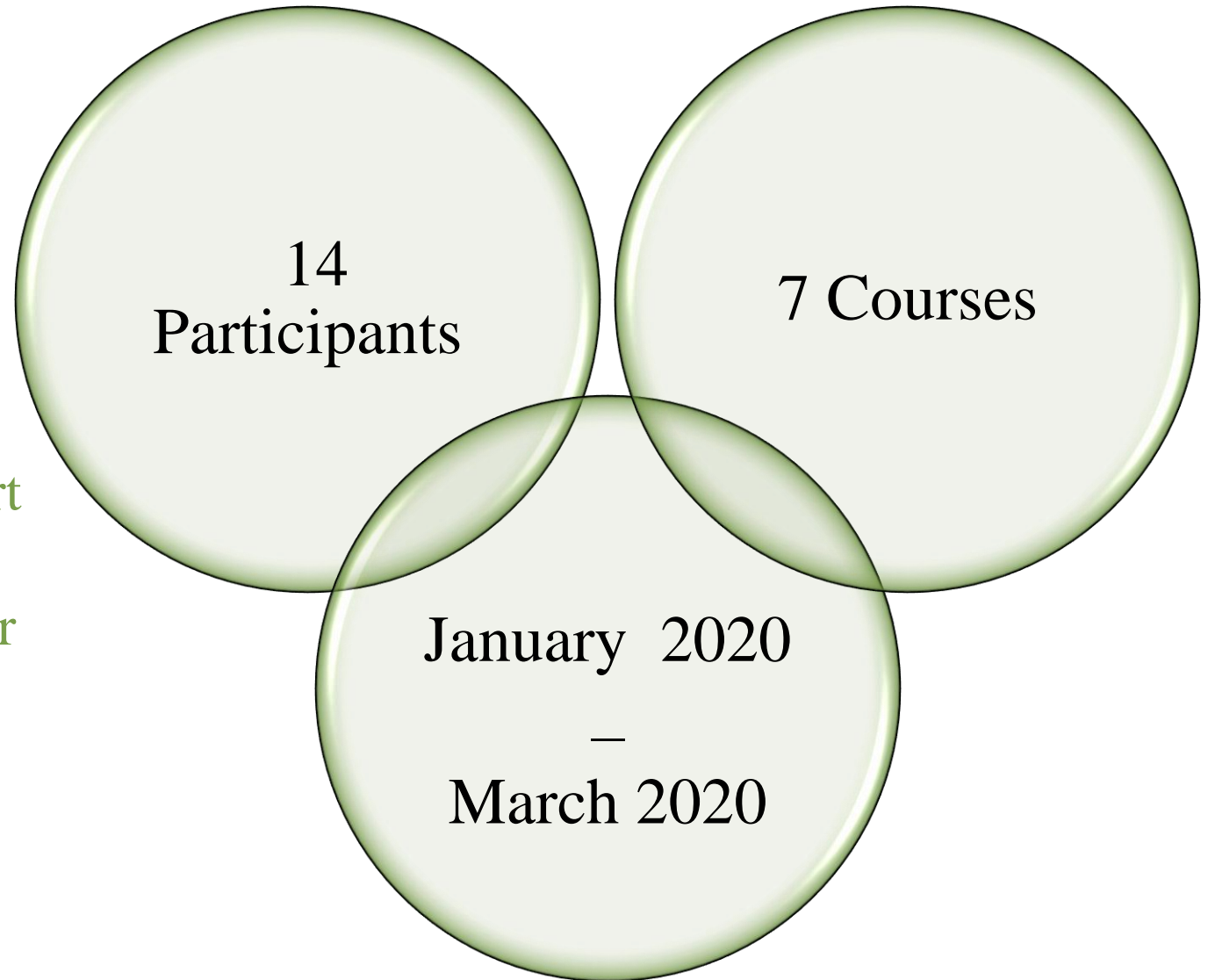
Andover
Boston

Brockton
Scituate

Social Equity Program: First Cohort
Core Track | February 6, 2020

Ancillary Track

Participants with
skillsets or businesses that support
the cannabis industry
but are not seeking licensure of or
employment within a Marijuana
Establishment.



Social Equity Program: First Cohort
Ancillary Track | February 6, 2020

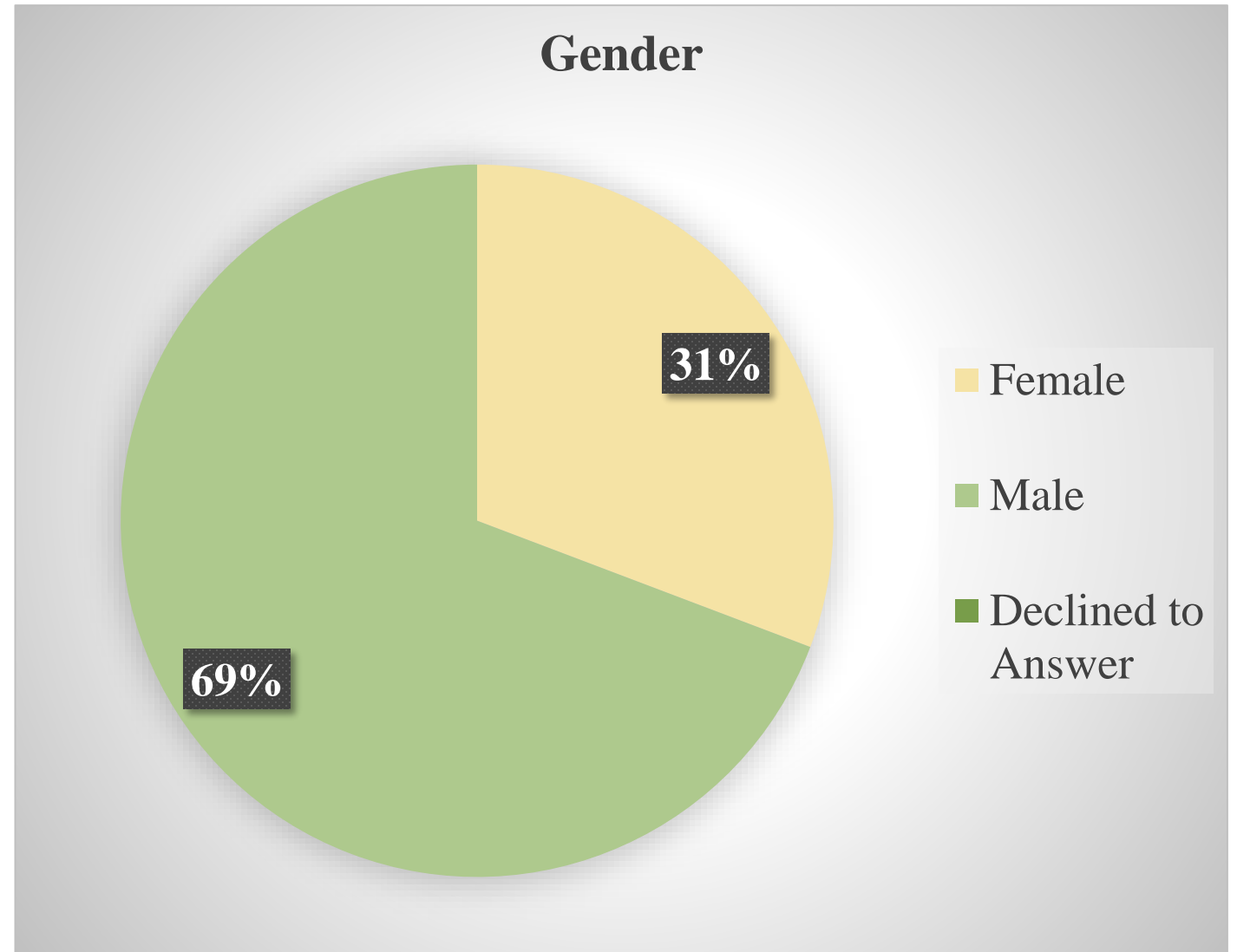
Delivered Course	Vendors	Cities
Opportunities for Ancillary Businesses	1	1
Basic Business Compliance & Challenges	1	1
Business Plan Creation & Development	1	1



Remaining Course	Vendors	Cities
Accounting & Taxes	1	1
Ancillary Facility Design & Location Search	1	1
Branding Marketing and Advertising	1	1
Post-Licensure Operations	1	1

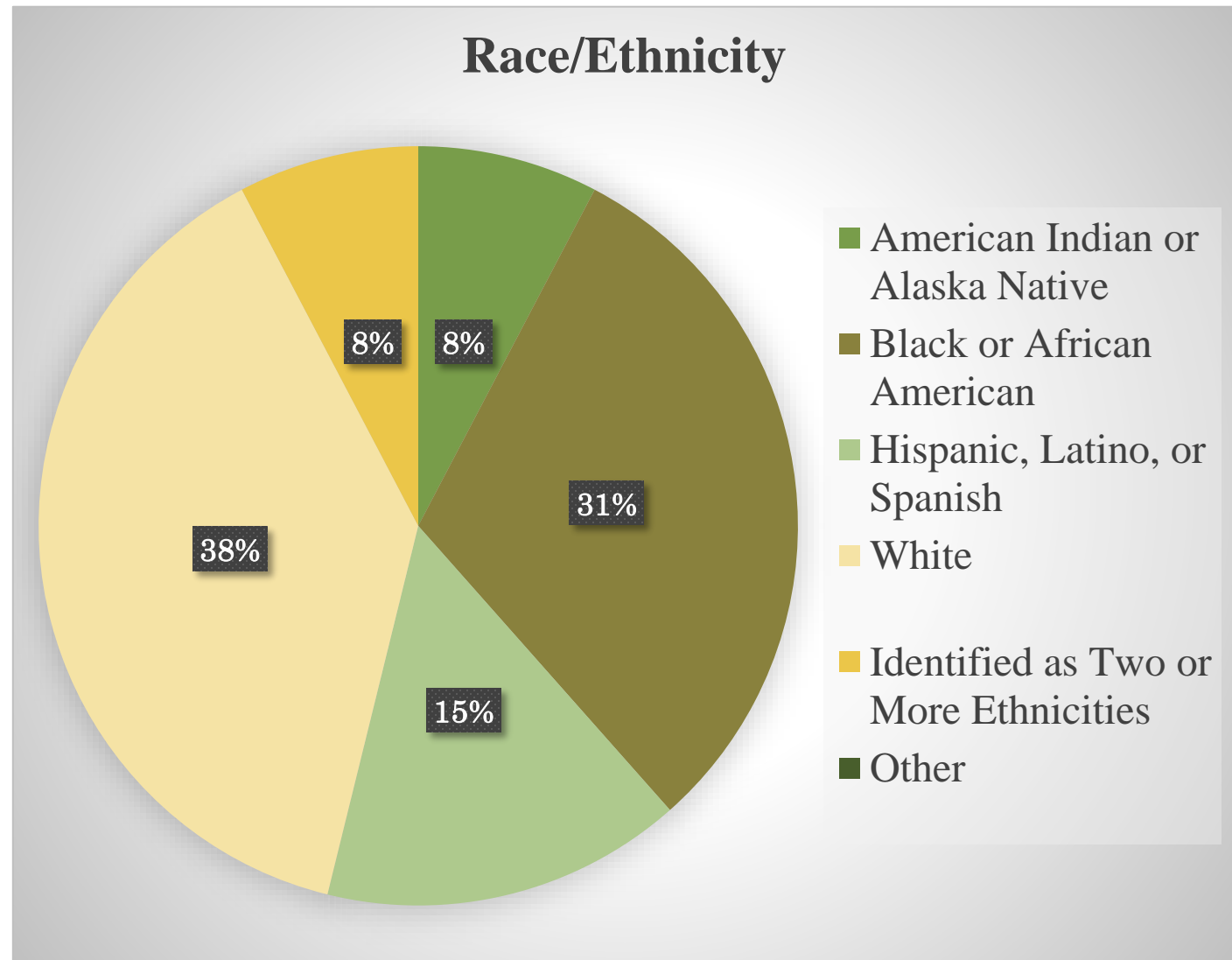
Social Equity Program: First Cohort Ancillary Track | February 6, 2020

Gender	#	%
Female	4	31%
Male	9	69%
Declined to Answer	0	0%
User Defined Gender	0	0%
Total	13	100%



