

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): June 29, 2021

Lowell Farms Inc.

(Exact name of registrant as specified in its charter)

British Columbia, Canada
(State or other jurisdiction
of incorporation)

000-56254
(Commission
file number)

NA
(IRS Employer
Identification Number)

19 Quail Run Circle, Suite B
Salinas, California 93907
(Address of principal executive offices)

(831) 998-8214
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions see General Instruction A.2. below):

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

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

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

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

Emerging growth company

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

Item 1.01. Entry into a Material Definitive Agreement.

On June 29, 2021, Lowell Farms Inc. (the "Company") and its subsidiary Lowell SR, LLC ("Purchaser") entered into a purchase agreement (the "Purchase Agreement") with C Quadrant LLC ("C Quadrant"), its subsidiary AMAG Holdings LLC (together with C Quadrant, "Sellers") and Michael Gregory, the majority owner of C Quadrant, pursuant to which, simultaneously with the execution of the Purchase Agreement, Purchaser acquired the real property, improvements and related assets and equity interests described below (the "Acquisition").

The foregoing description of the Purchase Agreement is not complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, a copy of which is attached hereto as Exhibit 10.1 and incorporated herein by reference.

The information set forth in Items 2.01 and 2.03 below is incorporated by reference.

Item 2.01 Completion of Acquisition or Disposition of Assets

Pursuant to the Acquisition, the Company acquired from Sellers a 10-acre, 40,000 square foot processing facility and related equipment located at 20800 Spence Road, Salinas, California. The facility will be commissioned for the conduct of cannabis drying and midstream processing operations. As part of the Acquisition, Purchaser acquired

all of the equity interests in 20800 Spence Rd LLC (“Spence”), which holds the operating permits for the facility. The purchase consideration paid by Purchaser consisted of \$9,000,000 in cash and 7,997,520 of the Company’s subordinate voting shares. Prior to the execution of the Purchase Agreement, there were no material relationships between the Company or Purchaser, on the one hand, and Sellers or their affiliates, including Mr. Gregory, on the other.

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

The cash portion of the consideration for the Acquisition was funded by a mortgage loan from Viridescent Realty Trust, Inc. (“Lender”) to Purchaser pursuant to a Loan Agreement dated as of June 29, 2021 between Lender and Purchaser (the “Loan Agreement”). The mortgage loan, which was made available to Purchaser in a single draw, was in the amount of \$9,360,000 and bears interest at 12.5% per annum. The mortgage loan is guaranteed by Indus Holding Company, a subsidiary of the Company that is the direct or indirect owner of all of the Company’s operating assets. The mortgage loan is secured by the facility and the equity interests in Spence.

The mortgage loan will mature on the fifth anniversary of the closing of the Acquisition. Purchaser is required to make monthly payments of interest until the end of the 12th full month following the closing of the Acquisition, monthly payments of principal and interest based on a 10-year amortization schedule beginning with the 13th full month following the closing of the Acquisition and a final payment of the unamortized principal of and accrued interest on the loan, together with an exit fee equal to 1% of the outstanding principal balance of the loan, on the maturity date. Amounts repaid or prepaid may not be reborrowed.

The Loan Agreement contains, among other things, representations and warranties, covenants and events of default customary for facilities of this type. Such covenants include limitations on the incurrence by Purchaser and Spence of additional indebtedness and liens and on changes in the nature of the business conducted by Purchaser and Spence. The Loan Agreement does not include any financial ratio covenants and does not impose operating or financial restrictions on the Company or any of its other subsidiaries.

The Company may prepay the loans in whole or in part at any time, subject to payment of the exit fee and payment of a prepayment premium of (x) during the first year of the term of the mortgage loan, an amount equal all interest that otherwise would be due and payable on the mortgage loan during that year less interest previously paid, (y) during the second year of the term of the mortgage loan, 4% of the principal amount being prepaid and (z) during or after the third year of the term of the mortgage loan, 2% of the principal amount being prepaid. The Loan Agreement does not include any mandatory prepayment requirements.

Under certain conditions, the amounts outstanding under the Loan Agreement may be accelerated. Such events of default include failure to pay any principal, interest or other amounts when due, failure to comply with covenants, breach of representations or warranties, incurrence by Purchaser or Spence of unpermitted indebtedness and liens, bankruptcy, insolvency, material judgments rendered against certain subsidiaries of the Company, including Purchaser, Spence and Indus Holding Company, the transfer of ownership of certain subsidiaries of the Company, including Purchaser, Spence and Indus Holding Company, such that they are no longer controlled by the Company or the transfer of certain subsidiaries of the Company, including Purchaser and Spence, such that they are no longer wholly owned by Indus Holding Company, subject to various exceptions and notice, cure and grace periods.

A copy of the Loan Agreement is attached hereto as Exhibit 10.2 and is incorporated by reference herein.

Item 3.02. Unregistered Sales of Equity Securities.

The information set forth in Item 2.01 above is incorporated by reference. The issuance of subordinate voting shares in connection with the closing of the Acquisition was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Regulation D thereunder.

Item 3.03. Material Modifications to Rights of Security Holders.

The Loan Agreement prohibits Indus Holding Company from making distributions to the Company during an event of default. The Company would be unable to pay cash dividends from any internal source other than cash flow from Indus Holding Company. However, the Company has not declared cash dividends in the past and has no plans to do so in the foreseeable future.

Item 7.01 Regulation FD Disclosure

A copy of the press release announcing the completion of the Acquisition is being furnished as Exhibit 99.1 pursuant to Regulation FD. The information in the press release shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Furthermore, the press release shall not be deemed to be incorporated by reference into the Company's filings under the Securities Act of 1933, as amended, except as set forth with respect thereto in any such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits. Exhibits are listed on the Exhibit Index at the end of this Current Report on Form 8-K. The exhibits required by Item 601 of Regulation S-K listed on such Exhibit Index in response to this Item are incorporated herein by reference.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Purchase Agreement dated as of June 29, 2021 among Lowell SR LLC, Lowell Farms Inc., Michael Gregory, C Quadrant LLC, AMAG Holdings LLC and Michael Gregory, as representative.
10.2	Loan Agreement dated as of June 29, 2021 between Viridescent Realty Trust, Inc. and Lowell SR LLC.
99.1	Press release dated June 29, 2021.

SIGNATURES

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

Date: July 1, 2021

Lowell Farms Inc.

By:

/s/ Brian Shure

Name: Brian Shure

Title: Chief Financial Officer

PURCHASE AGREEMENT

BY AND AMONG

LOWELL SR, LLC,

LOWELL FARMS INC.,

MICHAEL GREGORY,

C QUADRANT LLC

AND

AMAG HOLDINGS, LLC

JUNE 29, 2021

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement"), dated as of June 29, 2021, is by and among Lowell SR, LLC, a California limited liability company ("Purchaser"), Lowell Farms Inc., a British Columbia corporation ("Parent"), Michael Gregory ("Controlling Owner" and, together with Sellers (as defined below), "Seller Parties"), C Quadrant LLC, a California limited liability company ("C Quadrant"), AMAG Holdings, LLC, a Wyoming limited liability company ("AMAG" and, together with C Quadrant, "Sellers," and each, a "Seller"), and Michael Gregory, as representative under Section 8.1 (in such capacity, the "Representative"). Seller Parties, Purchaser and Parent are sometimes referred to herein collectively as the "Parties," and each individually as a "Party." Capitalized terms used and not otherwise defined herein have the meanings assigned to them in ARTICLE IX.

WHEREAS, C Quadrant (a) owns certain equipment and other tangible personal property and certain intellectual property described herein, (b) is the sole member of AMAG, which owns real property located at 20800 Spence Road in Salinas, California and (c) is the sole member of 20800 Spence Rd LLC, a California limited liability company ("Spence Rd" and, together with C Quadrant and AMAG, "Seller Entities"), which holds certain State of California and Monterey County permits and licenses described herein to conduct the business of cannabis drying, trimming, packaging, extraction and processing at the Spence Road Real Property (the "Business"); and

WHEREAS, on the Closing Date, the Parties desire for Purchaser to purchase the Assets and assume the Assumed Liabilities, in each case, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants, representations and warranties made herein and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Parties agree as follows:

ARTICLE I PURCHASE AND SALE

Section 1.1 Purchased Assets.

(a) Acquisition of Real Property Assets. Subject to the terms and conditions set forth herein, on the Closing Date, (i) AMAG shall sell, assign, transfer, convey and deliver to Purchaser, and Purchaser shall purchase from AMAG, good and marketable title to the Spence Road Real Property, free and clear of all Liens, other than Permitted Liens, and (ii) Sellers shall sell, assign, transfer, convey and deliver to Purchaser, and Purchaser shall purchase from Sellers, all of Sellers' right, title and interest in the remaining Real Property Assets, free and clear of all Liens, other than Permitted Liens.

(b) Acquisition of Personal Property Assets. On the terms and conditions set forth herein, on the Closing Date, Sellers shall sell, assign, transfer, convey and deliver to Purchaser, and Purchaser shall purchase from Sellers, free and clear of all Liens, other than Permitted Liens, all of Sellers' right, title and interest in and to the Sellers' assets other than the Real Property Assets and the Excluded Assets (collectively, the "Personal Property Assets"), including the following:

(i) all tangible personal property, including the furniture, fixtures, equipment and other personal property set forth on Schedule 1.1(b)(i) hereto (the "Equipment");

(ii) the Tower Site Lease Agreement dated May 11, 2020 between C Quadrant and Razzolink, Inc. (the "Razzolink Lease");

(iii) all Intellectual Property Rights, including the API GMP extraction and manufacturing process designs, protocols and know-how listed or described on Schedule 1.1(b)(iii) hereto;

(iv) the outstanding membership interests in Spence Rd (the "Spence Rd Equity");

(v) all Books and Records; and

(vi) all Actions and rights of recovery available to Sellers against third parties (including insurers) with respect to the Assets or the Assumed Liabilities, whether arising by way of direct claim, counterclaim or otherwise.

(c) Excluded Assets. Notwithstanding the foregoing, the Assets shall not include any of following assets (all such assets listed in clauses (i) to (iv) below, collectively, the "Excluded Assets"):

(i) All cash and deposit accounts;

(ii) the advances and pre-paid deposits listed on Schedule 1.1(c)(ii);

(iii) any Equity Interests held by any of Sellers other than the Spence Rd Equity;

(iv) Contracts other than the Razzolink Lease (the "Excluded Contracts"), it being understood that the AT&T Dedicated Internet Pricing Schedule between Spence Rd and AT&T Corp. (the "AT&T Agreement") will remain with Spence Rd following the Closing;

(v) other than with respect to Spence Rd, Sellers' organizational records, such as minute books, seals and similar items;

(vi) all insurance policies maintained by Sellers; and

(vii) the rights which accrue or will accrue to Sellers under this Agreement and the other Transaction Documents.

(d) Assumed Liabilities. Subject to the terms and conditions set forth herein, effective as of the Closing, Purchaser shall assume and agree to pay, perform and discharge those Liabilities of C Quadrant arising under the Razzolink Lease after the Closing (other than any such Liabilities that are based on, arise from or relate to any breach, default or violation thereof by C Quadrant on or prior to the Closing Date) (collectively, the "Assumed Liabilities").

(e) Excluded Liabilities. Notwithstanding any other provision in this Agreement to the contrary, Purchaser shall not assume and shall not be responsible to pay, perform or discharge any Liabilities of Sellers or any of their Affiliates of any kind or nature whatsoever, whether presently in existence or arising hereafter, other than the Assumed Liabilities (the "Excluded Liabilities"). Sellers shall be solely responsible for all Excluded Liabilities and shall, and shall cause each of their Affiliates to, pay and satisfy in due course all Excluded Liabilities. Without limiting the generality of the foregoing, the Excluded Liabilities shall include the following:

- (i) all Liabilities of Sellers arising or incurred in connection with the negotiation, preparation, investigation and performance of this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby;
- (ii) all Liabilities of Sellers for Indemnified Taxes;
- (iii) all Liabilities in respect of any pending or threatened Action;
- (iv) all Environmental Claims and all other Liabilities under Environmental Laws arising out of or relating to any actions or omissions of Sellers or any facts, circumstances or conditions existing on or prior to the Closing;
- (v) all Liabilities to indemnify, reimburse or advance amounts to any present or former officer, director, employee or agent of any Seller (including with respect to any breach of fiduciary obligations by same);
- (vi) all Liabilities under the Excluded Contracts;
- (vii) all Indebtedness of any Seller and all Liabilities associated therewith;
- (viii) all Liabilities arising out of, in respect of or in connection with the failure by any Seller or any of its Affiliates to comply with any Law or Order;
- (ix) Liabilities of any kind or nature whatsoever to any direct or indirect investor in C Quadrant or any of its Affiliates; and
- (x) all Liabilities of any Seller to the extent arising out of the operation or conduct by such Seller of any business or operating activities.

Section 1.2 Closing. Upon the terms and subject to the conditions set forth in this Agreement, the closing of the Transaction (the "Closing") shall take place at the offices of Akerman LLP, 1251 Avenue of the Americas, 37th Floor, New York, New York 10020, or at such other place as shall be agreed to by Purchaser and the Representative, at 10:00 a.m. Pacific time on the third (3rd) business day following the satisfaction or waiver of each of the conditions set forth in Article VI (excluding conditions that, by their terms, cannot be satisfied until the Closing, but the Closing shall be subject to the satisfaction or waiver of those conditions) or at such other time or on such other date as shall be agreed to by Purchaser and the Representative. The date upon which the Closing occurs hereunder is referred to herein as the "Closing Date."

Section 1.3 Purchase Price; Closing Payments and Deliveries

(a) The aggregate consideration to be paid by Purchaser for the Assets shall consist of \$9,000,000 in cash (the "Cash Consideration") and 7,997,520 Parent Shares (the "Share Consideration").

(b)

(i) The following items shall be allocated between Purchaser and Sellers as of the Closing Date as follows:

(A) Real property Taxes, which shall be prorated between Purchaser and Sellers for the year in which the Closing occurs based on the number of days elapsed prior Closing. Such Taxes shall be prorated at Closing based on the most recent invoices received, subject to further adjustment when the rate and assessed value for the applicable period is fixed.

(B) All other personal property and ad valorem Taxes assessable against any of the Assets, which shall be prorated between Purchaser and Sellers for the year in which the Closing occurs based on the number of days elapsed prior Closing. Such Taxes shall be prorated at Closing based on the most recent invoices received, subject to further adjustment when the rate and assessed value for the applicable period is fixed.

(C) Utility charges shall be paid by Sellers through the Closing Date. Any bill that covers a period both before and after the Closing Date, whether payable prior to or after the Closing Date, will be prorated between Purchaser and Sellers as of the Closing Date. Deposits held by utility companies will be refunded to Sellers.

(D) The cost of the AT&T Agreement shall be prorated between Purchaser and Sellers for the month in which the Closing occurs based on the number of days elapsed prior Closing.

(ii) Purchaser and the Representative shall prepare a calculation of the above allocations and the net amount due to Sellers (the "Proration Amount"), which may be positive or negative, will be paid to Sellers or deducted from the Cash Consideration, as applicable, at the Closing. If any amounts cannot be determined or if adjustments or errors in the initial calculation of the Proration Amount are discovered or occur after the Closing (including because of a reassessment of the Spence Road Real Property by any taxing authority), Purchaser and the Representative shall prepare a reconciliation and make such additional adjustments post-Closing as are necessary to give effect to the above allocations. For the avoidance of doubt, Sellers shall bear the entire cost of any retroactive reassessment of the Spence Road Real Property by any taxing authority.

(c) At least three (3) Business Days prior to the Closing Date, the Representative shall have prepared, executed and delivered to Purchaser a certificate, which shall be reasonably acceptable to Purchaser (the "Closing Payoff Certificate"), setting forth (i) the amount of all outstanding Indebtedness of Seller Entities and their subsidiaries as of immediately prior to the Closing and instructions regarding the payoff or discharge of all such Indebtedness and (ii) the Proration Amount.

(d) At the Closing, Purchaser shall:

(A) (x) pay the amount of all Indebtedness as provided in the Closing Payoff Certificate to the Persons to whom such payments are due and (y) pay an amount equal to (I) the Cash Consideration minus (II) the amount of such Indebtedness minus (III) the cost of the owner's title policy issued to Purchaser by the Title Company in respect of the Closing (excluding the cost of extended coverage and related endorsements) plus (IV) the Proration Amount to Sellers in accordance with payments instructions provided by the Representative to Purchaser;

(B) issue to C Quadrant, in accordance with instructions provided by the Representative, a number of Parent Shares equal to the Share Consideration minus the Escrow Shares; and

(C) deposit with the Escrow Agent the Escrow Shares in accordance with the terms of an escrow agreement by and among Purchaser, the Representative and the Escrow Agent, in substantially the form attached hereto as Exhibit A (the "Escrow Agreement");

(e) At the Closing, Sellers shall deliver (or caused to be delivered) the following to Purchaser:

(i) (A) the Spence Road Real Property Deed and all affidavits and other instruments required to convey good and marketable title to the Spence Road Real Property to Purchaser and/or required by a title company selected by Purchaser (the "Title Company") to issue owner's and lender's ALTA (or TLTA, as appropriate) title policies for the Spence Road Real Property in amounts determined by Purchaser and its lenders, respectively, including owner's affidavits, no-lien, possession and gap affidavits and non-imputation affidavits and indemnifications, (B) a bill of sale (the "Bill of Sale"), duly executed by Sellers, transferring the Personal Property Assets and the personal property included in the Real Property Assets to Purchaser, (C) such other customary instruments of transfer, assumptions and other filings and documents as may be required by Purchaser to give effect to the assignment, transfer and conveyance of the Assets, all in form and substance satisfactory to Purchaser and its lenders and the Title Company and (D) an instrument in form and substance satisfactory to Purchaser pursuant to which Seller Parties and their Affiliates relinquish all leasehold, license, occupancy, easement or other rights with respect to the Spence Road Real Property and all other interests in the Assets (the "Seller Quitclaim");

(ii) an assignment and assumption agreement in form and substance satisfactory to Purchaser (the "Assumption Agreement") and duly executed by Sellers, effecting the assignment to and assumption by Purchaser of the Assumed Liabilities;

(iii) undertakings from (A) each Seller and (B) Controlling Owner, as the sole manager of each Seller, not to liquidate any Seller unless adequate provision is made for the payment and satisfaction of its Liabilities, including any Liabilities under ARTICLE VII;

(iv) the Escrow Agreement, duly executed by the Representative and the Escrow Agent;

(v) payoff letters from the applicable lenders with respect to all outstanding Indebtedness of Sellers and evidence reasonably satisfactory to Purchaser that all Liens (other than Permitted Liens) affecting the Assets will be released upon the consummation of the Closing (including, where applicable, Lien releases in recordable form and UCC termination statements authorized to be filed by Purchaser upon the consummation of the Closing);

(vi) evidence reasonably acceptable to Purchaser that all State of California and Monterey County permits and licenses necessary for the post-Closing operation of the Business at the Spence Road Real Estate have been obtained and are in full force and effect and good standing;

(vii) [Omitted];

(viii) evidence of cancellation of all insurance policies maintained by Spence Rd;

(ix) [Omitted];

(x) a certificate of non-foreign status as described in Treasury Regulation Section 1.1445-2(b)(2) for each Seller;

(xi) a certificate (which certificate shall be in form and substance reasonably satisfactory to Purchaser) signed by the Sellers and dated as of the Closing Date to the effect that each of the conditions specified in Sections 5.1(a) through (e) has been satisfied in all respects; and

(xii) certificates, signed by an authorized officer of each Seller Entity, dated as of the Closing Date, attaching certified copies of the organizational documents of such Seller Entity and resolutions of each Seller Entity's board of managers and/or members, as applicable, approving this Agreement and the transactions contemplated hereby on behalf of each such Person.

(f) As a condition to consummation of the Closing, Purchaser shall have confirmed to its satisfaction that (i) all State of California and Monterey County Permits (including cannabis Permits) necessary for the post-Closing operation of the Business at the Spence Road Real Estate in accordance with applicable State of California and Monterey County law have been obtained and are in full force and effect and good standing and (ii) ownership of the Spence Rd Equity may be transferred to Purchaser in accordance with applicable State of California and Monterey County law, including through the continuation of Controlling Owner as a control person and individual registrant under all State of California and Monterey County Permits (including cannabis Permits) and applications therefor until such time as final approvals have been received for the change of control of Spence Rd to Purchaser and of Purchaser's control persons on such Permits.

(g) At the Closing, Purchaser shall deliver the following to Sellers:

(i) the Bill of Sale and the Assumption Agreement, each duly executed by Purchaser;

(ii) the Escrow Agreement, duly executed by Purchaser; and

(iii) a certificate (which certificate shall be in form and substance reasonably satisfactory to Sellers) signed on behalf of Purchaser by an executive officer of Purchaser and dated as of the Closing Date to the effect that each of the conditions specified in Sections 5.2(a) and (b) has been satisfied in all respects.

(h) The Representative shall allocate the Cash Consideration and any proceeds from the sale or disposition of the Share Consideration among AMAG and C Quadrant and their owners at such time or times and in such manner as the Representative may determine, and Purchaser shall have no liability therefor.

Section 1.4 Tax Withholding. Notwithstanding anything in this Agreement to the contrary, Purchaser shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any Person such amounts as it is required to deduct and withhold from such Person with respect to the making of such payment under the Code and the rules and regulations promulgated thereunder, or any provision of any Law relating to Taxes. To the extent that amounts are so withheld by Purchaser and remitted to the appropriate Governmental Authority, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such Person in respect of which such deduction and withholding was made by Purchaser. Purchaser shall furnish to the Person in respect of which such withholding was made reasonably satisfactory evidence of the remittance of any such Taxes to the appropriate Governmental Authority.

Section 1.5 Purchase Price Allocation. The purchase price payable hereunder (including the Cash Consideration, the Share Consideration based on its aggregate fair market value at the end of trading on the Closing Date, the Assumed Liabilities and any other amounts to the extent treated as part of the “amount realized” for income Tax purposes) (collectively, the “Purchase Price”) shall be allocated as set forth on Schedule 1.5 by mutual agreement of Purchaser and the Representative in accordance with the provisions of Section 1060 of the Code. Purchaser and Sellers shall each file with the IRS and any state or local Tax authorities, as part of their respective income Tax Returns for the year in which the Closing occurs, IRS Form 8954 (and any state or local equivalent forms), which will set forth the allocation determined in accordance with this Section 1.5. In the event the Parties agree on any adjustment to the allocation of the Purchase Price, Purchaser and Sellers shall file amended IRS Forms 8954 in accordance with all applicable deadlines.

ARTICLE II REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Seller Parties jointly and severally represent and warrant to Purchaser that the following statements are true, correct and complete.

Section 2.1 Organization and Related Matters.

(a) Each Seller Entity is duly organized, validly existing and in good standing under the Laws of its state of organization. Each Seller Entity has all requisite company power and authority to own and operate the Assets owned and operated by such Seller Entity. Each Seller Entity is a U.S. person within the meaning of Rule 902 of Regulation S under the Securities Act.

(b) Except for C Quadrant’s ownership of AMAG and Spence Rd, no Seller Entity has any subsidiaries or owns any equity interest in any other Person.

(c) True, correct and complete copies of the Governing Documents of each Seller Entity have been made available to Purchaser and there are no claims that any such Governing Document is invalid or unenforceable in whole or in part or that such Governing Documents are not a complete statement of the rights and obligations of Seller Entities and their respective members or other equity owners with respect to governance matters involving Seller Entities.

Section 2.2 Authorization and Enforceability. Each Seller Party that is not an individual has all requisite company power and authority to execute and deliver this Agreement and each of the other Transaction Documents to which such Seller Party is or will be a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by each such Seller Party of each of the Transaction Documents to which such Seller Party is or will, pursuant to the terms of this Agreement, become a party has been or will be (as applicable) duly authorized by all necessary action on the part of such Seller Party and its direct and/or indirect equity owners, and no other proceedings or actions on the part of any such Seller Party or any direct and/or indirect equity owners of any such Seller Party are necessary to authorize the execution, delivery and performance by such Seller Party of this Agreement and the other Transaction Documents. Controlling Owner has all necessary capacity to execute and deliver this Agreement and each of the other Transaction Documents to which Controlling Owner is or will be a party and to consummate the transactions contemplated hereby and thereby. This Agreement and the other Transaction Documents to which each Seller Party is or will, pursuant to the terms of this Agreement, become a party have been or will be (as applicable) duly and validly executed and delivered by such Seller Party and, assuming due authorization, execution and delivery by the other parties thereto (other than other Seller Parties), constitute legal, valid and binding obligations of such Seller Party, enforceable against such Seller Party in accordance with their respective terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar Laws affecting creditors’ rights and remedies generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at Law or in equity).

Section 2.3 Ownership of Seller Entities

(a) Section 2.3(a) of the Disclosure Schedule sets forth all of the outstanding Equity Interests in C Quadrant and the record holders and beneficial owners thereof. Except as set forth in Section 2.3(a) of the Disclosure Schedule, there are no voting agreements, voting trusts, proxies, registration rights agreements, equity holder agreements or other Contracts with respect to any of the Equity Interests of C Quadrant.

(b) C Quadrant owns one hundred percent (100%) of the outstanding Equity Interests in each of AMAG and Spence Rd. Except for the Equity Interests owned by C Quadrant, as set forth in Section 2.3(b) of the Disclosure Schedule, there are no voting agreements, voting trusts, proxies, registration rights agreements, equity holder agreements or other Contracts with respect to any of the Equity Interests of AMAG or Spence Rd.

(c) Except as set forth in Section 2.3(a) and Section 2.3(b) of the Disclosure Schedule, no equity or voting interests in any Seller Entity are authorized, issued, reserved for issuance or outstanding. No current or former equity owner of any Seller Entity or any other Person is contesting (whether or not pursuant to any Action) the legal or beneficial ownership of the outstanding Equity Interests of any Seller Entity or any distributions or contributions relating thereto or asserting that Equity Interests other than those set forth on Section 2.3(a) and Section 2.3(b) of the Disclosure Schedule are or should be outstanding. All of the outstanding Equity Interests of each Seller Entity have been duly authorized and validly issued and were not issued in violation of any preemptive or other rights. No Person is a party to any outstanding or authorized option, warrant, right (including any preemptive right), subscription, claim of any character, Contract, obligation, convertible or exchangeable securities, or other commitments, contingent or otherwise, pursuant to which any Seller Entity is or may become obligated to issue, deliver or sell, or cause to be issued, delivered or sold, Equity Interests in any Seller Entity or any securities convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for or acquire, any Equity Interests in any Seller Entity.