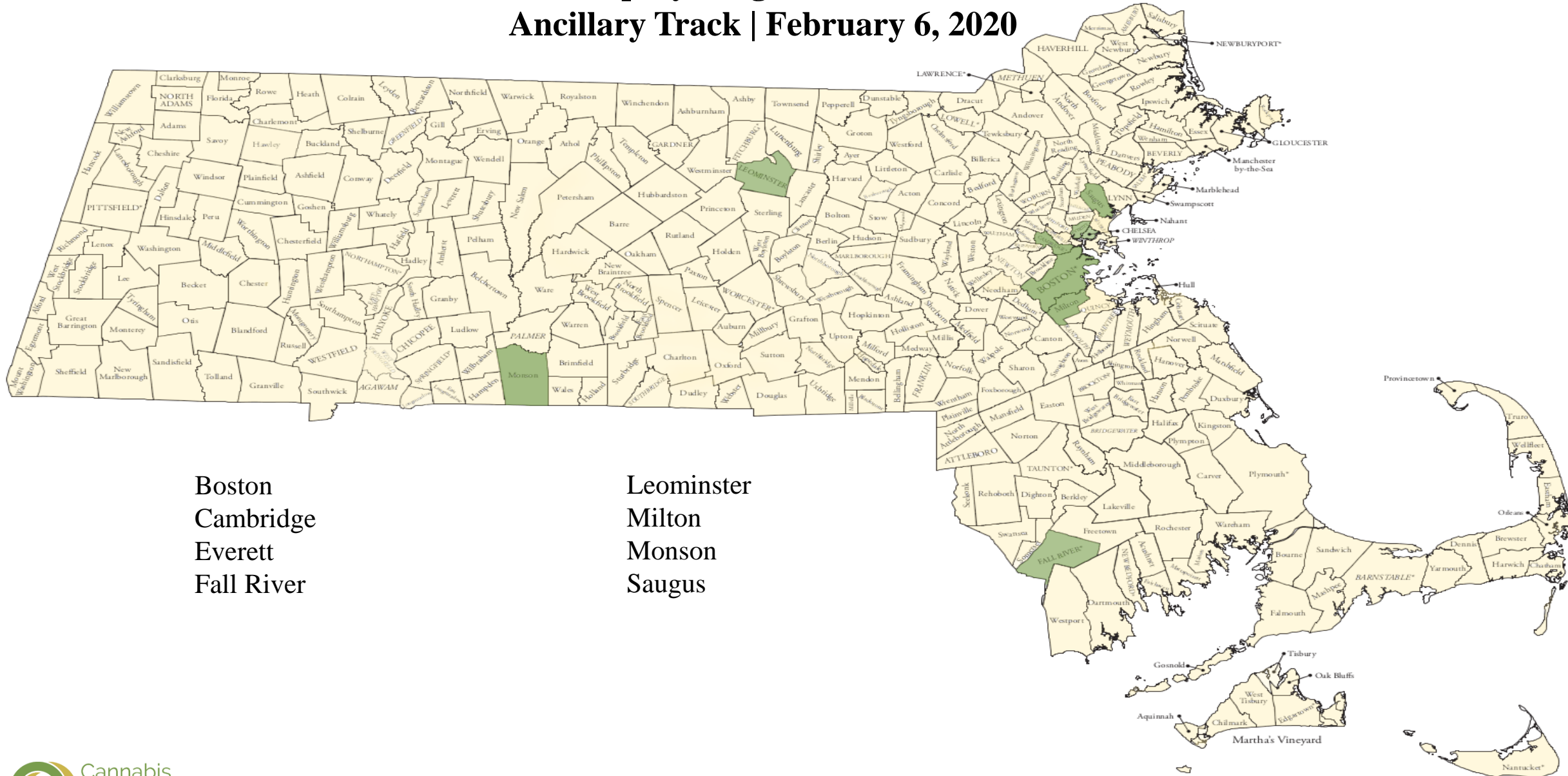
Social Equity Program: First Cohort Ancillary Track | February 6, 2020

Race/Ethnicity	#	%
American Indian or Alaska Native	1	8%
Asian	0	0%
Black or African American	4	31%
Hispanic, Latino, or Spanish	2	15%
White	5	38%
Identified as Two or More Ethnicities	1	8%
Other	0	0%
Declined to Answer	0	0%
Total	13	100%



Social Equity Program: First Cohort

Ancillary Track | February 6, 2020



Boston
Cambridge
Everett
Fall River

Leominster
Milton
Monson
Saugus

Social Equity Program

Next Steps | February 6, 2020

Feb/Mar

- Resume application review and approval for those who already applied
- Update and relaunch application

Apr

- First cohort courses complete; Provide certificates
- Continue reviewing and accepting applications on rolling basis

May

- Cohort 2 application deadline
- Application closes

Jul

- Second cohort orientation seminar

Social Equity Program: Next Steps Updates| February 6, 2020

Eligibility

Change from 400%
FPL to 400% AMI

Change applied to all
applicants, including
those before
November 1

Application

Language updated for
ease of applying

Additional questions
for data collection

Benefits

Immediate accrual
upon acceptance into
the program

This includes access
to exclusive license
types

Program

Streamlined courses
based on evaluations
collected after every
course

Exploring online
learning management
system to
accommodate all
schedules and
locations

5) Staff Recommendations on Changes of Ownership

- a. Hope Heal Health, Inc.
- b. MassMedicum Corp.

6) Staff Recommendations on Renewals

- a. Baked Bean, LLC. (#MPR243509), Product Manufacturer Renewal
- b. Solar Therapeutics, Inc. (#MCR139862), Cultivation Renewal
- c. Holyoke Gardens, LLC. (#MCR139861), Cultivation Renewal
- d. Rise Holdings, Inc., (#MRR205560) Retailer Renewal
- e. Liberty Compassion, Inc., Vertically-Integrated Medical Marijuana Treatment Center Renewal

7) Staff Recommendations on Final Licenses

- a. Blackstone Valley Naturals, LLC (#MB281476), Microbusiness
- b. Caregiver-Patient Connection (#MR282131), Retailer
- c. Curaleaf Massachusetts, Inc. (#MR282183), Retailer
- d. Green Biz, LLC. (#MR281793), Retailer
- e. Ipswich Pharmaceutical Associates, Inc. (#MR281571), Retailer
- f. Nova Farms, LLC. (#MR281379), Retailer
- g. Pioneer Valley Extracts, LLC (#MP281417), Product Manufacturer
- h. Pure Oasis, LLC (#MR281352), Retailer
- i. Solar Therapeutics (#MP281464), Product Manufacturer
- j. The Verb is Herb (#MR281637), Retailer
- k. Bountiful Farms (#RMD-1485), Vertically-Integrated Medical Marijuana Treatment Center
- l. Resinate, Inc. (#RMD-1345), Vertically-Integrated Medical Marijuana Treatment Center

8) Staff Recommendations on Provisional Licenses

- a. Apothca, Inc. (#MRN282730), Retailer
- b. Cultivate Holdings, LLC. (#MCN282053), Cultivation, Tier 5 / Indoor
- c. Cultivate Holdings, LLC. (#MPN281742), Product Manufacturer
- d. Diem Orange, LLC. (#MCN282161), Cultivation, Tier 2 / Indoor
- e. Diem Orange, LLC. (#MPN281684), Product Manufacturer
- f. Grass Appeal, LLC. (#MCN282123), Cultivation, Tier 3 / Indoor
- g. Grass Appeal, LLC. (#MRN282267), Retailer
- h. Greenstar Herbals, Inc. (#MRN282207), Retailer
- i. Heka, Inc. (#MCN282248), Cultivation, Tier 4 / Indoor
- j. Heka, Inc. (#MPN281736), Product Manufacturer
- k. Heka, Inc. (#MRN282770), Retailer
- l. Heka, Inc. (#MRN282903), Retailer
- m. Holistic Industries, Inc. (#MRN282605), Retailer
- n. M3 Ventures, Inc. (#MRN282350), Retailer

8) Staff Recommendations on Provisional Licenses

- o. Olde World Remedies, Inc. (#MRN282742), Retailer
- p. Pharmacannis Massachusetts, Inc. (#MCN282047), Cultivation, Tier 7 / Indoor
- q. Platinum Hydrolab, Inc. (#MCN281510), Cultivation, Tier 1 / Indoor
- r. Platinum Hydrolab, Inc. (#MPN281540), Product Manufacturer
- s. Resinate, Inc. (#MCN281259), Cultivation, Tier 3 / Indoor
- t. Resinate, Inc. (#MPN281753), Product Manufacturer
- u. Resinate, Inc. (#MRN281249), Retailer
- v. Resinate, Inc. (#MRN282398), Retailer
- w. Riverrun Gardens, LLC. (#MBN281332), Microbusiness (Cultivation Only)
- x. The Botanist, Inc. (#MRN282160), Retailer
- y. The Botanist, Inc. (#MRN282186), Retailer
- z. The Heirloom Collective, Inc. (#MRN283029), Retailer
- aa. Western Front, LLC (#MRN281907), Retailer

9) Commission Discussion and Votes

- a. Diversity Plans & Best Practices
- b. Election of Commission Secretary and Commission Treasurer
- c. Research Report: Market Data & Industry Participation

Discussion Objectives

The objective of this discussion is to share and exchange information in advance of potential regulatory changes to diversity plan requirements in light of diversity data.

Current Requirements for Licensees

Application: Diversity plans to promote equity among minorities, women, veterans, people with disabilities, and people of all gender identities and sexual orientation, in the operation of the Marijuana Establishment. The plan shall outline the goals, programs, and measurements the Marijuana Establishment will pursue once licensed.

At time of renewal: Documentation demonstrating substantial effort or progress towards achieving its goals submitted as part of diversity plan.

Current Data

Agent Applications | January 16, 2020

Demographic Comparison: Gender

	January 10, 2020		October 15, 2018		Difference +/-	
Gender	#	%	#	%	#	%
Female	2,463	33.1%	236	32.6%	2,200	0.47%
Male	4,958	66.6%	537	66.5%	4,421	0.01%
Declined to Answer	20	0.3%	5	0.6%	15	-0.35%
Gender Defined by Agent	9	0.1%	2	0.2%	7	-0.13%
Total	7,450	100%	807	100%		

Current Data

Agent Applications | January 16, 2020

Demographic Comparison: Gender

	January 10, 2020		October 15, 2018		Difference +/-	
Race / Ethnicity	#	%	#	%	#	%
Hispanic, Latino, or Spanish	471	6.3%	57	7.1%	414	-0.74%
Asian	86	1.2%	12	1.5%	74	-0.33%
Black or African American	364	4.9%	38	4.7%	326	0.18%
White	5,520	74.1%	571	70.8%	4,949	3.34%
Middle Eastern or North African	14	0.2%	1	0.1%	13	0.06%
American Indian or Alaska Native	11	0.1%	1	0.1%	10	0.02%
Native Hawaiian or Other Pacific Islander	5	0.1%	0	0%	5	0.07%
Agent Identified as Two or More	142	1.9%	10	1.2%	132	0.67%
Some other Race or Ethnicity	95	1.3%	19	2.4%	76	-1.08%
Declined to Answer	742	10%	98	12.1%	644	-2.18%
Total	7,450	100	807	100		

Purpose

- Initial discussion of best practices and elements of an effective plan
- Opportunity to raise questions to be explored in advance of regulatory discussion
- Earlier success on diversity and inclusion means more rewarding and impactful results for the industry statewide
- Accountability for our Chapter 55 requirements for meaningful participation by minorities, women, and veterans in the regulated marijuana industry

Benefits of Diverse and Inclusive Companies

- Better financial performance
- More innovative
- Better-equipped to handle uncertain environments
- Reduced turnover
- Compliant with state law and regulations

A Successful Diversity Plan...

- Is not just on paper, and not just led by CEO, or by diversity experts
- Has buy-in across the company, rooted in the culture at every level and found in every project and every closed-door meeting
- Is successfully communicated to everyone in the company
- Builds confidence and trust by following through beyond hiring
- Focuses on bringing the best out of individuals so they can thrive
- Creates a sense of belonging and opportunities to grow
- Integrates skills from training to day-to-day experiences
- Is regularly evaluated through feedback and adjusted accordingly
- *Requires hard work.*

Elements of a Diversity Plan (1/2)

- **Goals**
 - Set quantitative goals that can be measured, *and*
 - Codify culture through an organizational statement
 - Commit to implementing and upholding your written policies
- **Measurements**
 - Workforce utilization reports
 - Employee feedback, morale, engagement, and turnover

Elements of a Diversity Plan (2/2)

- **Programs**
 - Weave diversity and inclusion into interview and hiring process
 - Develop a cross-functional, diversity-focused committee to frequently gather and evaluate feedback for accountability
 - Give employees training and development opportunities
 - Build cultural competency
 - Be able to articulate how the training employees receive is integrated into the everyday situations they face
 - Set and communicate clear expectations and consistent standards
 - Consider authentic communication of key values as part of branding
 - Celebrate successes
 - Create appropriate forums for *open* conversations

Frequently Asked Questions

- What's the difference between a diversity plan and a plan to positively impact disproportionately harmed people?
- What if we're located in an area that is not racially diverse?
- Why is a typo such a big deal?
- What if our pool of applicants isn't diverse?
- What if we don't reach our goals?