Section 2.4 Conflicts: Consents of Third Parties. The execution and delivery of this Agreement and the other Transaction Documents to which each Seller is a party, the consummation of the transactions contemplated hereby and thereby, and compliance by such Seller with the provisions hereof and thereof do not and will not: (a) conflict with, or result in the breach of, any provision of the Governing Documents of any Seller Entity; (b) conflict with, violate, result in the breach or termination of, constitute a default under, modify the rights of any party under, result in an acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract to which any Seller Entity is a party or by which any Seller Entity or any of the properties or assets of any of them are bound, or require a Consent from any Person in order to avoid any such conflict, violation, breach, termination, default, modification or acceleration; (c) violate any Law or Order applicable to any Seller Entity or the Assets; or (d) result in the creation of any Lien upon any of the properties or assets of any Seller Entity. No Consent, Order, waiver, declaration or filing with, or notification to any Governmental Authority is required on the part of any Seller Entity in connection with the execution, delivery and performance of this Agreement or the other Transaction Documents or the compliance by any Seller Entity with any of the provisions hereof or thereof. No Seller is a party to any Contract, including any collective bargaining agreement or other labor agreement, that is binding or purports to be binding, on a transferee of the Assets. Spence Rd is not a party to any Contract other than the AT&T Agreement.

Section 2.5 Balance Sheet

Included as Section 2.5 of the Disclosure Schedule is a true and complete copy of the consolidated balance sheet of C Quadrant as of May 31, 2021 (the "Balance Sheet Date") and the balance sheet as of such date the "Balance Sheet"), which Balance Sheet fairly represents the financial condition of C Quadrant in all material respects.

Section 2.6 No Undisclosed Liabilities.

(a) The Seller Entities have no Liabilities (and there is no basis for any present or future Action against any Seller Entity giving rise to any Liability) except (a) to the extent specifically reflected and accrued for or specifically reserved against in the Balance Sheet, and (b) for current Liabilities incurred subsequent to the Balance Sheet Date in the Ordinary Course of Business (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement, or violation of Law).

(b) To the Knowledge of Sellers, the Road Agreement dated July 3, 1975 among Rubicon Construction Company, Eli H. Boozer, Wynnell A. Boozer, Eli H. Boozer, Jr., Wajewco, and Western Title Insurance Company is no longer operative or being sought to be enforced. No Seller Party has been requested to make any contribution to road maintenance or any other payments pursuant to such agreement.

Section 2.7 Absence of Certain Developments. Since the Balance Sheet Date,

- (a) the Assets have been owned, operated and maintained in the Ordinary Course of Business;
- (b) the Assets have not suffered any damage, destruction or loss, whether or not covered by insurance;
- (c) Seller Parties have not made or committed to make any capital improvements or modifications to the Spence Road Real Property; and
- (d) there has been no Material Adverse Change.

Section 2.8 Taxes.

(a) All Taxes owed by any Seller Entity (whether or not shown on any Tax Return) have been paid and Seller Entities have no Liability for any Taxes other than, in the case of C Quadrant and AMAG, Taxes which are not yet due, all of which are Excluded Liabilities and for which Purchaser and its Affiliates shall have no Liability following the Closing. There are no Liens on any of the assets of any Seller Entity that have arisen in connection with any failure (or alleged failure) to pay any Tax, whether or not payment of such Tax was subsequently cured. There is no examination or audit in progress, pending, or, to the Knowledge of Sellers, proposed or threatened against or with respect to any Seller Entity regarding Taxes.

(b) No Seller Entity is a beneficiary of any extension of time within which to file any Tax Return, except extensions automatically granted by Law. No Seller Entity has waived or extended any statute of limitations in respect of Taxes or agreed to any extension of time with respect to the assessment, payment or collection of any Tax. No Seller Entity has been a member of an affiliated group (as defined in Section 1504 of the Code), filed or been included in a combined, consolidated or unitary income Tax Return or been a partner, member, owner or beneficiary of any entity treated as a partnership or a trust for Tax purposes. No Seller Entity is a party to or bound by any agreement the principal purpose of which is the allocation or sharing of Taxes.

(c) No Seller Entity has participated in any reportable transaction as contemplated in Treasury Regulations Section 1.6011-4.

(d) C Quadrant is, and has at all times been a limited liability company taxed as a partnership for U.S. Federal and state and local income tax purposes. Each Seller Entity other than C Quadrant is, and has been since such Seller Entity's formation, classified as a disregarded entity for U.S. federal and state and local income tax purposes.

Section 2.9 Personal Property Assets; Title; Condition of Assets. Sellers exclusively own and have good and valid title, free and clear of all Liens other than Permitted Liens, to all of the Personal Property Assets. Upon the consummation of the Closing, Purchaser shall exclusively own and have good and valid title, free and clear of all Liens other than Permitted Liens, to all of the Personal Property Assets. All of the Personal Property Assets are in good operating condition, ordinary wear and tear excepted. The Assets are adequate and suitable for the purposes for which they are presently being used. No direct or indirect equity owner of any Seller Entity (other than C Quadrant, with respect to the Spence Rd Equity) has any interest in the Assets.

Section 2.10 Intellectual Property.

(a) The Assets include all Intellectual Property Rights used by Seller Entities in connection with their operations as currently conducted and that are useful in the conduct of the Business (the "Seller Entity IP"). Seller Entities exclusively own all of the Seller Entity IP. Seller Entities have good, valid and marketable title to the Seller Entity IP, free and clear of any and all Liens except any Permitted Liens. No Seller Entity IP is subject to any Order, settlement agreement or Contract that restricts in any manner the use, transfer, licensing or enforcing thereof by Seller Entities or may affect the validity, use or enforceability thereof. The Seller Entity IP includes all Intellectual Property Rights listed or described in Schedule 1.1(b)(iii).

(b) No Seller Entity has granted any license of or right to use, or authorized the retention of any rights to use or joint ownership of, any Seller Entity IP to any Person.

(c) The operations of Seller Entities as currently conducted or proposed to be conducted do not infringe or misappropriate any Intellectual Property Rights of any Person, or constitute unfair competition or trade practices under the Laws of any jurisdiction in which a Seller Entity operates. No Seller Entity has received notice from any Person claiming that such operations infringe or misappropriate any Intellectual Property Rights of any Person, violates any right of any Person (including any right to privacy or publicity), or constitutes unfair competition or trade practices under the Laws of any jurisdiction. To the Knowledge of Sellers, no Person is infringing or misappropriating any Seller Entity IP.

Section 2.11 Compliance with Laws; Permits.

(a) Seller Entities are, and have at all times been, in material compliance with all Laws (including Marijuana Laws other than Federal Marijuana Laws). No Seller Entity has received notice from any Governmental Authority or any other Person of any failure to comply with any Law applicable to the ownership and use of the Assets, and to the Knowledge of Sellers, there has been no failure by any Seller Entity to comply with any such Law (including Marijuana Laws other than Federal Marijuana Laws). To the Knowledge of Sellers, there is no investigation by a Governmental Authority pending or threatened (and no Seller Entity has previously received notice of any such pending or threatened investigation) against any Seller Entity related to the ownership or use of the Assets.

(b) Section 2.11(b) of the Disclosure Schedule contains a complete and accurate list of each Permit that is held by any Seller Entity, all of which are held by Spence Rd. Each such Permit held by Spence Rd is valid and in full force and effect. Except as set forth in Section 2.11(b) of the Disclosure Schedule, (i) Spence Rd is, and has been, in compliance in all material respects with all of the terms and requirements of each of its Permits, (ii) no event has occurred or circumstance exists that may result in the revocation, withdrawal, suspension, cancellation or termination of, or any modification to, any Permit; (iii) Spence Rd has not received any notice from any Governmental Authority or any other Person regarding (A) any actual or potential violation of any Permit or (B) any actual or potential revocation, withdrawal, suspension, cancellation, termination or modification of any Permit; and (iv) all applications for renewal and other filings required to have been made with respect to Spence Rd's Permits have been duly made on a timely basis with the appropriate Governmental Authorities. The Permits identified in Section 2.11(b) of the Disclosure Schedule collectively constitute all of the Permits that would be necessary to enable Seller Entities and, following the Closing, Purchaser and its Affiliates to conduct and operate the Business at the Spence Road Real Estate and to own and use the Assets as currently conducted, in compliance with all Laws (provided that Seller Parties do not make any representation or warranty regarding Permits required under Laws specific to the farming, growth, manufacturing, production, processing, extraction, packaging, sale or distribution of marijuana or marijuana-related products).

Section 2.12 Employee Benefits, Section 2.12 of the Disclosure Schedule sets forth each Employee Benefit Plan in which any employee or any spouse or dependent of any employee participates, and Seller Entities have provided or made available to Purchaser, to the extent applicable, complete and correct copies of each such Employee Benefit Plan. Neither any Seller Entity, nor any ERISA Affiliate, sponsors, maintains or contributes to, or has ever sponsored, maintained or contributed to (or been obligated to sponsor, maintain or contribute to), or has any direct, indirect or contingent liability with respect to (i) any "multiemployer plan", as that term is defined in Section 3(37) or 4001(a)(3) of ERISA; (ii) any "employee benefit plan" subject to Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code; or (iii) any employee benefit plan, program, policy or arrangement covering employees outside of the United States or subject to the laws of any jurisdiction other than the United States. None of the Employee Benefit Plans provides severance, life insurance, medical or other welfare benefits (within the meaning of Section 3(1) of ERISA) to any current or former employee of a Seller Entity or any ERISA Affiliate, or to any other person, after his or her retirement or other termination of employment or service, and neither any Seller Entity, nor any ERISA Affiliate, has ever represented, promised or contracted to any employee or former employee, or to any other person, that such benefits would be provided, except to the extent required by Part 6 of Subtitle B of Title I of ERISA or Section 4980B(f) of the Code. Each Employee Benefit Plan is, and at all times since inception has been, maintained, administered, operated and funded in accordance with its terms and in material compliance with ERISA, the Code and all other applicable Laws.

Section 2.13 Litigation. Except as set forth in Section 2.13 of the Disclosure Schedule, there is not now and there has never been any Action pending or, to the Knowledge of Sellers, threatened (and no Seller Entity has received notice of any such threatened Action) against (a) any Seller Entity or (b) to the extent related to or affecting Seller Entities, the Assets or the Assumed Liabilities, Controlling Owner or any other officer, manager, director or employee of any Seller Entity before any Governmental Authority, and there is no basis for any such Action. Except as set forth in Section 2.13 of the Disclosure Schedule, no Seller Entity has engaged in any Action relating to or affecting the Assets or the Assumed Liabilities to recover monies due it or for damages sustained by it. Except as set forth in Schedule 2.13 of the Disclosure Schedule, no Seller Entity is subject to any Order.

Section 2.14 Environmental Matters. Except for the Spence Road Real Property, Seller Entities do not and have not ever owned or leased any interest in real property. Except as disclosed in Section 2.14 of the Disclosure Schedule: (a) Seller Entities are, and in the past five years have been, in compliance with all applicable Environmental Laws, including the possession of (and compliance with) all Permits required for their respective facilities and operations under Environmental Laws; (b) except for matters that have been resolved, no Seller Entity has received a notice, citation, complaint, decree or other communication alleging Liability under or any actual, alleged or potential violation of or failure to comply with any Environmental Law, and no such proceeding is pending or, to the knowledge of the Seller Entities, threatened; (c) no releases of Hazardous Substances have occurred at, from or onto the Spence Road Real Property, or, to the Knowledge of Sellers, any real property formerly owned or operated by any Seller Entity, or for which any Seller Entity could incur Liability under any Environmental Law; (d) no Seller Entity has treated, stored, recycled or disposed of any Hazardous Substances on any real property currently or formerly owned, used, operated or leased by any Seller Entity in a manner not in compliance with the Environmental Laws, and to the Knowledge of Sellers, no other Person has treated, stored, recycled or disposed of any Hazardous Substance on real property owned, used or leased by such Seller Entity; (e) there have been no Hazardous Substances generated by any Seller Entity that have been disposed of or come to rest at any site that has been included in any published U.S. federal, state or local "superfund" site list or any other similar list of hazardous or toxic waste sites; (f) no Seller Entity has entered into any agreement with any Person regarding any Environmental Law, remedial action or other environmental Liability or expense; (g) to the Knowledge of Sellers, there are no underground storage tanks, septic tanks, landfills, surface impoundments or disposal areas located on, and no polychlorinated biphenyls or equipment containing polychlorinated biphenyls used or stored on, any site owned or operated by any Seller Entity; and (h) no "hazardous waste" as defined by the Resource Conservation and Recovery Act, as amended, is stored on any site owned or operated by any Seller Entity. Seller Entities have provided to Purchaser complete copies of all environmental audits, reports and other documents relating to Environmental Laws or Environmental Claims within Seller Entities' possession or control relating to the Assets.

Section 2.15 Insurance. Section 2.15 of the Disclosure Schedule includes a complete and correct list and description, including policy number, coverage and deductible, of all insurance policies owned by Seller Entities relating to the Assets, the Assumed Liabilities or the Excluded Liabilities, complete copies of which policies have been provided to Purchaser by Seller Entities. Such policies are in full force and effect, all premiums due thereon have been paid and no Seller Entity is in default thereunder. No Seller Entity has received any notice of cancellation or intent to cancel or increase or intent to increase premiums with respect to such insurance policies nor, to the Knowledge of Sellers, is there any basis for any such action. Section 2.15 of the Disclosure Schedule also contains a list of all pending and prior claims made to any insurance company by any Seller Entity and any instances of a denial of coverage by any insurance company.

Section 2.16 Real Property.

(a) AMAG has good and clear marketable and insurable fee simple title in and to the Spence Road Real Property, free and clear of all Liens other than Permitted Liens. No Person has any option to purchase, or a right of first refusal in respect of the sale of, all or any portion of the Spence Road Real Property. Each of the parcels constituting the Spence Road Real Property is assessed as a separate tax lot or tax parcel, independent of any other parcels or assets not being conveyed hereunder, and each of the parcels constituting the Spence Road Real Property has been or will be prior to the Closing Date legally subdivided from all other property for conveyance and other purposes.

(b) Except for the Razzolink Lease, there are no written or oral leases, subleases, licenses, concessions, occupancy rights or other Contracts granting to any Person other than C Quadrant the right to use or occupy any portion of the Spence Road Real Property and there is no Person in possession or occupancy of any portion of the Spence Road Real Property other than C Quadrant. All such rights of C Quadrant will terminate as of the Closing pursuant to the Seller Quitclaim. The Razzolink Lease is a valid and binding agreement of C Quadrant and is in full force and effect in accordance with its terms. C Quadrant has not violated or breached the Razzolink Lease, and, to the Knowledge of Sellers, Razzolink, Inc. has not violated or breached, or committed any default under, the Razzolink Lease. There are no disputes pending with respect to the Razzolink Lease. Sellers have made available to Purchaser a true and correct copy of the Razzolink Lease (including all amendments, supplements and other modifications thereto).

(c) There is no pending or, to the Knowledge of Sellers, threatened litigation, condemnation, expropriation, eminent domain or similar proceeding affecting all or any part of the Spence Road Real Property, and neither any Seller nor Spence Rd has received any notice thereof.

(d) The Spence Road Real Property has received all approvals of Governmental Authorities required to be obtained in connection with the operation thereof and have been operated and maintained in all material respects in accordance with applicable Laws. There are no defects in any of the Spence Road Improvements, including, but not limited to, the roof, structural elements thereof, and the heating, ventilation, air conditioning, plumbing, electrical, mechanical, sewer, waste water, storm water, paving and parking equipment and facilities included therein. No portion of the Spence Road Real Property has suffered any damage by fire or other casualty which has not been completely repaired and restored. All Spence Road Improvements are in good operating condition and repair, ordinary wear and tear excepted, there are no ongoing repairs, renovations or capital improvements being undertaken at the Spence Road Real Property and all prior repairs, renovations and capital improvements have been paid for in full.

(e) The Spence Road Real Property is properly zoned for current use of the Spence Road Real Property and the planned operation of the Business. The Spence Road Real Property is in compliance with all restrictive covenants, applicable zoning ordinances or other applicable Laws, including all of the foregoing relating to the planned operation of the Business. No Seller has received any notice of any violation of any applicable zoning ordinance or other Law relating to the Spence Road Real Property. There is no Action pending or, to Sellers' Knowledge, threatened to change the zoning or building ordinances or any other Laws affecting the Spence Road Real Property.

(f) There are no unsatisfied assessments against the Spence Road Real Property. Sellers have not filed, and have not retained anyone to file, notices of protests against, or to commence action to review, real property tax or other assessments against the Spence Road Real Property. Sellers have not received notice of any assessments by a public body, whether municipal, county or state, imposed, contemplated or confirmed and ratified against the Spence Road Real Property for public or private improvements which are now or hereafter payable. There are no deferred fees or assessments (other than ongoing assessments disclosed in Section 2.16(f) of the Disclosure Schedule) that will become due and payable after Closing with respect to the Spence Road Real Property.

(g) Except as set forth in the Title Policy Pro Forma, no commitments have been made nor will any commitments be made by any Seller to any governmental or quasi-governmental authority, utility company, school board, church or other religious body, any homeowner's or property owner's association or any other person or entity relating to the Spence Road Real Property which would impose an obligation on Purchaser or its successors to make any contribution or dedication of land or money to construct, install or maintain any improvements of a public or private nature on or off the Spence Road Real Property. There are no agreements, covenants, restrictions or other instruments that will be binding upon the Spence Road Real Property after Closing other than as set forth in the Title Policy Pro Forma and applicable Law.

Section 2.17 Related Party Transactions. Except as described in Section 2.17 of the Disclosure Schedule, no Seller Party or any Affiliate thereof (i) has any interest in, or is a party to a Contract affecting, any of the Assets (including the Spence Road Real Property), (ii) is or has been a party to any transaction with Spence Rd or (iii) has any interest in a competitor of the contemplated post-Closing Business.

Section 2.18 Brokers Fees. No Seller Entity has any Liability to pay any fees, commissions or other amounts to any investment banker, broker, finder or agent with respect to the transactions contemplated by this Agreement.

Section 2.19 Investment Representations.

(a) Each Seller that acquires any portion of the Share Consideration (each a "Selling Shareholder") is knowledgeable, sophisticated and experienced in financial and business matters, is making, and is qualified to make, decisions with respect to investments in shares, including investments in securities issued by Parent and comparable entities, and has the ability to bear the economic risks of an investment in Parent Shares. Each Selling Shareholder understands that its investment in the Share Consideration involves a significant degree of risk, including a risk of total loss of each Selling Shareholder's investment, and each Selling Shareholder has full cognizance of and understands all of the risk factors related to each Selling Shareholder's acquisition of the Share Consideration.

(b) Each Selling Shareholder has, in connection with its decision to acquire its Share Consideration, relied solely upon the representations and warranties of Parent contained herein. Each Selling Shareholder has had an opportunity to (i) ask questions and receive answers from representatives of Parent concerning the merits and risks of investing in Parent Shares, (ii) access to information about Parent and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment and (iii) the opportunity to obtain such additional information that Parent possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment. Each Selling Shareholder has undertaken an independent analysis of the merits and risks of an investment in Parent Shares based on its own financial circumstances. Each Selling Shareholder understands that nothing in this Agreement or any other materials presented to each Selling Shareholder in connection with the acquisition of the Share Consideration constitutes legal, tax or investment advice. Each Selling Shareholder has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its acquisition of the Share Consideration.

(c) Each Selling Shareholder shall acquire Parent Shares for its own account for investment only and with no present intention of engaging in a distribution (within the meaning of applicable securities laws) with respect to the Parent Shares or entering into any arrangement or understanding with any other persons regarding such a distribution, provided that this representation and warranty shall not limit any Selling Shareholder's right to sell pursuant to the Resale Registration Statement. No Selling Shareholder will, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) any Parent Shares except in compliance with the Securities Act and applicable state securities laws. Each Selling Shareholder acknowledges that Rule 144 under the Securities Act is not available for the resale of Parent Shares and will not be available for such resale until Parent has become a registrant under the Securities Act and has met all of the requirements of Rule 144(i). Notwithstanding the foregoing, nothing in this provision is meant to prevent such Seller from liquidating or distributing Parent Shares to its equityholders in accordance with applicable Securities Laws.

(d) Each Selling Shareholder understands that the Share Consideration is being offered to it in reliance upon specific exemptions from the registration requirements of the Securities Act and state securities laws and that Parent is relying upon the truth and accuracy of, and each Selling Shareholder's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Selling Shareholders set forth herein in order to determine the availability of such exemptions and the eligibility of each Selling Shareholder to acquire the Share Consideration.

Section 2.20 No Misrepresentation. No representation or warranty of Seller Parties or any of them contained in this Agreement or any other Transaction Document or in the Disclosure Schedule hereto or in any certificate or other instrument furnished to Purchaser in connection herewith contains or will contain any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

**ARTICLE III
REPRESENTATIONS AND WARRANTIES OF PARENT AND PURCHASER**

Parent and Purchaser represent and warrant to Sellers that the following statements are true, correct and complete.

Section 3.1 Organization. Each of Parent and Purchaser is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization or formation, and has all requisite limited liability company or corporate power and authority to own, lease and operate its properties and to carry on its business. Each of Parent and Purchaser is duly qualified or authorized to do business as a foreign company and is in good standing under the Laws of each jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification or authorization.

Section 3.2 Authorization and Enforceability. The execution, delivery and performance of this Agreement and all Transaction Documents to which either Parent or Purchaser is a party has been duly authorized by all necessary action by or on behalf of Parent or Purchaser, as applicable. Each of Parent and Purchaser has full corporate or company power and authority to execute and deliver this Agreement and each other Transaction Document to which it is a party, and to perform its obligations hereunder and thereunder. This Agreement and each Transaction Document to which Parent or Purchaser is or will be a party has been or will be duly and validly executed and delivered and constitutes the valid and legally binding obligation of Parent or Purchaser, as applicable, enforceable against Parent or Purchaser in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at Law or in equity).

Section 3.3 Capitalization.

(a) The authorized capital stock of the Company consists of an unlimited number of Parent Shares and an unlimited number of Super Voting Shares.

(b) As of June 2, 2021:

(i) 70,612,253 Parent Shares and 202,590 Super Voting Shares were issued and outstanding;

(ii) 13,803,168 Parent Shares were issuable upon the redemption of all of the Class B Common Shares of Indus Holding Company;

(iii) 77,628,692 Parent Shares were issuable upon the redemption of all of the Class C Common Shares of Indus Holding Company issuable upon conversion of convertible debentures of Indus Holding Company (excluding accrued and unpaid interest);

(iv) 93,092,778 Parent Shares were issuable upon the exercise of outstanding warrants of the Company;

(v) 780,140 Parent Shares were issuable upon the exercise of compensation options held by financial advisors to the Company and/or Indus Holding Company; and

(vi) 8,882,250 Parent Shares were issuable upon the exercise of options issued or reserved for issuance pursuant to the Company's equity incentive plans.

(c) Purchaser is a wholly-owned subsidiary of Indus Holding Company, a Delaware corporation, 100% of the voting securities of which are owned by Parent.

Section 3.4 Conflicts: Consent of Third Parties. Neither the execution and the delivery by Parent and Purchaser of this Agreement and the other Transaction Documents to which Parent or Purchaser is a party, nor the consummation of the transactions contemplated hereby and thereby on the part of Parent and Purchaser, will, with or without the passage of time or the giving of notice (a) conflict with, or result in the breach of, any provision of the Governing Documents of Parent or Purchaser or (b) conflict with, violate, result in the breach or termination of, or constitute a default under, result in an acceleration of, or create in any party the right to accelerate, terminate, modify or cancel, any Contract to which Parent or Purchaser is a party or by which Parent or Purchaser or their respective properties or assets are bound.

Section 3.5 Share Consideration. Upon issuance, the Share Consideration will be duly authorized and validly issued, fully paid and non-assessable and will not have been issued in violation of applicable Law (it being understood that no representation or warranty is made by Parent or Purchaser with respect to any Federal Marijuana Law) or any preemptive right, right of first refusal or similar right of any Person to subscribe for or purchase securities of Parent.

Section 3.6 Brokers Fees. Neither Parent nor Purchaser has any Liability to pay any fees, commissions or other amounts to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

ARTICLE IV COVENANTS

Section 4.1 Conduct Prior to Closing. From the date of this Agreement until the Closing (or until the earlier termination of this Agreement in accordance with its terms), except as required by applicable Law or with the consent in writing of Purchaser, Seller Parties shall use, own and operate the Assets in the Ordinary Course of Business and shall use reasonable best efforts to maintain and to preserve the rights, franchises, goodwill and relationships with Persons having business relationships with Seller Parties in relation to the Assets. Without limiting the generality of the foregoing, except as required by applicable Law or set forth on Section 4.1 of the Disclosure Schedule or as consented to in writing by Purchaser (which consent shall not be unreasonably withheld), Seller Parties shall not:

(a) fail to maintain the Assets in the same condition as on the date hereof;

- (b) enter into any new Contract affecting any of the Assets or Assumed Liabilities;
- (c) make any capital improvements or other modifications to the Spence Road Real Property except as required to comply with Monterey County regulations;
- (d) modify, assign, terminate or waive any rights under the AT&T Agreement or the Razzolink Lease;
- (e) sell, lease, transfer or otherwise dispose of any Assets or create or permit the creation of any Lien on any Assets;
- (f) institute, settle, waive or release any Action with respect to the Assets;
- (g) issue, create, incur, assume or guarantee any Indebtedness of any Seller Entity (other than Indebtedness to be discharged at the Closing) or any Lien on any of the Assets;
- (h) cancel or permit the lapse of any insurance policy covering the Assets;
- (i) adopt any plan of merger, consolidation, reorganization, liquidation, or dissolution, or file a petition in bankruptcy under any provisions of federal or state bankruptcy Law involving Seller Entities;
- (j) transfer, assign or grant any license or sublicense of any material rights under or with respect to any Seller Entity IP; or
- (k) contract, commit or agree to do any of the foregoing.

Section 4.2 Access to Information. From the date of this Agreement until the Closing (or until the earlier termination of this Agreement in accordance with its terms), upon reasonable notice, Seller Parties shall, as promptly as reasonably practicable: (a) afford Purchaser and its representatives (including any financing sources or prospective financing sources and their respective representatives) reasonable access to personnel, properties, books and records of the Assets and Seller Entities; and (b) furnish to Purchaser and its representatives such additional information with regard to the Assets and Seller Entities as Purchaser may from time to time reasonably request; provided, however, that any such access or furnishing of information shall be conducted at Purchaser's expense, during normal business hours.

Section 4.3 Further Assurances.

(a) If any further action is necessary or desirable to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as any other Party reasonably may request; provided, however, that the Parties shall not be required to incur any material out-of-pocket expense in connection therewith. For a reasonable amount of time following the Closing, Seller Parties shall, and shall cause their Affiliates to, reasonably cooperate with Purchaser to encourage each business relation of Seller Entities with respect to the Assets to maintain the same business relationship with Purchaser after the Closing as it maintained with Seller Entities prior to the Closing; *provided that* Seller Entities shall not be liable for any Losses in connection with such a business relation's decision to not continue a business relationship with Purchaser at any time after the Closing.