9) Commission Discussion and Votes

- a. Diversity Plans & Best Practices
- b. Election of Commission Secretary and Commission Treasurer
- c. Research Report: Market Data & Industry Participation

9) Commission Discussion and Votes

- a. Diversity Plans & Best Practices
- b. Election of Commission Secretary and Commission Treasurer
- c. Research Report: Market Data & Industry Participation

A Baseline Review and Assessment of the Adult-use Massachusetts Cannabis Industry

Public Meeting of the Cannabis Control Commission:
February 6, 2020

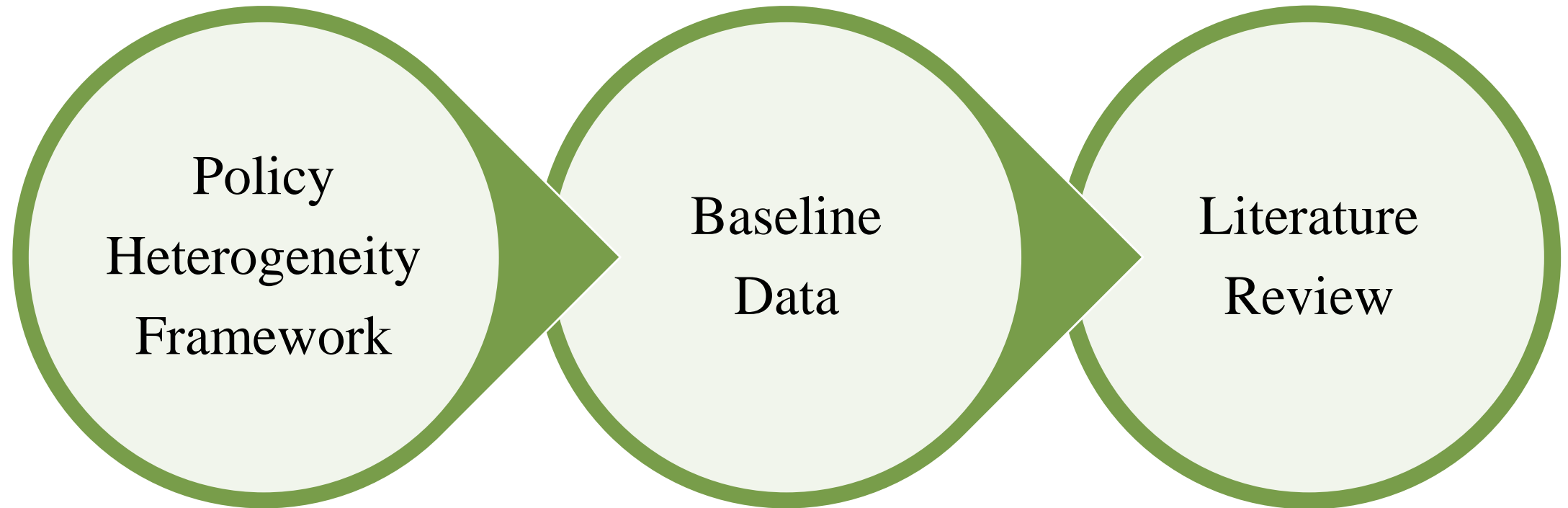
Julie K. Johnson, Ph.D.
David McKenna, Ph.D.
Samantha M. Doonan, B.A.

Chapter 55: An Act to Ensure Safe Access to Marijuana

Section 17. (a) The commission shall develop a research agenda in order to understand the social and economic trends of marijuana in the commonwealth, to inform future decisions that would aid in the closure of the illicit marketplace and to inform the commission on the public health impacts of marijuana. The research agenda shall include, but not be limited to:

- (i) patterns of use, methods of consumption, sources of purchase and general perceptions of marijuana among minors, among college and university students and among adults;
- (ii) incidents of impaired driving, hospitalization and use of other health care services related to marijuana use, including a report of the state of the science around identifying a quantifiable level of marijuana-induced impairment of motor vehicle operation and a report on the financial impacts on the state healthcare system of hospitalizations related to marijuana;
- (iii) economic and fiscal impacts for state and local governments including the impact of legalization on the production and distribution of marijuana in the illicit market and the costs and benefits to state and local revenue;
- (iv) ownership and employment trends in the marijuana industry examining participation by racial, ethnic and socioeconomic subgroups, including identification of barriers to participation in the industry;
- (v) a market analysis examining the expansion or contraction of the illicit marketplace and the expansion or contraction of the legal marketplace, including estimates and comparisons of pricing and product availability in both markets;
- (vi) a compilation of data on the number of incidents of discipline in schools, including suspensions or expulsions, resulting from marijuana use or possession of marijuana or marijuana products; and
- (vii) a compilation of data on the number of civil penalties, arrests, prosecutions, incarcerations and sanctions imposed for violations of chapter 94C for possession, distribution or trafficking of marijuana or marijuana products, including the age, race, gender, country of origin, state geographic region and average sanctions of the persons charged.

Presentation Overview



“P’s” of Legalization (Kilmer, 2019)

Production	Profit Motive	Power to Regulate	Promotion
Prevention and Treatment	Policing and Enforcement	Penalties	Prior Criminal Records
Product Types	Potency	Purity	Price
	Preference for licenses	Permanency	

“P’s” of Legalization (Kilmer, 2019)

Production	Profit Motive	Power to Regulate	Promotion
Prevention and Treatment	Policing and Enforcement	Penalties	Prior Criminal Records
Product Types	Potency	Purity	Price
	Preference for licenses	Permanency	

Baseline Data

First year of legal adult-use sales

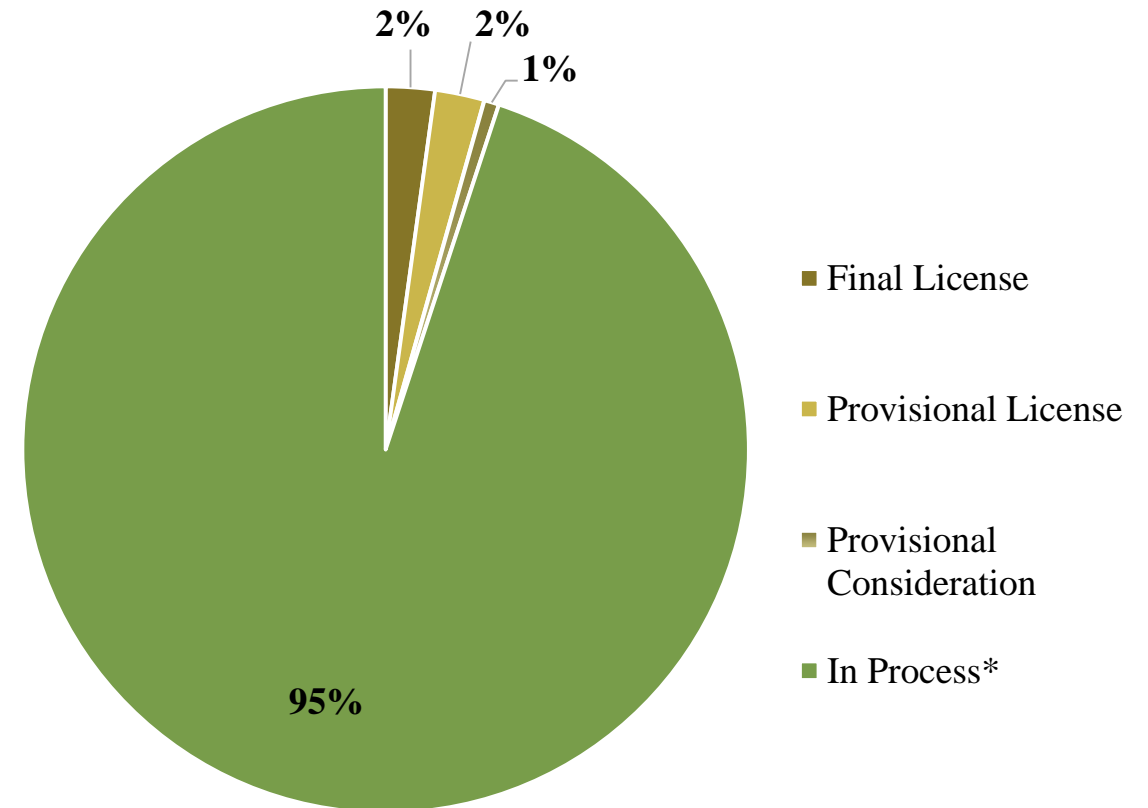


“P’s” of Legalization (Kilmer, 2019)

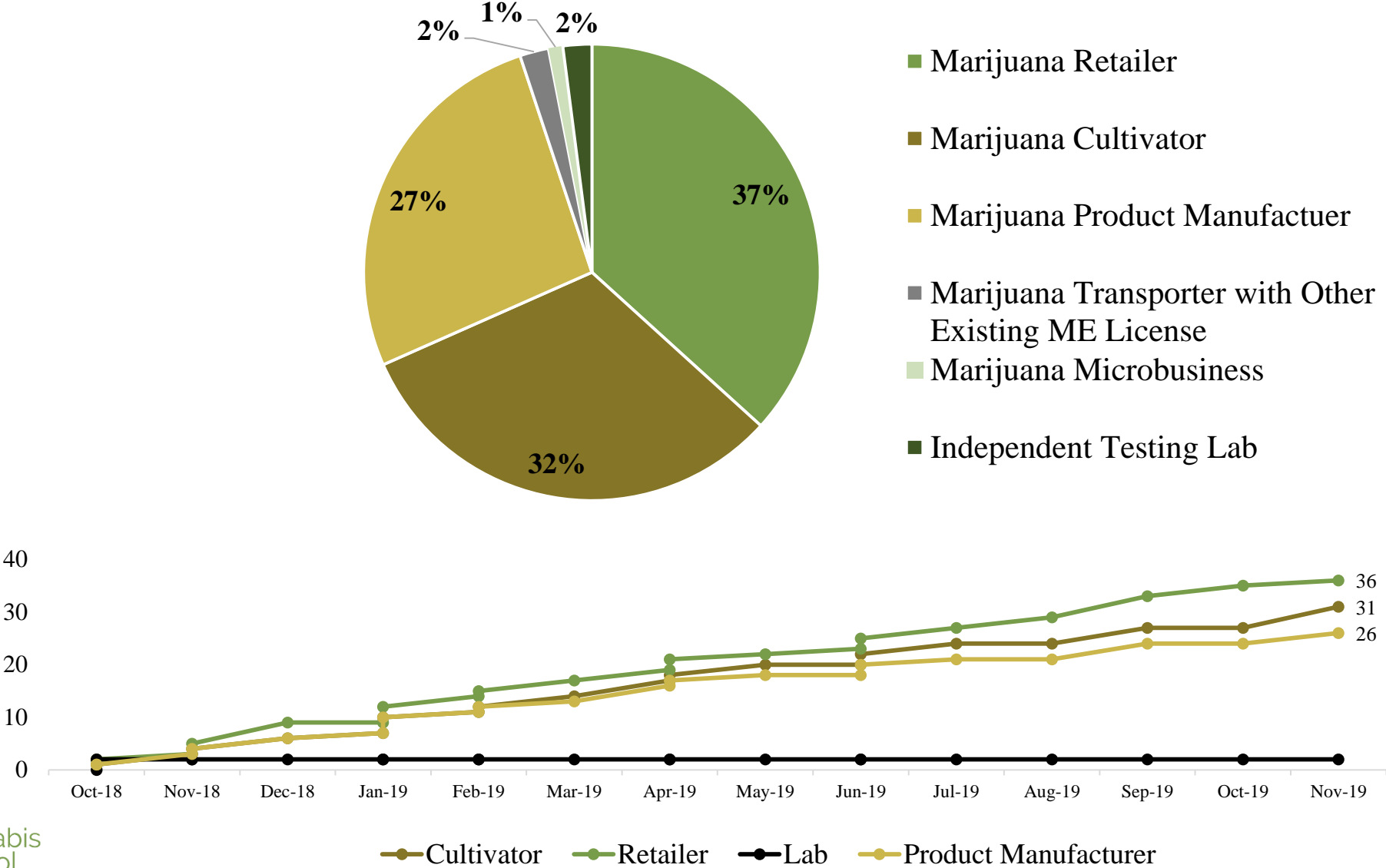
Production	Profit Motive	Power to Regulate	Promotion
Prevention and Treatment	Policing and Enforcement	Penalties	Prior Criminal Records
Product Types	Potency	Purity	Price
	Preference for licenses	Permanency	