(b) Without limitation of Section 4.3(a), Controlling Owner shall (i) use his best efforts to take and cause Seller Entities to take all actions that Purchaser may reasonably request (A) to enable the post-Closing operation of the Business at the Spence Road Real Estate in accordance with all State of California and Monterey County Permits (including cannabis Permits) and (B) to facilitate the approval of the transfer of ownership of the Spence Rd Equity to Purchaser in accordance with applicable State of California and Monterey County law and (ii) continue as a control person and individual registrant under all State of California and Monterey County Permits (including cannabis Permits) and applications therefor until such time as (x) final approvals have been received for the change of control of Spence Rd to Purchaser and of Purchaser's control persons on such Permits and (y) the removal of Controlling Owner will not result in enforcement action on or revocation of any such Permits.

(c) Following the Closing, in the event and for so long as Purchaser actively is involved in, contesting or defending against any Action in connection with any fact, situation, circumstances, status, condition, activity, practice, plan, occurrence, event, incident, action, Tax matter, failure to act, or transaction involving the Assets or the Assumed Liabilities which occurred or existed prior to the Closing, Seller Parties shall, and shall cause their Affiliates to, reasonably cooperate with Purchaser and Purchaser's counsel in such involvement, contest or defense, and provide such testimony and access to its books and records as shall be reasonably necessary in connection with such contest or defense, all at the sole reasonable cost and expense of Purchaser (unless Purchaser is entitled to indemnification therefor hereunder).

Section 4.4 Share Registration.

(a) Within 60 days following the Closing, Parent shall prepare and file with the Securities and Exchange Commission (the "SEC") a registration statement (the "Resale Registration Statement") on Form S-1 (or any other available form) relating to the resale of the Share Consideration by the Selling Shareholders. Parent shall use its commercially reasonable best efforts to (i) file the Resale Registration Statement as promptly as practicable and (ii) subject to receipt of necessary information from the Selling Shareholders, cause the Resale Registration Statement to become effective as promptly as is reasonably practicable. Parent shall promptly prepare and file with the SEC such amendments and supplements to the Resale Registration Statement and the prospectus used in connection therewith (the "Prospectus") as may be necessary to keep the Resale Registration Statement effective until the earlier of (A) two (2) years after the effective date of the Resale Registration Statement or (B) such time as the remaining Share Consideration has become eligible for resale without any volume limitations or other restrictions pursuant to Rule 144 under the Securities Act. Parent may amend the Resale Registration Statement on Form S-3 at any time it is eligible to do so.

(b) For not more than ninety (90) days in any twelve (12) month period, Parent may suspend the use of any Prospectus included in the Resale Registration Statement contemplated by this Section in the event that Parent determines in good faith that such suspension is necessary to (A) delay the disclosure of material non-public information concerning Parent, the disclosure of which at the time is not, in the good faith opinion of Parent, in the best interests of Parent or (B) amend or supplement the Resale Registration Statement or the related Prospectus so that the Resale Registration Statement or Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the case of the Prospectus in light of the circumstances under which they were made, not misleading (an "Allowed Delay"); provided, that Parent shall promptly (I) notify the Representative in writing of the commencement of an Allowed Delay, but shall not (without the prior written consent of the Representative) disclose to the Representative or any Selling Shareholder any material non-public information giving rise to an Allowed Delay, (II) advise the Representative in writing to cease, and cause the Selling Shareholders to cease, all sales under the Resale Registration Statement until the end of the Allowed Delay, and (III) use commercially reasonable efforts to terminate an Allowed Delay as promptly as is reasonably practicable.

(c) Parent shall use commercially reasonable efforts to effect the registration of the Share Consideration in accordance with the terms hereof, and pursuant thereto Parent will, as expeditiously as possible:

(i) prepare and file with the SEC such amendments and post-effective amendments to the Resale Registration Statement and the related Prospectus as may be necessary to keep the Resale Registration Statement effective for the period in which the Resale Registration Statement is required to be kept effective and to comply with the provisions of the Securities Act and the Exchange Act with respect to the distribution of all of the Share Consideration covered thereby;

(ii) provide copies to and permit any counsel designated by the Representative to review the Resale Registration Statement and all amendments and supplements thereto no fewer than three (3) days prior to their filing with the SEC;

(iii) furnish to each Selling Shareholder (A) promptly after the same is prepared and filed with the SEC, if requested by the Selling Shareholder, one (1) copy of any Resale Registration Statement and any amendment thereto, each preliminary prospectus and Prospectus and each amendment or supplement thereto, and each letter written by or on behalf of Parent to the SEC or the staff of the SEC, and each item of correspondence from the SEC or the staff of the SEC, in each case relating to such Registration Statement (other than any portion of any thereof which contains information for which Parent has sought confidential treatment), and (B) such number of copies of a Prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as the Selling Shareholder may reasonably request in order to facilitate the disposition of the Share Consideration owned by the Selling Shareholder;

(iv) use commercially reasonable efforts to (A) prevent the issuance of any stop order or other suspension of effectiveness and, (B) if such order is issued, obtain the withdrawal of any such order at the earliest practical moment;

(v) use commercially reasonable efforts to register or qualify or cooperate with any Selling Shareholder and its counsel in connection with the registration or qualification of the Share Consideration for offer and sale under the securities or blue sky laws of such jurisdictions requested by such Selling Shareholder and do any and all other commercially reasonable acts or things necessary or advisable to enable the distribution in such jurisdictions of the Share Consideration covered by the Resale Registration Statement; provided, however, that Parent shall not be required in connection therewith or as a condition thereto to (A) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this provision, (B) subject itself to general taxation in any jurisdiction where it would not otherwise be so subject but for this Section 4.4(c)(v), or (C) file a general consent to service of process in any such jurisdiction;

(vi) promptly notify the Representative, upon discovery that, or upon the happening of any event as a result of which, the Prospectus includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and promptly prepare, file with the SEC and furnish to the Selling Shareholders a supplement to or an amendment of such Prospectus as may be necessary so that such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(vii) use commercially reasonable efforts to comply with all applicable rules and regulations of the SEC under the Securities Act and the Exchange Act in connection with the Resale Registration Statement; and

(viii) with a view to making available to the Selling Shareholders the benefits of Rule 144 (or its successor rule) and any other rule or regulation of the SEC that may at any time permit the Selling Shareholders to sell shares included in the Share Consideration to the public without registration, Parent covenants and agrees from and after the date it becomes registered and for so long as it remains registered under the Exchange Act, to (A) file with the SEC in a timely manner all reports and other documents required of Parent under the Exchange Act and (B) furnish to each Selling Shareholder upon request, as long as such Selling Shareholder owns any Share Consideration, (I) a written statement by Parent that it has complied with the reporting requirements of the Exchange Act, (II) a copy of Parent's most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q, and (III) such other information as may be reasonably requested in order to avail such Selling Shareholder of any rule or regulation of the SEC that permits the selling of any such Share Consideration without registration.

(d) In the event that the SEC for any reason limits the number of Parent Shares that may be included and sold by the Selling Shareholders in the Resale Registration Statement, Parent shall reduce the number of Parent Shares included in the Resale Registration Statement on behalf of the Selling Shareholders accordingly (such portion shall be allocated pro rata among the Selling Shareholders) (such excluded shares, the "Reduction Securities"). Parent shall not be liable for any Losses in connection with the exclusion of such Reduction Securities or in connection with any delay in the effectiveness of the Resale Registration Statement arising from any interactions between Parent and the SEC with respect to the number of Parent Shares that may be included and sold by the Selling Shareholders in the Resale Registration Statement. Parent shall use commercially reasonable efforts to register the Reduction Securities for resale as soon as is reasonably practicable pursuant to a new registration statement covering the Reduction Securities (or such portion thereof as the SEC will allow to be registered for resale at such time) for an offering to be made on a continuous basis pursuant to Rule 415.

(e) Parent shall bear all expenses in connection with the procedures in clauses (a) through (d) of this Section 4.4 and the registration of the Share Consideration on behalf of the Selling Shareholders pursuant to the Resale Registration Statement, other than fees and expenses, if any, of legal counsel or other advisers to the Selling Shareholders and underwriting discounts, brokerage fees and commissions incurred by the Selling Shareholders, if any, in connection with the offering of the Share Consideration on behalf of the Selling Shareholders pursuant to the Resale Registration Statement or any new registration statement(s) covering the Reduction Securities.

(f) Each Selling Shareholder shall complete a resale registration statement questionnaire provided by Parent for use in preparation of the Resale Registration Statement, and the answers thereto shall be true and correct in all material respects as of the date thereof and as of the effective date of the Resale Registration Statement. Each Selling Shareholder will notify Parent immediately of any material change in any such information until such time as such Selling Shareholder has sold all of its Share Consideration or until Parent is no longer required to keep the Resale Registration Statement effective. All other written information furnished to Parent by or on behalf of any Selling Shareholder for inclusion in the Resale Registration Statement will be true and correct in all material respects as of the date such other written information is provided and as of the effective date of the Resale Registration Statement, and each Selling Shareholder will notify Parent immediately of any material change in any such other written information until such time as Selling Shareholder has sold all of its Share Consideration or until Parent is no longer required to keep the Resale Registration Statement effective.

(g) Without limitation of Section 4.4(f), each Seller Party covenants and agrees to execute, deliver and file or assist, including by way of providing requisite information to, Parent in filing or in causing the filing of such disclosure documents, reports, undertakings and other documents with respect to or in connection with the issuance of the Share Consideration and the completion of any associated transactions as may be required by any securities commission, stock exchange or other regulatory authority pursuant to applicable securities Laws or rule or policies or as they may otherwise require.

(h) Each Selling Shareholder agrees that it will not effect any disposition of the Share Consideration that would constitute a sale within the meaning of the Securities Act or pursuant to any applicable state securities laws, except as contemplated in the Resale Registration Statement referred to in this Section 4.4 or as otherwise permitted by Law, and will promptly notify Parent of any changes in the information set forth in the Resale Registration Statement regarding such Selling Shareholder or its plan of distribution.

(i) Seller Parties shall provide to Parent as promptly as practicable such information (including any required financial information) concerning the Seller Entities and their business affairs as Parent may reasonably require, and shall direct that their counsel and accountants cooperate with Parent's counsel and accountants, in connection with the preparation of the Resale Registration Statement or any other securities filings made by Parent after the Closing that require information regarding Seller Entities. None of the information supplied, or to be supplied, by Seller Parties for inclusion in the Resale Registration Statement or any other securities filings shall contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading. If any event occurs with respect to any Seller Entity, or any change occurs with respect to the information provided by any Seller Entity, that causes any such information to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading, Seller Parties shall notify Parent promptly of such event or change and supplement such information so that it does not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 4.5 Transfer Restrictions.

(a) Until the later of the 120th day following the Closing and the effectiveness of the Resale Registration Statement, no Selling Shareholder shall (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any Parent Shares or any securities convertible into or exercisable or exchangeable (directly or indirectly) for any Parent Shares or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Parent Shares or other securities, in cash, or otherwise. Thereafter, no Selling Shareholder shall take any action described in the preceding sentence without the prior written consent of Parent, which may be granted or withheld in Parent's sole discretion, except for:

(i) transactions executed through the facilities of a securities exchange on which the Parent Shares are listed pursuant to the Resale Registration Statement or any additional resale registration statement as contemplated by Section 4.4(d); or

(ii) pursuant to Rule 144 under the Securities Act, if and to the extent Rule 144 is available.

(b)

(i) In connection with any underwritten offering by Parent of its equity securities pursuant to an effective registration statement filed under the Securities Act, neither a Selling Shareholder nor any holder of a share the ownership of which was derived through a transfer from a Selling Shareholder (other than a transfer executed on a securities exchange on which the Parent Shares are then listed) (each a “Lock-Up Holder”) shall (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any Parent Shares or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Parent Shares or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Parent Shares or other securities, in cash, or otherwise. The foregoing provisions of this Section 4.5(b) shall not apply to transfers to Affiliates of Lock-Up Holders; purchases made in the open market following the completion of any offering covered by this Section 4.5(b); the sale of any shares to an underwriter pursuant to an underwriting agreement; to bona fide gifts to a member of the immediate family of a Lock-Up Holder; or to the transfer of any shares to any trust or other estate planning vehicle for the direct or indirect benefit of a Lock-Up Holder and/or the members of such Lock-Up Holder’s immediate family, *provided* that the donee, Affiliate or the trustee of the trust or controlling person of any other estate planning vehicle agrees to be bound in writing by the restrictions set forth in this Section 4.5(b), and *provided further* that any such transfer shall not involve a disposition for value. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 4.5(b) and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Lock-Up Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 4.5(b) or that are necessary to give further effect thereto. Such restriction (the “Market Stand-Off”) shall be in effect for such period of time from and after the effective date of the final prospectus for the offering as may be requested by Parent or such underwriters. In no event, however, shall such period exceed one hundred eighty (180) days following the effective date of the registration statement (the “Lock-Up Period”). Notwithstanding the foregoing, in the event that Parent is not exempt from the application of NASD Rule 2711(f)(4) or any successor rule, if (y) during the period that begins on the date that is seventeen (17) days before the last day of the Lock-Up Period and ends on the last day of the Lock-Up Period, Parent issues an earnings release or material news or a material event relating to Parent occurs; or (z) prior to the expiration of the Lock-Up Period Parent announces that it will release earnings results during the sixteen (16) day period beginning on the last day of the Lock-Up Period, then the restrictions imposed herein shall continue to apply until the expiration of the date that is eighteen (18) days after the date on which the issuance of the earnings release or material news or material event occurs.

(ii) A Lock-Up Holder shall be subject to the Market Stand-Off only if all officers and directors of Parent are similarly bound and Parent has used commercially reasonable efforts to cause all stockholders (other than officers and directors) individually owning more than one percent (1%) of Parent’s outstanding subordinate voting shares (assuming full conversion or deemed conversion of all outstanding convertible and exercisable securities) to be similarly bound (it being understood that a party that does not comply with this Section 4.5(b) in response to Parent’s commercially reasonable efforts shall be deemed to be in material breach of this Agreement).

(iii) As a condition to any transfer of Parent Shares by a Selling Shareholder, other than through the facilities of a securities exchange on which the Parent Shares are listed, to a transferee who would beneficially own more than 500,000 Parent Share (adjusted for stock splits, recombinations and other similar events after the date hereof) following such transfer, such Selling Shareholder shall obtain from such transferee for the benefit of Parent and deliver to Parent an undertaking by such transferee to comply with the obligations of a Lock-Up Holder under this [Section 4.5\(b\)](#).

(c) Each Selling Shareholder acknowledges that the securities constituting the Share Consideration shall have attached to them, whether through the electronic deposit system of CDS Clearing and Depository Services Inc., entered into a direct registration or other electronic book-entry system, or on any certificates that may be issued, the following legends:

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE OCTOBER __, 2021.

(d) Each Selling Shareholder acknowledges that the Share Consideration may only be disposed of in compliance with applicable Law, including Canadian and United States state and federal securities laws. If any Share Consideration is sold pursuant to a registration statement, it will be sold in compliance with the plan of distribution set forth therein. If after the effective date of the registration statement, such registration statement ceases to be effective and Parent has provided notice to such Selling Shareholder to that effect, such Selling Shareholder will sell Share Consideration only in compliance with an exemption from the registration requirements of the Securities Act; and acknowledges that the removal of the restrictive legend from the Share Consideration due to the effectiveness of a registration statement is predicated upon Parent's reliance upon this Agreement.

(e) Without limitation of [Section 4.5\(a\)](#), in connection with any transfer of the Share Consideration other than pursuant to an effective registration statement, Parent may require the transferor thereof to provide to Parent an opinion of counsel selected by the transferor and reasonably acceptable to Parent, the form and substance of which opinion shall be reasonably satisfactory to Parent, to the effect that such transfer does not require registration of such transferred Share Consideration under the Securities Act. As a condition of transfer, any such transferee shall, to the extent required by Parent, agree in writing to be bound by the terms of this [Section 4.5](#).

[Section 4.6 Record Retention](#). Each Party agrees, on behalf of itself and its Affiliates, that for a period of not less than six (6) years following the Closing Date, it shall not destroy or otherwise dispose of any of the books and records relating to the Assets, the Excluded Assets, the Assumed Liabilities or the Excluded Assets with respect to periods prior to the Closing and shall make such books and records available to one another for any lawful purpose upon reasonable prior written notice. Each Party shall have the right to destroy all or part of such books and records after the sixth anniversary of the Closing Date or, at an earlier time by giving each other party hereto 10 days' prior written notice of such intended disposition and by offering to deliver to the other Party, at the other Party's expense, custody of such books and records as such first party may intend to destroy. This [Section 4.6](#) is not intended to alter the normal rules of discovery in connection with any dispute among the Parties.

Section 4.7 Public Announcements. Unless otherwise required by applicable Law, Seller Parties shall not, and shall cause their Affiliates, agents, professionals and other representatives not to, make any disclosure or public announcements in respect of this Agreement or the transactions contemplated hereby (including price and terms) or otherwise communicate with any news media without the prior written consent of Purchaser.

Section 4.8 Tax Covenants.

(a) All transfer, sales and use, value added, registration, documentary, stamp and similar Taxes (including any penalties, interest, additions to Tax and costs and expenses relating to such Taxes, but excluding any transfer gains Taxes), whether for real or personal property, imposed in connection with the transaction that occurs pursuant to this Agreement or the other Transaction Documents (collectively, "Transfer Taxes") shall be borne by Sellers. Sellers shall, at their sole expense, timely file any Tax Return or other document with respect to any Transfer Taxes (and Purchaser shall reasonably cooperate with respect thereto as necessary).

(b) All Taxes and Tax Liabilities with respect to the Assets that relate to any Straddle Period shall be apportioned between Sellers and Purchaser as follows: (i) in the case of ad valorem or other property Taxes, on a per diem basis; and (ii) in the case of income, sales and use and withholding Taxes, employment Taxes, or other Taxes based on or measured by income, receipts or profits, as determined from the closing of the books and records of Sellers as of 11:59 p.m. on the Closing Date.

(c) After the Closing Date, Purchaser and Sellers shall furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance (including access to books, records, work papers and Tax Returns for Pre-Closing Periods) relating to the Assets as is reasonably necessary for the preparation of any Tax Return, claim for refund or audit, and the prosecution or defense of any claim, suit or proceeding relating to any proposed Tax adjustment (it being understood that Sellers shall, at their sole expense, be responsible to prepare all post-Closing Tax Returns of Sellers). Upon reasonable notice, Sellers and Purchaser shall make their employees and facilities available on a mutually convenient basis to provide reasonable explanation of any documents or information provided hereunder. Any request for information or documents pursuant to this Section 4.8(c) shall be made by the requesting party in writing. The other party hereto shall promptly (and in no event later than 30 days after receipt of the request) provide the requested information. The requesting party shall indemnify the other party for any out-of-pocket expenses incurred by such other party in connection with providing any information or documentation pursuant to this Section 4.8(c). Any information obtained under this Section 4.8(c) shall be kept confidential, except as otherwise reasonably may be necessary in connection with the filing of Tax Returns or claims for Tax refunds or in conducting any Tax audit, dispute or contest.

Section 4.9 Confidentiality. Each Seller Party shall, and shall cause its Affiliates to, hold in confidence (and not disclose or provide access to any other Person) any and all information, whether written or oral, concerning the Assets and the Assumed Liabilities, except to the extent that such Seller Party can show that such information (i) is generally available to and known by the public through no fault of such Seller Party or any of its respective Affiliates or representatives; or (ii) is required to be disclosed by judicial or administrative process or by other requirements of Law. If any Seller Party or any of its Affiliates or representatives are compelled to disclose any information by judicial or administrative process or by other requirements of Law, such Seller Party shall promptly notify Purchaser in writing and shall disclose or permit disclosure of only that portion of such information which such Seller Party is advised by its counsel in writing is legally required to be disclosed; provided, however, that such Seller Party shall use its best efforts to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information. For the avoidance of doubt, Purchaser shall cover all reasonable out-of-pocket costs and expenses incurred by any Seller Party or any of its Affiliates in connection with complying with the provisions of this Section 4.9, including the obtaining of legal counsel and an appropriate protective order. In the event a breach or threatened breach of this Section 4.9, Purchaser and each of its Affiliates or their respective successors and assigns, in addition to other rights and remedies existing in their favor, shall be entitled to specific performance, injunctive and other equitable relief from a court of competent jurisdiction in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other surety) and shall be entitled to be indemnified with respect thereto by Seller Parties. The requesting party shall indemnify the other party for any out-of-pocket expenses incurred by such party in connection with providing any information or documentation pursuant to this Section 4.9. Any information obtained under this Section 4.9 shall be kept confidential, except as otherwise reasonably may be necessary in connection with the filing of Tax Returns or claims for Tax refunds or in conducting any Tax audit, dispute or contest.

Section 4.10 Non-Competition. For a period of four (4) years commencing on the Closing Date (the “Restricted Period”), each of the Seller Parties shall not, and shall cause its Affiliates not to, directly or indirectly (whether by itself or in partnership or conjunction with any other Person), (a) anywhere in the State of California, engage in, own, manage, operate, control, be employed by, be a consultant to, participate in or have a financial interest in, or be connected in any manner (including as an employee, consultant, officer, director, owner, franchisee of a third party or lender) with the ownership, management, operation or conduct of any Person engaged in a business competitive with the current or planned Business, except that Seller Parties are permitted to maintain in the aggregate up to a five percent (5%) passive interest in any company having equity securities listed on a national stock exchange, or (b) divert, take away, solicit, or accept business from any Person which then is or has been within the prior twelve (12) months a client, customer or account of Purchaser or any of its Affiliates with respect to the Business. For the avoidance of doubt, for purposes of this Section 4.10, the term “Business” shall exclude cultivation activities.

Section 4.11 Non-Solicitation. During the Restricted Period, each of the Seller Parties shall not and shall cause its Affiliates not to, directly or indirectly (whether by itself or in partnership or conjunction with any other Person), solicit, entice, encourage or influence, or attempt to solicit or entice, encourage or influence, any employee of or independent contractor or consultant to Purchaser or any of its Affiliates to resign or leave the employ of or terminate its engagement with Purchaser or any of its Affiliates.

Section 4.12 Release. Seller Parties, on behalf of themselves and their Affiliates, and the predecessors, successors and assigns of the foregoing (collectively, the “Releasors”), hereby unconditionally release (a) (i) Purchaser, Parent and their Affiliates, (ii) the directors, officers, employees, managers, members, partners, direct and indirect investors, advisors, agents and other representatives of Purchaser, Parent and their Affiliates and (iii) the predecessors, successors, assigns, heirs, executors, administrators and personal representatives of the foregoing (collectively, the “Purchaser Releasees”) from and against any and all claims, causes of actions, damages, judgments, expenses and other Liabilities, at law or in equity, to which any Releasee might otherwise succeed as a result of the transactions contemplated by the Transaction Documents (the “Purchaser Released Claims”) and (b) (i) Spence Rd, (ii) the directors, officers, employees, managers, members, partners, direct and indirect investors, advisors, agents and other representatives of Spence Rd and (iii) the predecessors, successors, assigns, heirs, executors, administrators and personal representatives of the foregoing (collectively, the “Spence Rd Releasees”) and, together with the Purchaser Releasees, the “Releasees”) from and against any and all claims, causes of actions, damages, judgments, expenses and other Liabilities, at law or in equity, which the Releasors had, have or may in the future have against the Spence Rd Releasees based on any state of facts or circumstances from the beginning of the world to the date of this Agreement (the “Spence Rd Released Claims”) and, together with the Purchaser Released Claims, collectively, the “Released Claims”). For the avoidance of doubt, Seller Parties’ rights under the Transaction Documents are excluded from the Released Claims. Seller Parties, on behalf of the Releasors, agree to, upon the request of any Releasee, release or reduce any claim asserted against a third party that would be a Released Claim if asserted by a Seller Party against a Releasee to discharge the third party claim asserted against such Releasee.

Seller Parties, on behalf of Releasors, hereby agree that this agreement shall apply to all unknown or unanticipated Released Claims as well as those known and anticipated, and upon advice of counsel, Seller Parties hereby knowingly waive all rights and protections under California Civil Code Section 1542, which reads as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.”

Seller Parties' waiver of all rights and benefits afforded by Section 1542 is done with their respective understanding and acknowledgement of the significance of such a specific waiver of Section 1542. Notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release and discharge Releasees, Seller Parties expressly acknowledge that this release is intended to include in its effect (without limitation) all claims that Seller Parties do not know or suspect to exist in their favor at the time Seller Parties execute this Agreement, which contemplates the extinguishment of any such claims, but the foregoing shall not act to release Seller Parties from their obligations under this Agreement. This waiver also applies to any other relevant re-codification or similar laws implemented hereafter substantially covering the subject matter of Section 1542.

Section 4.13 Exclusivity. From the date of this Agreement until the Closing (or until the earlier termination of this Agreement in accordance with its terms), no Seller Party nor its Affiliates, directors, officers, employees, agents or representatives shall (a) initiate, solicit, entertain, negotiate, accept, discuss or knowingly encourage, directly or indirectly, any proposal or offer (an “Acquisition Proposal”) by any Person (other than Purchaser) regarding the direct or indirect sale, license, lease, sublease, joint venture or other disposition in whole or in part (however structured) of any Assets or, unless the Assets are effectively excluded therefrom without preventing or impairing the consummation of the transactions contemplated hereby without any additional expense or Liability to Purchaser, any equity interest in any Seller Party (each of the actions referred to a “Third Party Acquisition”), (b) except as otherwise required by Law or to customers and suppliers in the Ordinary Course of Business, provide any non-public financial or other confidential or proprietary information regarding the Assets or the Assumed Liabilities to any Person (other than Purchaser), (c) take any other action with the purpose of facilitating any inquiries or the making of any proposal that constitutes, or could reasonably be expected to result in, a Third Party Acquisition, (d) enter into any written or oral agreement, arrangement or understanding requiring any Seller Party to abandon, terminate or fail to consummate the transactions contemplated by this Agreement, or (e) enter into any written or oral agreement or understanding with any Person (other than Purchaser) authorizing a Third Party Acquisition. Seller Parties agree to promptly, and in any event within one (1) business day following receipt, notify Purchaser (if orally, followed by written notice) if any Seller Party or any Affiliate of any Seller Party or, to the Knowledge of Sellers, any of the directors, officers, employees, agents or representatives of any Seller Party receives any indications of interest, requests for information or offers in respect of an Acquisition Proposal, including the identity of the counterparty and all relevant terms thereof (and a copy thereof if the same has been received in writing).