License and Application Status Totals [Current as of 11/20/19]

License Status	Total	(%)
Final License	98	(2%)
Provisional License	99	(2%)
Provisional Approval	30	(0.7%)
Denied	4	(0.9%)
In Process, including:		
Incomplete	3,569	(77.6%)
Pending	400	(8.7%)
Withdrawn	397	(8.6%)
In Process Total	4,366	(95%)
Total	4,597	

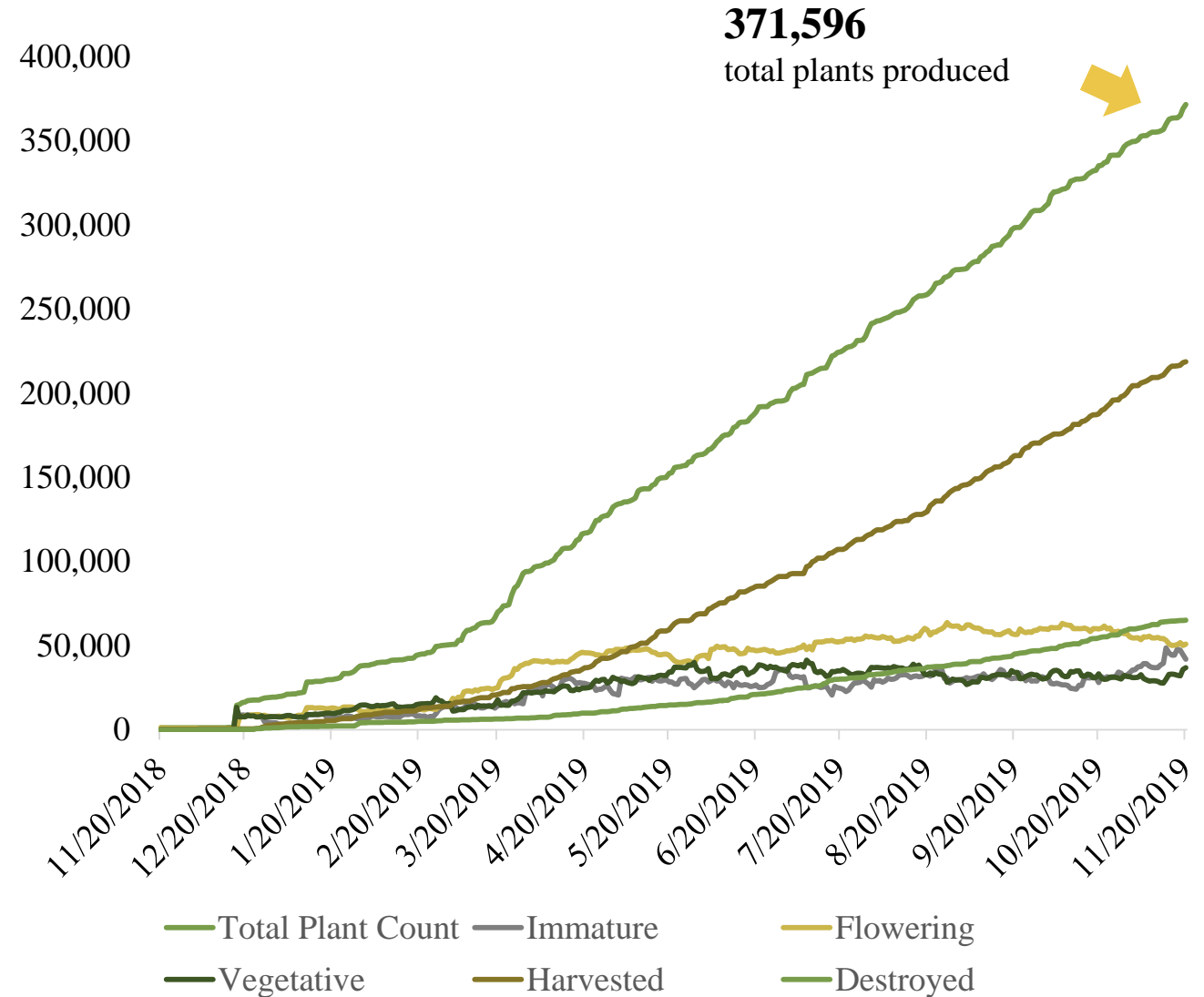


Final License by License Type [Current as of 11/20/19]



Plant Definitions and Total Plant Activity and Volume

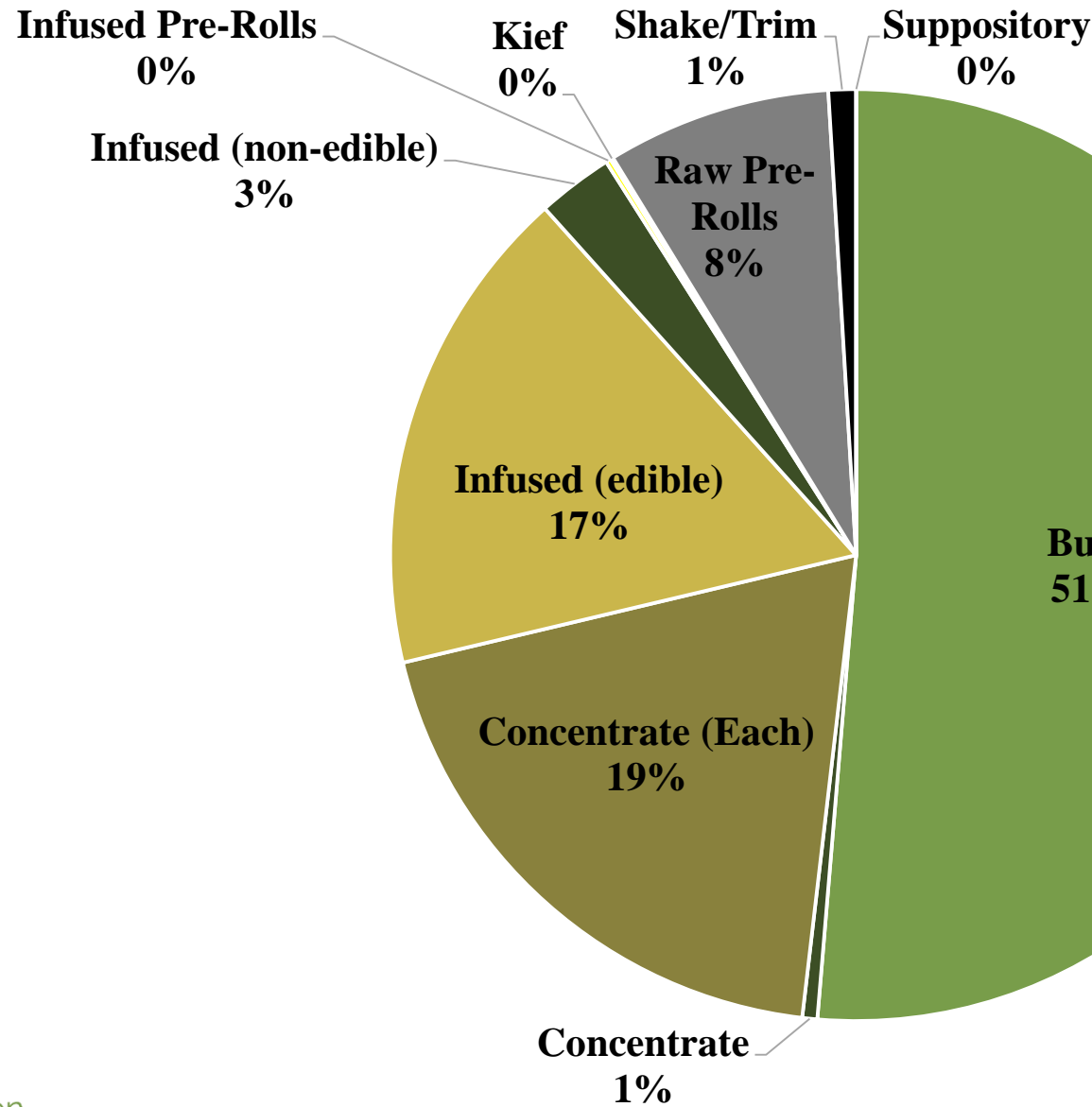
Plant State	Description
Mature Plant	Plants greater than 8" tall.
Plant Vegetative	The state of the cannabis plant which is a form of asexual reproduction in plants during which plants do not produce resin or flowers and are bulking up to a desired production size for flowering.
Plant Flowering	Flowering is the gametophytic or reproductive state of cannabis in which the plant is in a designated flowering space within a cultivation facility with a light cycle intended to produce flowers, trichomes and cannabinoids characteristic of cannabis.
Plant Harvested	Plant harvested generally refers to plants that are in the drying and curing phase.
Plant Destroyed	Plants destroyed refers to plants that are rendered unusable by the marijuana establishment. Plants in this count may not be processed, sold, or given away.



“P’s” of Legalization (Kilmer, 2019)

Production	Profit Motive	Power to Regulate	Promotion
Prevention and Treatment	Policing and Enforcement	Penalties	Prior Criminal Records
Product Types	Potency	Purity	Price
	Preference for licenses	Permanency	

Sales by Product Category [11/20/18-11/20/19]



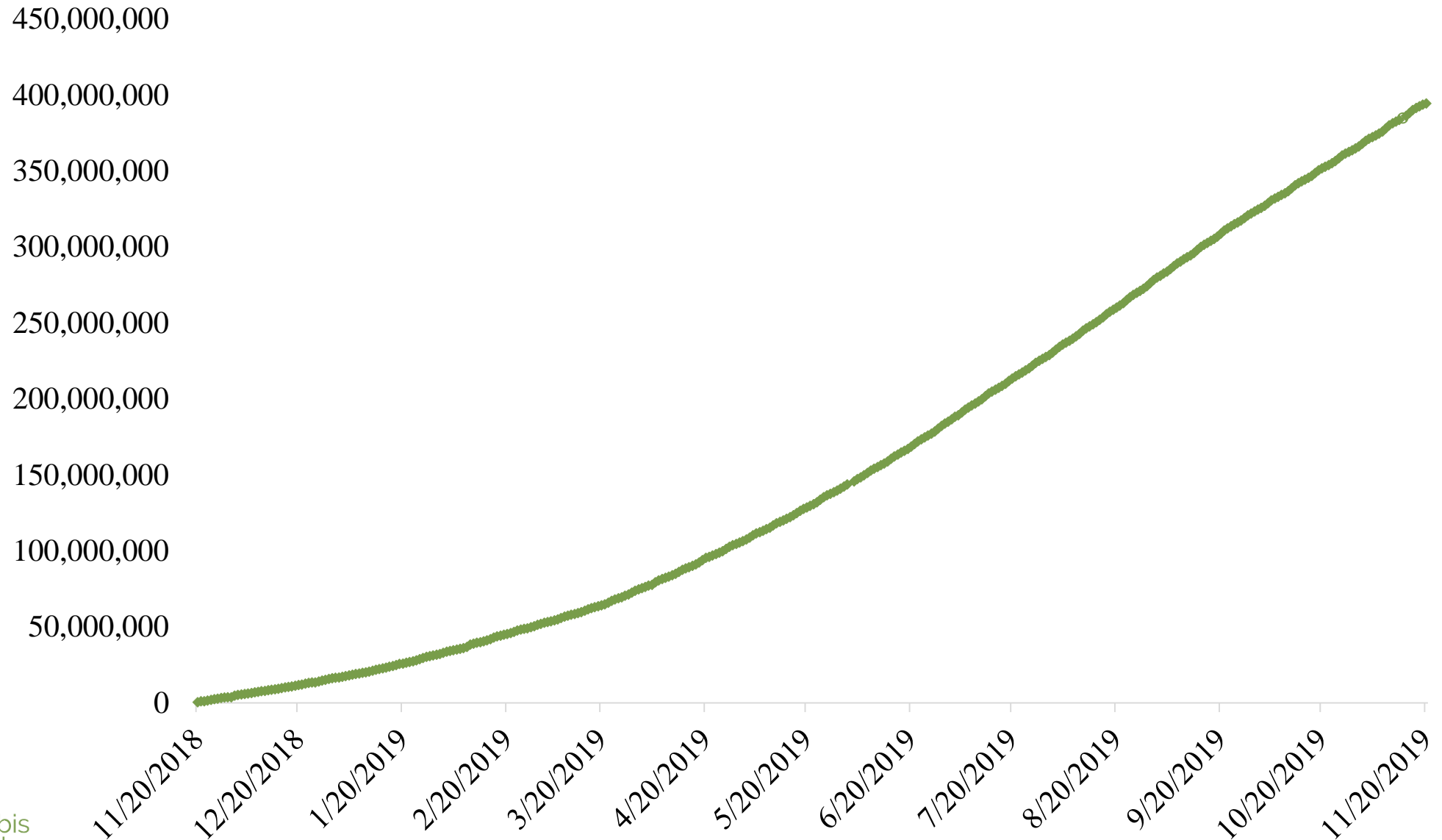
Percent of Total Units Versus Percent of Total Sales [11/20/18-11/20/19]

Product Category	Percent of Total Units	Percent of Total Sales
Buds	51%	49%
Concentrate	1%	1%
Concentrate (Each)	19%	27%
Infused (edible)	17%	15%
Infused (non-edible)	3%	4%
Infused Pre-Rolls	0%	0%
Kief	0%	0%
Raw Pre-Rolls	8%	4%
Shake/Trim	0%	0%
Shake/Trim (by strain)	1%	0%
Suppository	0%	0%

“P’s” of Legalization (Kilmer, 2019)

Production	Profit Motive	Power to Regulate	Promotion
Prevention and Treatment	Policing and Enforcement	Penalties	Prior Criminal Records
Product Types	Potency	Purity	Price
	Preference for licenses	Permanency	

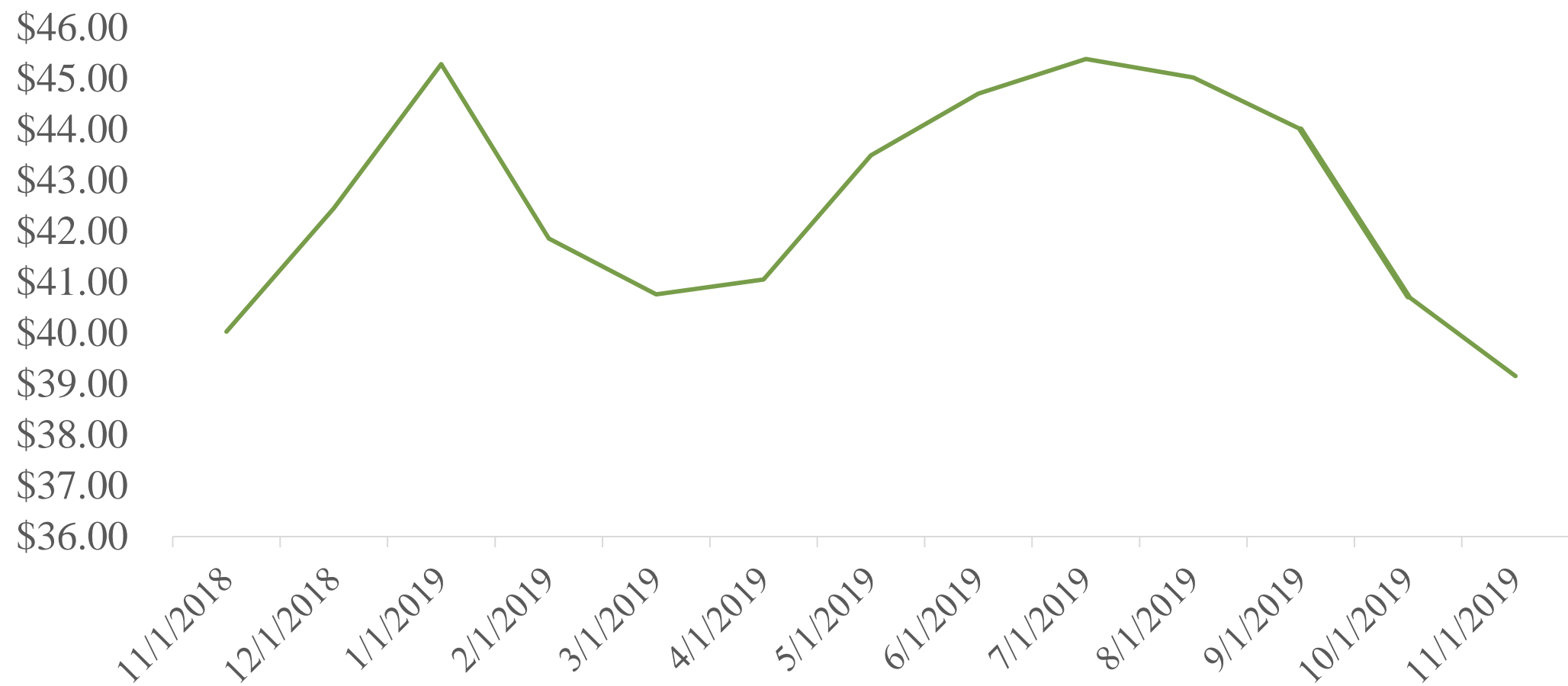
Table VI.A.8. Gross Sales for All Adult-use Cannabis Products [11/20/18-11/20/19]



Sales by Product Category [11/20/18-11/19/19]

Product Category	Total Units	Total in Dollars	Average Cost Per Unit
Buds	4,705,546	\$ 191,940,288.30	\$ 40.79
Concentrate	47,688	\$ 3,449,114.20	\$ 72.33
Concentrate (Each)	1,782,161	\$ 107,352,206.40	\$ 60.24
Infused (edible)	1,564,222	\$ 60,076,284.20	\$ 38.41
Infused (non-edible)	241,373	\$ 14,336,714.10	\$ 59.40
Infused Pre-Rolls	15,987	\$ 317,772.50	\$ 19.88
Kief	9,017	\$ 276,511.50	\$ 30.67
Raw Pre-Rolls	713,747	\$ 13,873,448.30	\$ 19.44
Shake/Trim	4,442	\$ 132,132.00	\$ 29.75
Shake/Trim (by strain)	83,035	\$ 1,949,656	\$ 23.48
Suppository	47	\$ 1,200.00	\$ 25.53
Total	9,167,265	\$ 393,705,328	

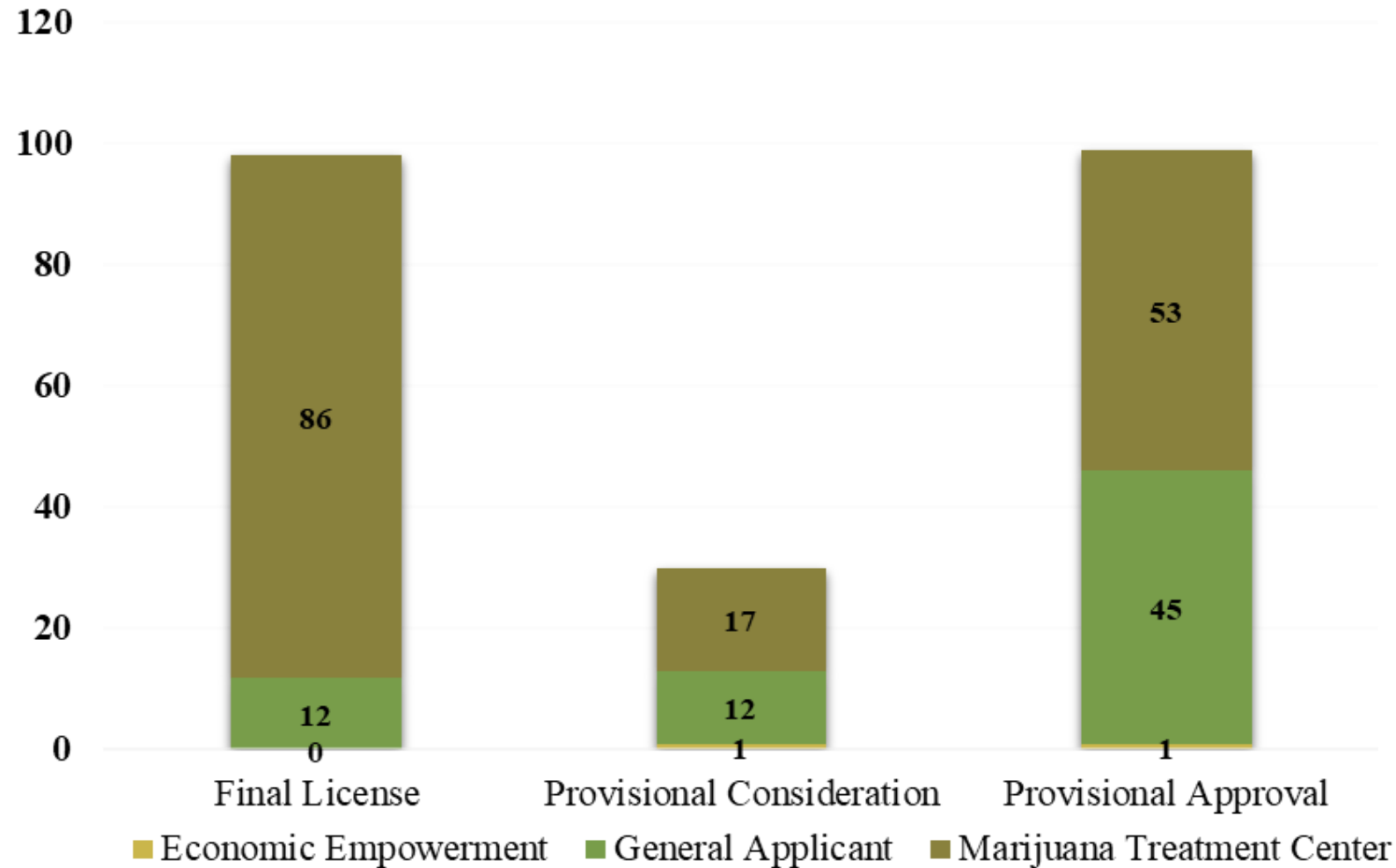
Aggregate Price Per Unit by Month [11/20/18-11/19/19]



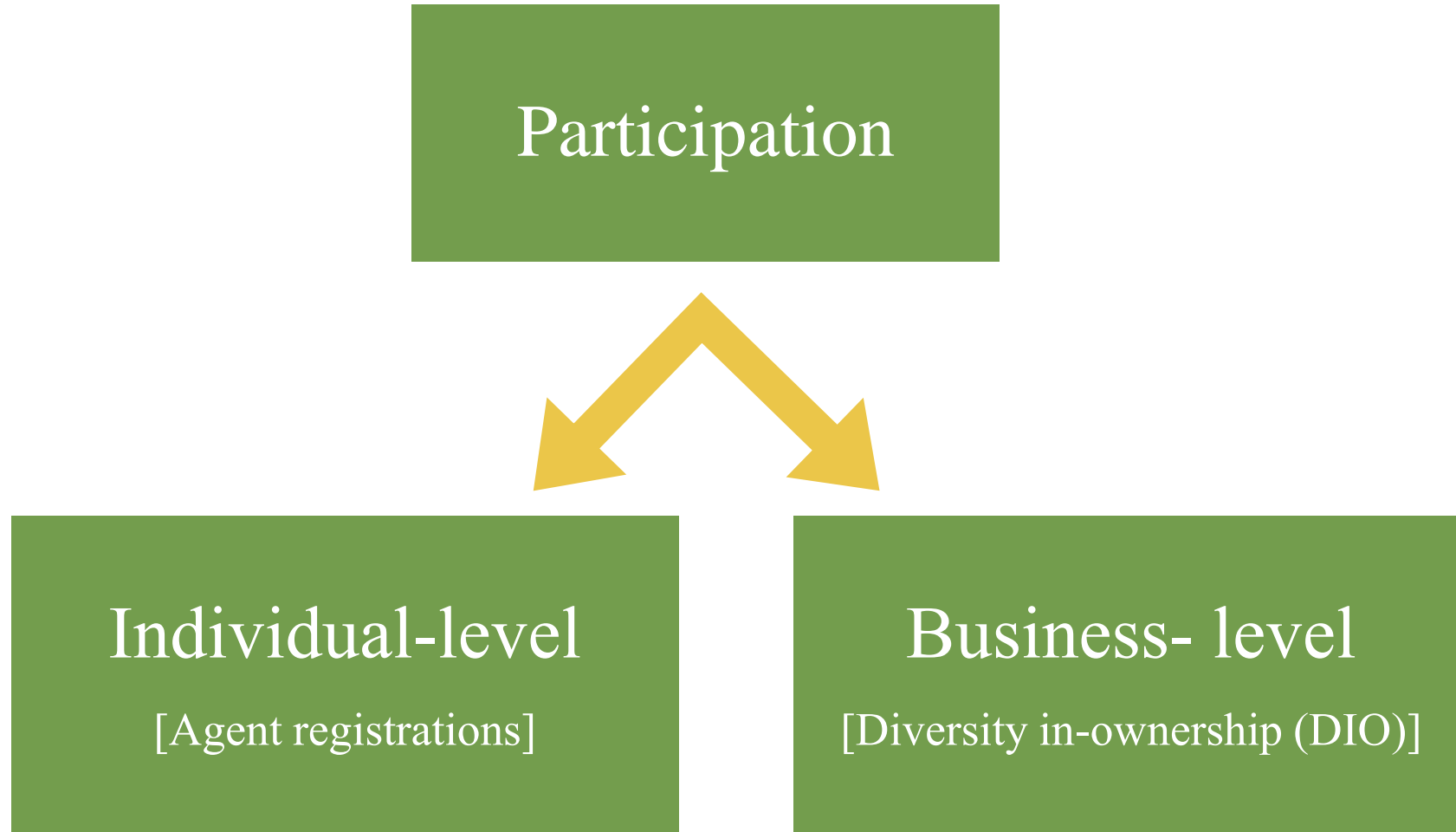
“P’s” of Legalization (Kilmer, 2019)