Section 4.14 Notices of Events. From the date of this Agreement until the Closing (or until the earlier termination of this Agreement), Seller Parties shall promptly notify Purchaser if they become aware of (i) the occurrence or non-occurrence of any change, condition or event, the occurrence or non-occurrence of which would render any representation or warranty of any Seller Party contained in this Agreement, if made on or immediately following the date of such change, condition or event, untrue or inaccurate, (ii) any failure of any Seller Party to comply with or satisfy any covenant or agreement to be complied with or satisfied by it hereunder, (iii) any event or condition that would result in the non-fulfillment of any of the conditions to Purchaser's obligations hereunder, (iv) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the consummation of the transactions contemplated by this Agreement or any of the other Transaction Documents or (v) any Action pending or, to the Knowledge of Sellers, threatened against any Party relating to the transactions contemplated by this Agreement or any of the other Transaction Documents.

ARTICLE V CONDITIONS TO CLOSING

Section 5.1 Closing Conditions of Purchaser. The obligations of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of each of the following conditions, any of which may only be waived exclusively by Purchaser:

(a) Accuracy of Seller Representations and Warranties. The representations and warranties of Seller Parties, or any of them, set forth in the Transaction Documents shall be true and correct on and as of the date hereof and on and as of the Closing Date (with the same force and effect as if made on and as of the Closing Date), other than any such representations and warranties that address matters only as of a specified date, which shall be true and correct or true and correct as of such date.

(b) Compliance with Covenants. Seller Parties shall have performed and complied in all material respects with the covenants and obligations under this Agreement required to be performed by and complied with by the Seller Parties prior to the Closing.

(c) Title Policy. The Title Company shall have agreed to issue an ALTA (or TLTA as appropriate) policy of title insurance in the form of the Title Policy Pro Forma (with only such changes, if any, as are approved by Purchaser in its sole discretion) for the parcels included in the Spence Road Real Property, in an amount determined by Purchaser.

(d) No Material Adverse Effect. Since December 31, 2020, no Material Adverse Effect shall have occurred.

(e) Closing Deliverables. Sellers shall have delivered (or caused to be delivered) to Purchaser the Closing deliverables listed in Section 1.3(e).

(f) Absence of Legal Restraints. No Governmental Authority shall have enacted, issued or promulgated any Law or order that has the effect of rendering the Transaction, or the Parties' performance under any of the Transaction Documents, illegal or otherwise prohibits or otherwise restrains the consummation of the transactions contemplated by this Agreement or the Parties' performance under any of the Transaction Documents.

(g) Due Diligence; Financing. Purchaser and its sources of financing shall have completed and be satisfied in their sole discretion with the results of their due diligence review of the Business, the Assets and the Assumed Liabilities and all lender actions and approvals required for funding of the Cash Consideration at the Closing and the consummation of the transactions contemplated hereby shall have been completed and received.

Section 5.2 Closing Conditions of the Sellers. The obligations of the Sellers to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of each of the following conditions, any of which may only be waived exclusively by the Representative:

(a) Accuracy of Purchaser Representations and Warranties. The representations and warranties of Purchaser set forth in the Transaction Documents shall be true and correct on and as of the date hereof and on and as of the Closing Date (with the same force and effect as if made on and as of the Closing Date), other than any such representations and warranties that address matters only as of a specified date, which shall be true and correct or true and correct as of such date.

(b) Compliance with Covenants. Purchaser shall have performed and complied in all material respects with the covenants and obligations under this Agreement required to be performed by and complied with by Purchaser prior to the Closing.

(c) Closing Deliverables. Purchaser shall have delivered (or caused to be delivered) to the Sellers the Closing deliverables listed in Section 1.3(g) (it being understood that the payments to be made by Purchaser shall be made after all other Closing conditions have been satisfied).

(d) Absence of Legal Restraints. No Governmental Authority shall have enacted, issued or promulgated any Law or order that has the effect of rendering the transactions contemplated by this Agreement, or the Parties' performance under any of the Transaction Documents, illegal or otherwise prohibits or otherwise restrains the consummation of the transactions contemplated by this Agreement or the Parties' performance under any of the Transaction Documents.

ARTICLE VI TERMINATION

Section 6.1 Termination. This Agreement may be terminated at any time prior to the Closing, as follows:

(a) by the mutual written consent of the Representative and Purchaser;

(b) by either the Representative or Purchaser if the transactions contemplated by this Agreement are not consummated on or before 60 days from the date hereof (the "Outside Date"), unless the failure to consummate the transactions by such date was proximately caused by a breach of this Agreement by the Party seeking to terminate this Agreement (which, if the Representative is the terminating party, shall be deemed to refer to each Seller Party);

(c) by Purchaser by giving written notice to the Representative at any time prior to the Closing in the event any Seller Party has breached or failed to perform any of its representations, warranties, covenants or agreements set forth in this Agreement, which breach or failure to perform (i) would result in the failure of a condition set forth in Section 5.1 and (ii) is not capable of being cured by the Outside Date or, if capable of being cured, shall not have been cured on or before the earlier of (x) the Outside Date and (y) the date that is 20 calendar days following Purchaser's delivery of written notice to the Representative of such breach or failure to perform; and

(d) by the Representative by giving written notice to Purchaser at any time prior to the Closing in the event Purchaser has breached or failed to perform any of its representations, warranties, covenants or agreements set forth in this Agreement, which breach or failure to perform (i) would result in the failure of a condition set forth in Section 5.2 and (ii) is not capable of being cured by Purchaser by the Outside Date or, if capable of being cured, shall not have been cured by Purchaser on or before the earlier of (x) the Outside Date and (y) the date that is 20 calendar days following the Representative's delivery of written notice to Purchaser of such breach or failure to perform.

Section 6.2 Effect of Termination. Any termination of this Agreement pursuant to and in compliance with Section 6.1 shall be effective immediately upon delivery of written notice thereof by the terminating party to the other party, specifying the provisions hereof pursuant to which such termination is made (other than Section 6.1(a), which termination shall be upon the effectiveness of such mutual written consent), and this Agreement shall become null and void and there shall be no liability on the part of any Party, and all rights and obligations of any Party shall cease; provided, however, that no such termination shall relieve any Party of any liability or damages resulting from fraud or any breach of this Agreement prior to such termination, in which case, the aggrieved party shall be entitled to all remedies available at Law or in equity, or from liability for any expenses for which such party is expressly responsible hereunder; and provided, further, that the provisions of Section 4.7, this Article VI and Article VIII shall survive the termination of this Agreement pursuant to Section 6.1.

ARTICLE VII INDEMNIFICATION

Section 7.1 Survival. All representations and warranties contained in this Agreement shall survive until the date which is twelve (12) months after the Closing Date; provided, however, that (a) the representations and warranties stated in Section 2.8, Section 2.14 and Section 2.16 shall survive for the full period of all applicable statutes of limitations (giving effect to any waiver, mitigation or extension thereof) and (b) the representations and warranties stated in Section 2.1, Section 2.2, Section 2.3, Section 2.9, Section 2.17, Section 2.18, Section 3.1, Section 3.2, Section 3.4 or Section 3.5 shall survive indefinitely. The representations and warranties specified in clauses (a) and (b) of the preceding sentence are referred to herein as the "Fundamental Representations". The covenants and agreements of any Party set forth in this Agreement or any of the other Transaction Documents shall survive and remain in full force and effect until fully performed. In the event that an Indemnified Party shall deliver written notice of a claim for indemnification to an Indemnifying Party prior to the expiration of any applicable survival period set forth above, then such claim shall survive the expiration of such survival period until the final resolution thereof. The foregoing survival period limitations shall not apply to any claim based upon fraud, intentional misrepresentation or willful misconduct.

Section 7.2 Indemnity Obligations of Seller Parties. Seller Parties covenant and agree to and shall, jointly and severally, defend, indemnify and hold harmless Purchaser, Parent, their Affiliates and their respective directors, officers, employees, managers, members, partners, advisors, agents and other representatives (collectively, the "Purchaser Indemnitees") from and against, and to pay or reimburse Purchaser Indemnitees for, any and all claims, Liabilities, obligations, losses, fines, costs, proceedings or damages, including all reasonable fees and disbursements of counsel incurred in the investigation or defense of any of the same or in asserting any of their respective rights hereunder (collectively, "Losses"), based on, resulting from, arising out of or relating to (a) any breach of any representation or warranty of any Seller Party contained in the Transaction Documents; (b) any breach of or failure to perform any covenant or agreement of Seller Parties or any of them or any of their Affiliates contained in the Transaction Documents or any other closing deliverables or the failure to fulfill any obligation in respect thereof; (c) any Excluded Liability (including for the avoidance of doubt any Indebtedness or Indemnified Taxes) or Excluded Asset; and (d) any item set forth in Section 7.2(d) of the Disclosure Schedule.

Section 7.3 Indemnity Obligations of Purchaser. Parent and Purchaser covenant and agree to and shall, jointly and severally, defend, indemnify and hold harmless Seller Parties, their Affiliates and their respective directors, officers, employees, managers, members, partners, advisors, agents and other representatives (collectively, the “Seller Indemnitees”) from and against, and to pay or reimburse Seller Indemnitees for, any and all Losses based on, resulting from, arising out of or relating to (a) any breach of any representation or warranty of Parent or Purchaser contained in the Transaction Documents; and (b) any breach of or failure to perform any covenant or agreement of Parent or Purchaser or any of their Affiliates contained in the Transaction Documents or any other closing deliverables or the failure to fulfill any obligation in respect thereof.

Section 7.4 Indemnification Procedures; Limitations.

(a) Third Party Claims. In the case of any claim asserted by a third party (a “Third Party Claim”) against a party entitled to indemnification under this Agreement (the “Indemnified Party”), notice shall be given by the Indemnified Party to the party required to provide indemnification (the “Indemnifying Party”) promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought. If the Indemnifying Party provides a written notice to the Indemnified Party within 30 days after its receipt of notice of such claim that it will indemnify and hold the Indemnified Parties harmless from all Losses related to such Third Party Claim, the Indemnified Party shall permit the Indemnifying Party (at the expense of such Indemnifying Party) to assume the defense of such Third Party Claim or any litigation with a third party resulting therefrom; provided, however, that (i) the counsel for the Indemnifying Party who shall conduct the defense of such claim or litigation shall be subject to the reasonable approval of the Indemnified Party, (ii) the Indemnified Party may participate in such defense at such Indemnified Party’s expense, (iii) the failure by any Indemnified Party to give notice of a Third Party Claim to the Indemnifying Party as provided herein shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement except and only to the extent that, as a result of such failure to give notice, the defense against such claim is materially impaired, and (iv) the fees and expenses incurred by the Indemnified Party prior to the assumption of a Third Party Claim hereunder by the Indemnifying Party shall be borne by the Indemnifying Party. Except with the prior written consent of the Indemnified Party, no Indemnifying Party, in the defense of any Third Party Claim, shall consent to entry of any judgment or enter into any settlement that provides for injunctive or other nonmonetary relief affecting the Indemnified Party, that does not include as an unconditional term thereof the giving by each claimant or plaintiff to such Indemnified Party of a general release from any and all liability with respect to such Third Party Claim or that includes any admission of wrongdoing by the Indemnified Party. Notwithstanding anything herein to the contrary, the Indemnifying Party shall not be entitled to assume (or, if applicable, to maintain) control of the defense against a Third Party Claim if (1) the claim for indemnification relates to or arises in connection with any criminal or quasi criminal proceeding, action, indictment, allegation or investigation; (2) the claim seeks an injunction, specific performance or any other equitable or non-monetary relief against the Indemnified Party; (3) the Indemnified Party reasonably believes an adverse determination with respect to the Third Party Claim would be materially detrimental to or materially injure the Indemnified Party’s reputation or future business prospects; (4) the Indemnified Party has been advised by counsel that a reasonable likelihood exists of a conflict of interest between the Indemnifying Party and the Indemnified Party; or (5) the Indemnifying Party fails to vigorously prosecute or defend such claim. If the Indemnifying Party does not accept the defense of a Third Party Claim within 30 days after receipt of the written notice thereof from the Indemnified Party described above, the Indemnified Party shall have the full right to defend against any such claim or demand. In any event, the Indemnifying Party and the Indemnified Party shall reasonably cooperate in the defense of any Third Party Claim and the records of each shall be reasonably available to the other with respect to such defense.

(b) Non-Third Party Claims. With respect to any claim for indemnification hereunder which does not involve a Third Party Claim, the Indemnified Party will give the Indemnifying Party written notice of such claim. The Indemnifying Party may acknowledge and agree by notice to the Indemnified Party in writing to satisfy such claim within 30 days of receipt of notice of such claim from the Indemnified Party. If the Indemnifying Party shall dispute such claim, the Indemnifying Party shall provide written notice of such dispute to the Indemnified Party within such 30-day period. If the Indemnifying Party shall fail to provide written notice to the Indemnified Party within thirty (30) days of receipt of notice from the Indemnified Party that the Indemnifying Party either acknowledges and agrees to pay such claim or disputes such claim, the Indemnifying Party shall be deemed to have acknowledged and agreed to pay such claim in full and to have waived any right to dispute such claim.

(c) Certain Limitations.

(i) The cumulative indemnification obligations of Seller Parties pursuant to Sections 7.2(a) shall not exceed in the aggregate an amount equal to the Share Consideration Amount (the "Cap"), provided that the limitations in this Section 7.4(c)(i) shall not apply to Losses arising from a breach of or inaccuracy in any of the Fundamental Representations or any claim based on fraud or intentional misrepresentation by any Seller Party (and Losses arising from a breach of or inaccuracy in any of the Fundamental Representations or any claim based on fraud or intentional misrepresentation by any Seller Party shall not count against the Cap).

(ii) The cumulative indemnification obligations of Parent and Purchaser pursuant to Sections 7.3(a) shall not exceed in the aggregate an amount equal to the Cap, provided that the limitation in this Section 7.4(c)(ii) shall not apply to Losses arising from a breach of or inaccuracy in any of the Fundamental Representations or any claim based on fraud or intentional misrepresentation by Parent or Purchaser (and Losses arising from a breach of or inaccuracy in any of the Fundamental Representations or any claim based on fraud or intentional misrepresentation by Parent or Purchaser shall not count against the Cap).