Production	Profit Motive	Power to Regulate	Promotion
Prevention and Treatment	Policing and Enforcement	Penalties	Prior Criminal Records
Product Types	Potency	Purity	Price
	Preference for licenses	Permanency	

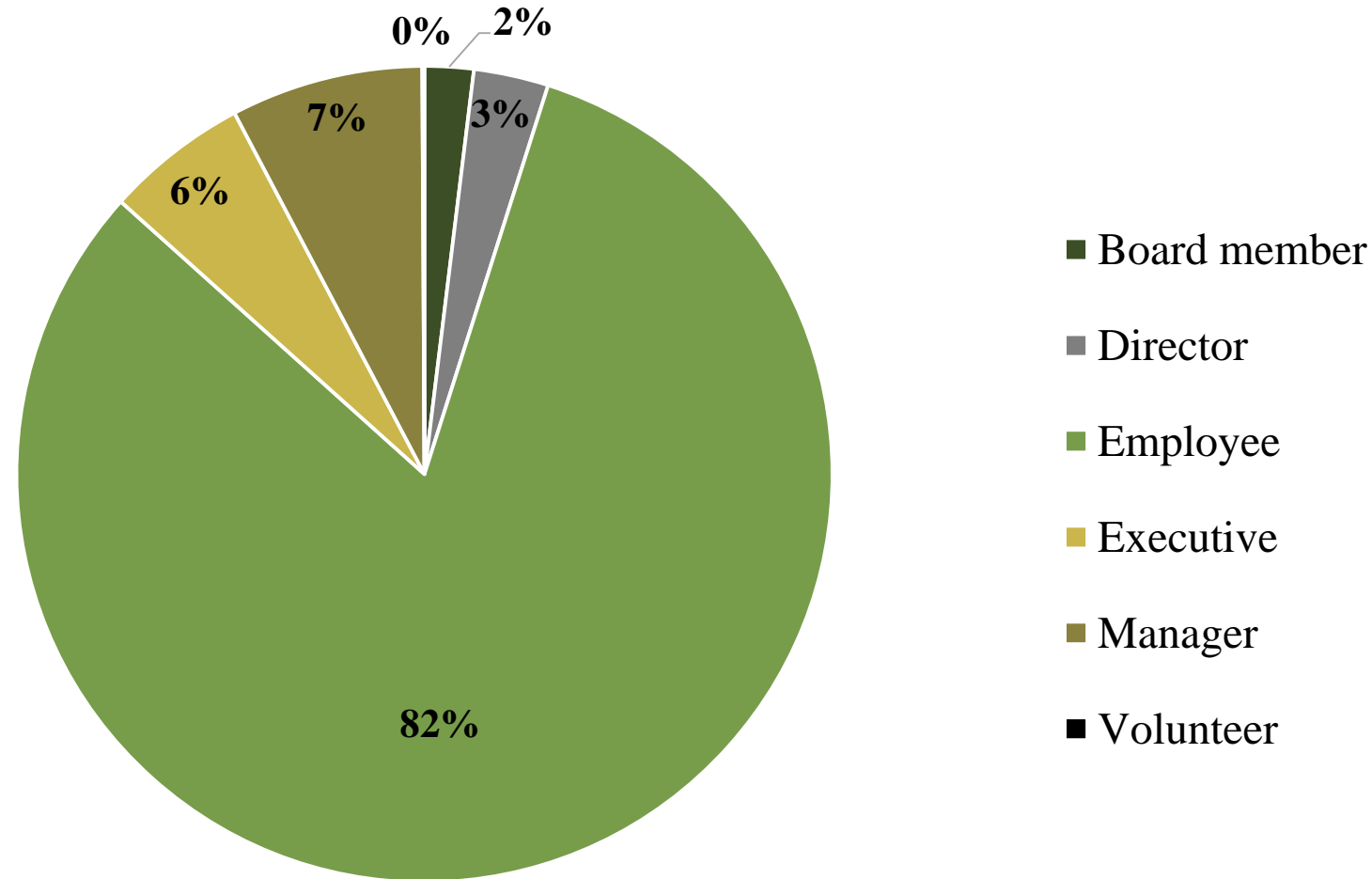
Priority Status by License Status (Final License, Provisional Consideration, Provisional License) [as of 11/20/19]



Additional ‘P’: Participation



Agent Registrations by Role [11/20/18-11/20/19]



Agent Registrations by License Type Role [11/20/18-11/20/19]

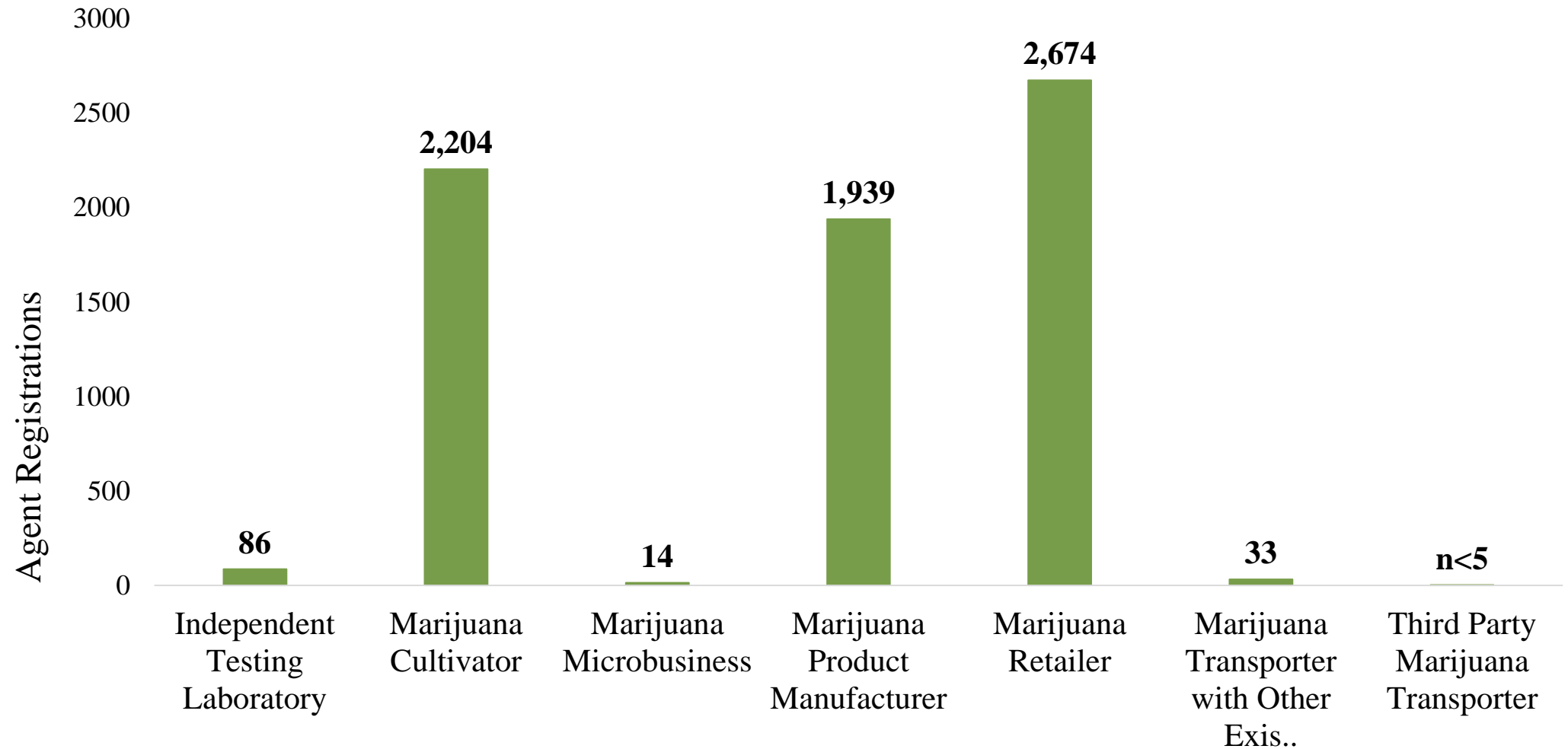


Table VI.B.2. Race/Ethnicity of Agent Registrations (N=7,089) [Current as of 11/20/19]

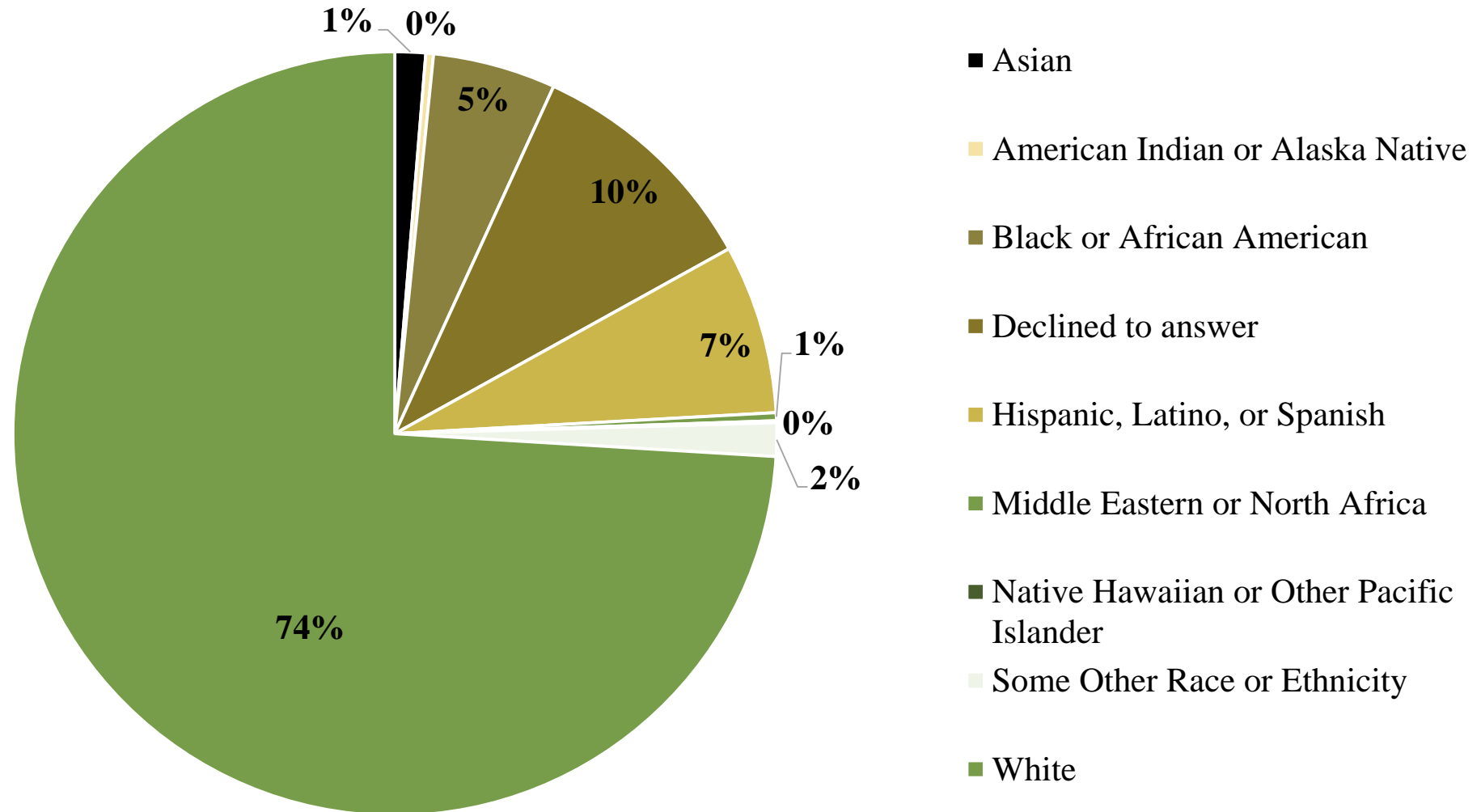
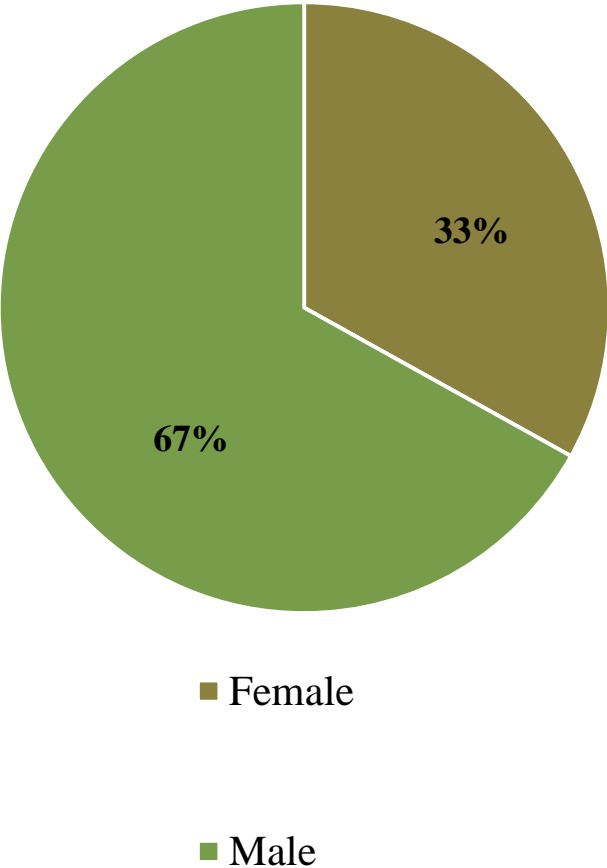
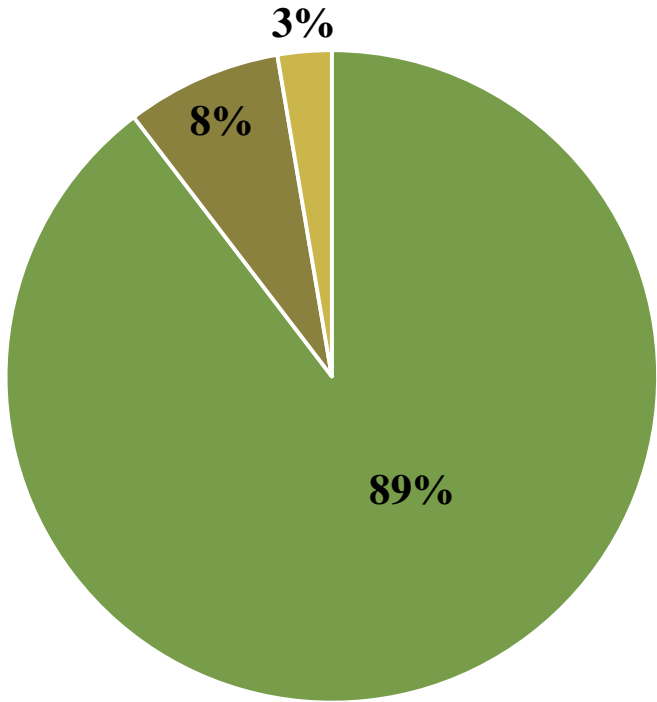


Table VI.B.2. Gender and Role of Agent Registrations (N=7,089) [Current as of 11/20/19]



Role	Female	(Percent)	Male	(Percent)
Board Member	21	(16%)	114	(84%)
Director	34	(17%)	172	(83%)
Employee	1,996	(35%)	3,663	(65%)
Executive	75	(19%)	318	(81%)
Manager	165	(31%)	362	(69%)
Total	2,291	(33%)	4,635	(67%)

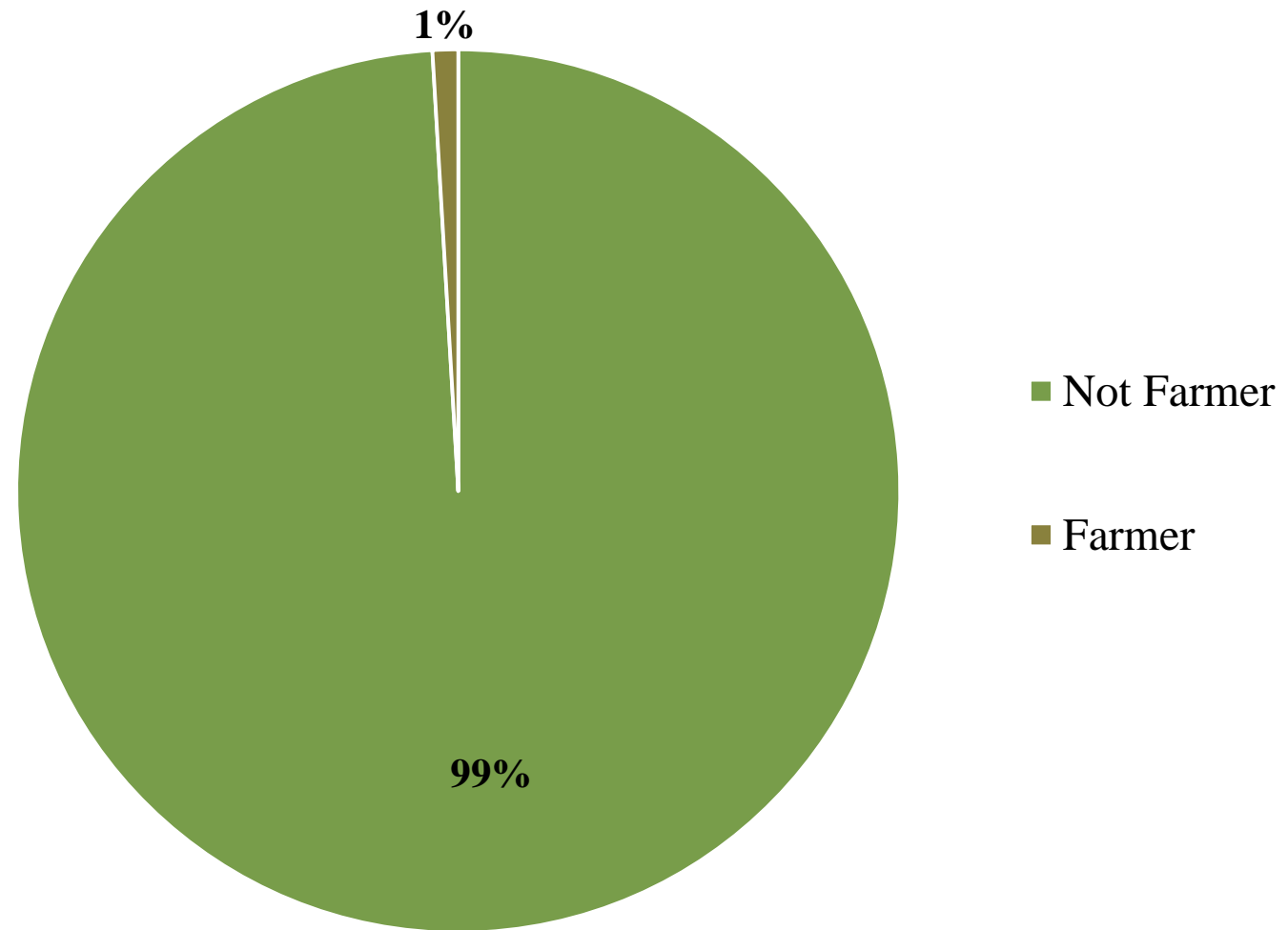
Veteran Status of Agent Registrations (N=6,953) [Current as of 11/20/19]



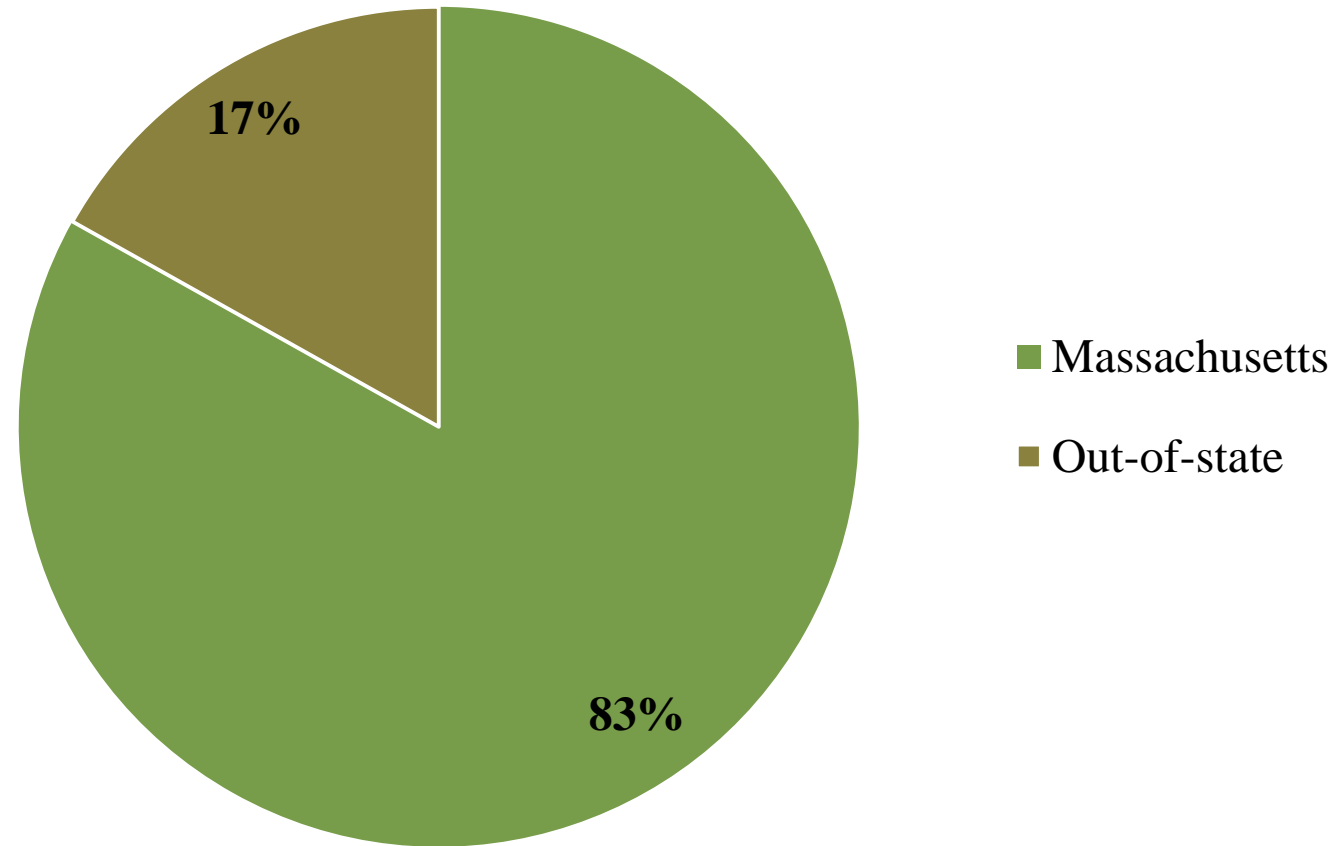
- No
- Prefer not to say
- Yes

Role	Veteran (Percent)		Not Veteran or Do Not Disclose (Percent)	
Board member	4	(3%)	131	(97%)
Director	16	(8%)	190	(92%)
Employee	147	(3%)	5,536	(97%)
Executive	13	(3%)	380	(97%)
Manager	6	(1%)	524	(99%)
Total	186	(3%)	6,761	(97%)

Farmer Status of Agent Registrations (N=7,089) [Current as of 11/20/19]



Agent Registrations by Massachusetts Residency [11/20/18-11/20/19]

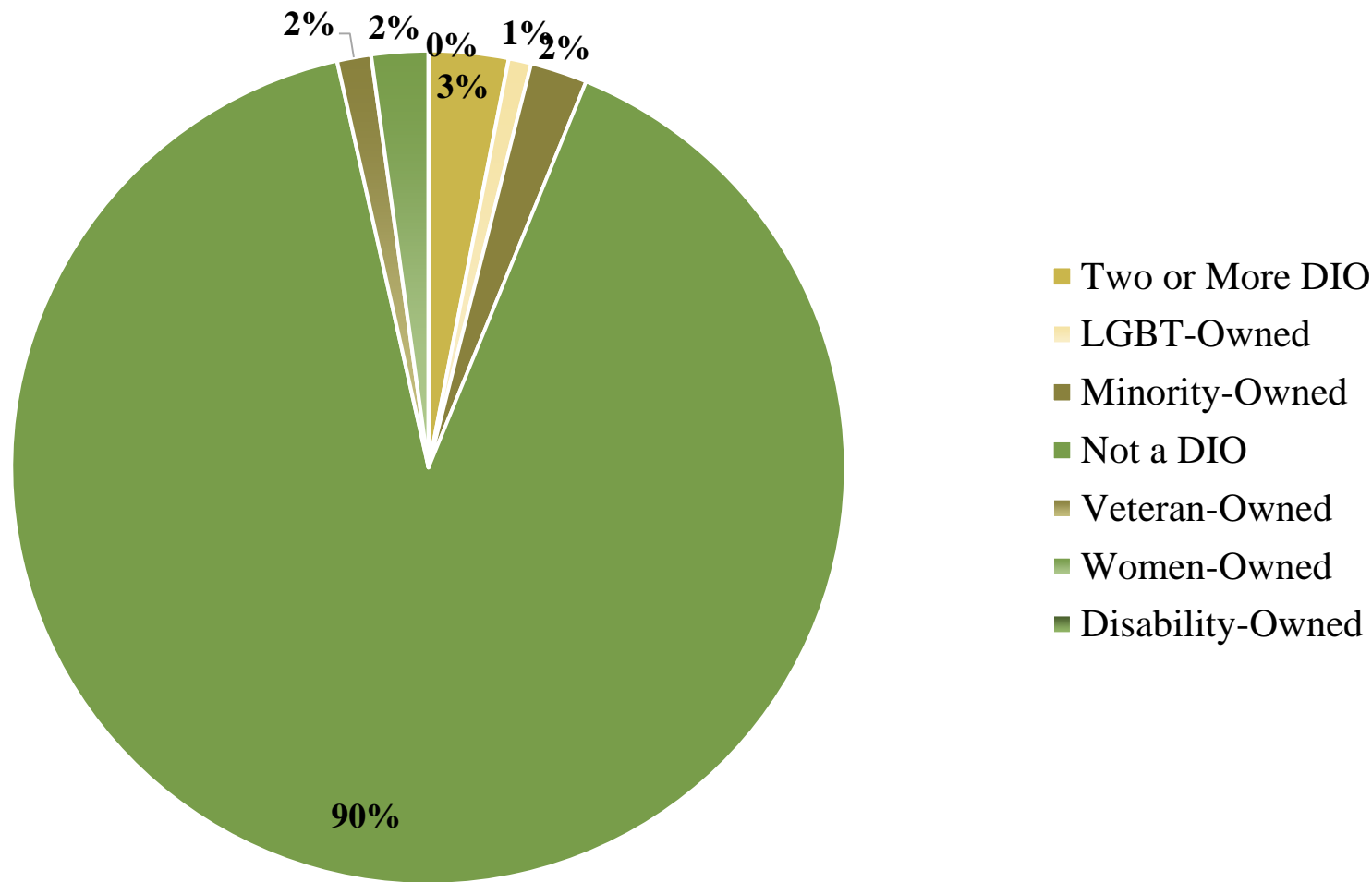


Agent Registrations by Area of Disproportionate Impact (ADI) and Named Cities [11/20/18-11/20/19]

ADI and Named Cities	Total	Percent of Total Agent Registrations	Percent of Massachusetts Agent Registrations
Abington	7	0%	0%
Amherst	25	0%	0%
Boston*	231	3%	4%
Braintree	17	0%	0%
Brockton	81	1%	1%
Chelsea	8	0%	0%
Fall River	272	4%	5%
Fitchburg	89	1%	2%
Greenfield	21	0%	0%
Haverhill	54	1%	1%
Holyoke	78	1%	1%
Lowell*	83	1%	1%
Lynn	33	0%	1%
Mansfield	15	0%	0%
Monson	15	0%	0%
New Bedford	62	1%	1%
North Adams	29	0%	1%
Pittsfield	37	1%	1%
Quincy	47	1%	1%
Randolph	13	0%	0%
Revere	12	0%	0%
Southbridge	19	0%	0%
Spencer	34	0%	1%
Springfield*	114	2%	2%
Taunton	47	1%	1%
Walpole	27	0%	0%
Wareham	22	0%	0%
West Springfield	28	0%	0%
Worcester*	233	3%	4%
Total	1,753	25%	30%

25% of Agent registrations reside in an ADI or Named City

Diversity in Ownership (DIO) Status for Applications with Provisional License, Provisional Consideration, and Final Licensure (n=227) [Current as of 11/20/19]



90% of
Licensees
did not
report a
DIO-Status

Literature Review

Market Analysis: Price Elasticity and Demand

- Price elasticity exists for cannabis, meaning that as prices increase, demand decreases.¹⁻⁷
- Differences between groups (e.g. youth versus adults;^{7,8} heavy versus light users);^{2,3}
- “Asymmetric substitutability” where legal cannabis was favored as a substitute (decreased demand) for illicit cannabis.^{5,6}
- Consumers were willing to pay more for legal cannabis up to a certain point, where preference changed back to the illicit market when prices were deemed too high.^{5,6}

Observations from Real Markets

- Majority of studies from Washington state;⁸⁻¹³
- Price decreases;
 - One study found that in the very short term (4- to 5- months) after a legal cannabis markets opened, cannabis prices did not decrease (no effect).¹⁴ Three studies in Washington state found cannabis prices decreased soon after the market opened, and over a period of two to three years.^{8,9,11}
- Flower market share decreases, concentrates increases;^{8,9,11}
- Initial increases in potency.^{11,12}

Participation in Legal Industry (by race/ethnicity, gender)

- Theoretical findings (based on historic differences and structural barriers);
 - Disproportionate impact of prohibition and enforcement on Black and Hispanic cohorts;¹
 - Criminal record restrictions;¹⁵⁻¹⁸
 - Less wealth;^{16,19,20}
 - High fees and cost-prohibitive practices (e.g. lack of access to banking);^{15,16}
 - Tenuous legal standing;^{16,18}
 - Sexualization of product and participation may negatively affect female participation and leadership opportunity.^{21,22}
- Some, but less research on persons with intersectional identities; (e.g. Black women).^{23,24}
- One study examines adult-use market participation finds a lack of data.²⁵

Thank you

Questions?

References

- 1 Ben Lakhdar C, Vaillant NG, Wolff FC. Price elasticity of demand for cannabis: Does potency matter? *Addict Res Theory*. 2016;24(4):300-312. doi:10.3109/16066359.2016.1139699
- 2 Vincent PC, Collins RL, Liu L, Yu J, De Leo JA, Earleywine M. The effects of perceived quality on behavioral economic demand for marijuana: A web-based experiment. *Drug Alcohol Depend*. 2017;170:174-180. doi:10.1016/j.drugalcdep.2016.11.013
- 3 Collins RL, Vincent PC, Yu J, Liu L, Epstein LH. A behavioral economic approach to assessing demand for marijuana. *Exp Clin Psychopharmacol*. 2014;22(3):211-221. doi:10.1037/a0035318
- 4 Peters EN, Rosenberry ZR, Schauer GL, O'Grady KE, Johnson PS. Marijuana and tobacco cigarettes: Estimating their behavioral economic relationship using purchasing tasks. *Exp Clin Psychopharmacol*. 2017;25(3):208-215. doi:10.1037/pha0000122
- 5 Amlung M, MacKillop J. Availability of legalized cannabis reduces demand for illegal cannabis among Canadian cannabis users: evidence from a behavioural economic substitution paradigm. *Can J Public Heal*. 2019;110(2):216-221. doi:10.17269/s41997-018-0160-4
- 6 Amlung M, Reed DD, Morris V, Aston ER, Metrik J, MacKillop J. Price elasticity of illegal versus legal cannabis: a behavioral economic substitutability analysis. *Addiction*. 2019;114(1):112-118. doi:10.1111/add.14437
- 7 Pacula RL, Lundberg R. Why Changes in Price Matter When Thinking About Marijuana Policy: A Review of the Literature on the Elasticity of Demand. *Public Heal Rev*. 2014;35(2):1-18.
- 8 Caulkins JP, Bao Y, Davenport S, et al. Big data on a big new market: Insights from Washington State's legal cannabis market. *Int J Drug Policy*. 2018;57:86-94. doi:10.1016/j.drugpo.2018.03.031
- 9 Davenport S. Price and product variation in Washington's recreational cannabis market. *Int J Drug Policy*. 2019;(xxxx):0-1. doi:10.1016/j.drugpo.2019.08.004
- 10 Caulkins JP, Davenport S, Doanvo A, et al. Triangulating web & general population surveys: Do results match legal cannabis market sales? *Int J Drug Policy*. 2019;(June):1-8. doi:10.1016/j.drugpo.2019.06.010
- 11 Smart R, Caulkins JP, Kilmer B, Davenport S, Midgette G. Variation in cannabis potency and prices in a newly legal market: evidence from 30 million cannabis sales in Washington state. *Addiction*. 2017;112(12):2167-2177. doi:10.1111/add.13886
- 12 Jikomes N, Zoorob M. The Cannabinoid Content of Legal Cannabis in Washington State Varies Systematically Across Testing Facilities and Popular Consumer Products. *Sci Rep*. 2018;8(1):1-15. doi:10.1038/s41598-018-22755-2
- 13 Burgard DA, Williams J, Westerman D, et al. Using wastewater-based analysis to monitor the effects of legalized retail sales on cannabis consumption in Washington State, USA. *Addiction*. 2019;114(9):1582-1590. doi:10.1111/add.14641
- 14 Hunt P, Pacula RL. Early Impacts of Marijuana Legalization: An Evaluation of Prices in Colorado and Washington. *J Prim Prev*. 2017;38(3):221-248. doi:10.1007/s10935-017-0471-x
- 15 Rahwanji M. "Hash"ing Out Inequality in the Legal Recreational Cannabis Industry. *Northwest J Int Law Bus*. 2019;39(3):333-358.
- 16 Danquah-Brobby E. Comment: Prison For You. Profit For Me. Systemic Racism Effectively Bars Blacks From Participation in Newly-Legal Marijuana Industry. *Univ Balt Law Rev*. 2017;46(3):523-546.
- 17 Thompson BY. "Good moral characters": how drug felons are impacted under state marijuana legalization laws. *Contemp Justice Rev Issues Crim Soc Restor Justice*. 2017;20(2):211-226. doi:10.1080/10282580.2017.1307109
- 18 Bender SW. The Colors of Cannabis: Reflections on the Racial Justice Implications of California's Proposition 64. *UC Davis Law Rev*. 2016;689(2014):11-23.
- 19 Herring C, Henderson L. Wealth Inequality in Black and White: Cultural and Structural Sources of the Racial Wealth Gap. *Race Soc Probl*. 2016;8(1):4-17. doi:10.1007/s12552-016-9159-8
- 20 Oliver M, Shapiro T. *Black Wealth/White Wealth: A New Perspective on Racial Inequality*. Routledge; 2013.
- 21 Kittel J. Women in Weed: Gender, Race, and Class in the Cannabis Industry. *Arbutus Rev*. 2018;9(1):32-45.
- 22 August K. Women in the marijuana industry. *Humboldt J Soc Relat*. 2013;35(1):89-103.
- 23 Gibbs SR. The bitter truth: A comparative analysis of black male and black female entrepreneurs. *J Dev Entrep*. 2014;19(1). doi:10.1142/S108494671450006X
- 24 Neumeyer X, Santos SC, Caetano A, Kalbfleisch P. Entrepreneurship ecosystems and women entrepreneurs: a social capital and network approach. *Small Bus Econ*. 2019;1-15. doi:10.1007/s11187-018-9996-5
- 25 Adinoff B, Reiman A. Implementing social justice in the transition from illicit to legal cannabis. *Am J Drug Alcohol Abuse*. 2019;2990. doi:10.1080/00952990.2019.1674862

Next Meeting Date

Monthly Public Meeting

March 5, 2020

10:00 AM

**Worcester Union Station
Cannabis Control Commission
Public Meeting Room**

**2 Washington Square
Worcester, MA**