(d) Escrow Claims. Upon any claim for indemnification in favor of a Purchaser Indemnitee being determined (whether by way of an Order of a Governmental Authority or a settlement or agreement between Purchaser and the Representative, on behalf of Seller Parties), Purchaser and the Representative shall instruct the Escrow Agent to release to Purchaser a number of Escrow Shares having a value equal to the amount of such indemnification claim. To the extent there are insufficient Escrow Shares remaining in escrow to satisfy any such claim in favor of a Purchaser Indemnitee, Seller Parties shall be jointly and severally liable for the direct payment thereof.

(e) Escrow Shares. For purposes of this Article VII, and for any other matter arising hereunder that requires the Escrow Shares to be valued, the Escrow Shares shall be deemed to have a value equal to US \$1.613 per share (the "Deemed Share Value").

(f) Collateral Sources. The amount of any Losses for which indemnification is provided under Section 7.2 or Section 7.3 shall be reduced by (i) any amounts that are actually recovered by the Indemnified Party from any third party with respect to such Losses and (ii) any insurance proceeds or other cash receipts or source of reimbursement that are actually received by an Indemnified Party with respect to such Losses (net of reasonable costs of recovery or collection and any retention or deductible related to an insurance claim in respect of Losses thereof). For the avoidance of doubt, the Indemnified Party shall be obligated to make all reasonable efforts to claim, seek or otherwise obtain any such third-party recoveries or insurance proceeds or other reimbursement to which it may be entitled.

(g) Right of Set-Off. Seller Parties hereby agree that if Seller Parties fail to pay any claim for Losses for which Seller Parties are responsible hereunder or any other amounts which any Seller Party or any of its respective Affiliates is responsible to pay to Purchaser or any of its Affiliates (including Spence Rd after the Closing), Purchaser may in its discretion satisfy all or any portion of such Losses or any such other amounts by set-off and recourse against any amounts payable by Purchaser to Sellers or any of their Affiliates. To the extent that it is ultimately determined that Seller Parties are not liable for the full amount so set off, Purchaser shall promptly thereafter return to Sellers such portion of the claimed set-off amount to which Sellers are entitled.

(h) Waiver of Subrogation. With respect to any claim brought by a Purchaser Indemnitee against any Seller Party relating to this Agreement, Seller Parties expressly waive any right of subrogation, contribution, advancement, indemnification or other claim against any Purchaser Indemnified Party with respect to any amounts owed by any Seller Party to any Purchaser Indemnitee.

Section 7.5 Certain Determinations. Notwithstanding anything to the contrary contained in this Agreement, for the sole purpose of determining any Losses with respect to any claim for breach of any representation or warranty that is subject to indemnification hereunder (and not for purposes of determining whether there is a breach of any such representation or warranty), each representation and warranty in any of the Transaction Documents shall be read without regard and without giving effect to the term(s) “material” or “Material Adverse Effect” or similar qualifiers as if such words were deleted from such representation and warranties. The right to indemnification, payment of Losses of an Indemnified Person or for other remedies based on any representation, warranty, covenant or agreement contained in or made pursuant to any of the Transaction Documents shall not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time with respect to the accuracy or inaccuracy of, compliance with, or performance or fulfillment of, any such representation, warranty, covenant or agreement.

Section 7.6 Release of Escrow Shares. On the first anniversary of the Closing (the “Release Date”), the Representative and Purchaser shall instruct the Escrow Agent to release the remaining Escrow Shares to Sellers. The number of Escrow Shares to be released to Sellers shall be reduced by a number of Escrow Shares having an aggregate value equal to the amount of any indemnity claim asserted by a Purchaser Indemnitee pursuant to this ARTICLE VII that has not been resolved as of such release date. Promptly, and in any event not later than three (3) Business Days, following the resolution of any indemnity claim with respect to which Escrow Shares are withheld on the Release Date, the Representative and Purchaser shall instruct the Escrow Agent to release to Sellers the portion of the Escrow Shares that were withheld on the basis of such claim and that are not required to be used to satisfy such claim (provided that if there are then other indemnity claims pending against the Escrow Shares, such Escrow Shares shall continue to be withheld to the extent required to secure satisfaction of such other indemnity claims and shall be released in the same manner upon the resolution of such other indemnity claims).

Section 7.7 Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the Parties as an adjustment to the Purchase Price to the extent permitted by applicable Law.

ARTICLE VIII MISCELLANEOUS

Section 8.1 The Representative.

(a) Each Seller Party hereby irrevocably appoints the Representative as the sole and exclusive representative of such Seller Party regarding any matter relating to or arising under this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby.

(b) Each Seller Party hereby appoints the Representative as such Seller Party's true and lawful attorney-in-fact and agent, with full powers of substitution and resubstitution. This power of attorney, all authority hereby conferred and the powers, immunities and rights to indemnification granted to the Representative hereunder are granted and shall be irrevocable and shall not be terminated by any act of any Seller Party, by operation of applicable Law, whether by death, disability, protective supervision, bankruptcy, liquidation, incompetence or any other event. All actions taken by the Representative under any of the Transaction Documents shall be binding upon each Seller Party and each such Seller Party's successors as if expressly confirmed and ratified in writing by such Seller Party, and all defenses which may be available to any Seller Party to contest, negate or disaffirm the action of the Representative taken in good faith under any of the Transaction Documents are waived. Without limitation of the foregoing, any notice provided to the Representative shall be deemed to have been provided to each Seller Party. The Representative shall promptly deliver to each Seller Party any notice received by the Representative concerning this Agreement. Without limiting the generality of the foregoing, the Representative has full power and authority, on behalf of each Seller Party and each Seller Party's successors and assigns, to: (i) interpret the terms and provisions of the Transaction Documents and the documents to be executed and delivered by such Seller Party in connection herewith and therewith, (ii) execute and deliver and receive deliveries of all agreements, certificates, statements, notices, approvals, extensions, waivers, undertakings, amendments, and other documents required or permitted to be given in connection with the consummation of the Transaction Documents and the transactions contemplated hereunder and thereunder, (iii) receive service of process in connection with any claims under this Agreement, (iv) agree to, negotiate, enter into settlements and compromises of, assume the defense of claims, and demand arbitration and comply with orders of courts and awards of arbitrators with respect to such claims, and to take all actions necessary or appropriate in the judgment of the Representative for the accomplishment of the foregoing, (v) give and receive notices and communications, and (vi) take all actions necessary or appropriate in the judgment of the Representative on behalf of Seller Parties in connection with the Transaction Documents. The Representative shall be entitled to: (i) rely upon any signature of a Seller Party believed by it to be genuine and (ii) reasonably assume that a signatory has proper authorization to sign on behalf of the applicable Seller Party.

(c) Purchaser may rely exclusively, without independent verification or investigation, upon all decisions, communications or writings made, given or executed by the Representative in connection with this Agreement and the transactions contemplated hereby. Purchaser is entitled to deal exclusively with the Representative on all matters relating to this Agreement and the transactions contemplated hereby. Any action taken or not taken or decisions, communications or writings made, given or executed by the Representative, for or on behalf of any Seller Party, shall be deemed an action taken or not taken or decisions, communications or writings made, given or executed by such Seller Party. Any notice or communication delivered by Purchaser to the Representative shall be deemed to have been delivered to all Seller Parties. Purchaser shall be entitled to disregard any decisions, communications or writings made, given or executed by any Seller Party in connection with this Agreement and the transactions contemplated hereby unless the same is made, given or executed by the Representative.

Section 8.2 Expenses. Except as otherwise provided in this Agreement and the Transaction Documents, each of the Parties shall bear its own fees, costs and expenses (including legal, accounting, consulting and investment advisory fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

Section 8.3 Governing Law; Jurisdiction; Venue. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California (without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of California). Without intending to limit the provisions set forth in Section 8.15, the Parties agree, on behalf of themselves, Purchaser Indemnitees and the Seller Indemnitees, that any dispute or Action based on, arising out of, or relating to this Agreement or any other Transaction Documents or closing deliverables or any breach thereof (a "Dispute"), shall be resolved by arbitration in accordance with the then-applicable *Commercial Arbitration Rules* of the American Arbitration Association ("AAA Rules"; see www.adr.org). The arbitration shall be conducted in the City of Los Angeles, California by one sole arbitrator. The sole arbitrator shall be appointed in accordance with the AAA Rules. The arbitrator shall follow the then-applicable *ICDR Guidelines for Arbitrators Concerning Exchanges of Information* in managing and ruling on requests for discovery. The sole arbitrator, by accepting appointment, shall undertake to exert her or his best efforts to conduct the process so as to issue an award within six (6) months of her or his appointment, but failure to meet that timetable shall not affect the validity of the award. The sole arbitrator shall decide the Dispute in accordance with the substantive law of the State of California, without regard to the conflict of laws rules thereof, and shall not award any damages, fees, cost, expenses or any other amounts that the Parties have agreed to exclude pursuant to this Agreement. The award of the sole arbitrator may be entered in any court of competent jurisdiction.

Section 8.4 Entire Agreement; Amendments and Waivers. This Agreement (including the schedules and exhibits hereto) represents the entire understanding and agreement between the Parties with respect to the subject matter hereof and can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by Purchaser, in the case of an amendment, supplement, modification or waiver sought to be enforced against Parent or Purchaser, or the Representative, in the case of an amendment, supplement, modification or waiver sought to be enforced against a Seller. The waiver by any Party of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by Law.

Section 8.5 Section Headings. The section headings of this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement.

Section 8.6 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered, if personally delivered; (b) on the next Business Day after dispatch, if sent postage pre-paid by nationally recognized, overnight courier guaranteeing next Business Day delivery; (c) if sent by e-mail of a PDF document, the date when sent by email sent to the email address for the sender stated in this Section 8.6 (provided that receipt of such email is subsequently acknowledged or such notice sent by email is subsequently delivered by another method in accordance with this Section 8.6), or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 8.6):

If to a Seller Party, to:

such Seller Party in care of
Michael Gregory
in care of Wilson Bradshaw, LLP
18818 Teller Avenue, Suite 115
Irvine, CA 92612
Email: mgregory@cquadrant.com

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

Wilson Bradshaw, LLP
18818 Teller Avenue, Suite 115
Irvine, CA 92612
Attn: Christopher A. Wilson
Email: cwilson@securitieslegal.com

If to Purchaser, to:

Indus SR, LLC
Indus Holding Company
19 Quail Run Circle
Salinas, California 93907
Attn: Mark Ainsworth
Email: mark@indusholdingco.com

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

Akerman LLP1251
Avenue of the Americas, 37th Floor
New York, New York 10020
Attn: Kenneth G. Alberstadt
Email: kenneth.alberstadt@akerman.com

Section 8.7 Severability. If any provision of this Agreement is invalid, illegal or unenforceable, the balance of this Agreement shall remain in effect. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 8.8 Binding Effect; Assignment; Third-Party Beneficiaries. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party may assign its rights and/or obligations hereunder without the consent of the other Parties. Notwithstanding the foregoing, Parent or Purchaser may assign its rights and obligations pursuant to this Agreement, in whole or in part, in connection with any disposition or transfer of all or any portion of Parent or Purchaser or its business in any form of transaction without the consent of any of the other Parties. In addition, Parent or Purchaser may assign any or all of its rights pursuant to this Agreement to any lender to Parent or Purchaser as collateral security without the consent of any of the other Parties. Except as provided in Section 4.5(b)(i) with respect to underwriters entitled to enforce such provision and ARTICLE VII with respect to Persons entitled to indemnification thereunder, nothing in this Agreement shall create or be deemed to create any third-party beneficiary rights in any Person.

Section 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 will constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile, portable document format or other electronic means shall be effective as delivery of a manually executed counterpart to this Agreement.

Section 8.10 Remedies Cumulative. Except as otherwise provided herein, no remedy herein conferred upon a Party hereto is intended to be exclusive of any other remedy. No single or partial exercise by a Party hereto of any right, power or remedy hereunder shall preclude any other or further exercise thereof.

Section 8.11 Exhibits and Schedules. The exhibits and schedules referred to herein are attached hereto and incorporated herein by this reference. The disclosure schedule delivered by Sellers to Parent and Purchaser in connection with the execution of this Agreement (the "Disclosure Schedule") shall be arranged to correspond to the specific sections and subsections of this Agreement. Any information disclosed in one Section of the Disclosure Schedule shall be deemed to be disclosed in all other Sections of the Disclosure Schedule where (i) an express reference thereto is made or (ii) the information on the face of such disclosure is sufficient to alert a reasonable person of its applicability to such other Sections of the Disclosure Schedule. Nothing in the Disclosure Schedule will be deemed adequate to disclose an exception to a representation or warranty made herein, unless the Disclosure Schedule identifies the exception with particularity and describes the relevant facts in detail. The mere listing (or inclusion of a copy) of a document or other item in the Disclosure Schedule will not be deemed adequate to disclose an exception to a representation or warranty made in this Agreement (unless the representation or warranty pertains to the existence of the document or other item itself).

Section 8.12 Interpretation. When a reference is made in this Agreement to an article, section, paragraph, clause, schedule or exhibit, such reference shall be deemed to be to this Agreement unless otherwise indicated. The text of all schedules is incorporated herein by reference. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." As used herein, words in the singular will be held to include the plural and vice versa (unless the context otherwise requires), words of one gender shall be held to include the other gender (or the neuter) as the context requires, and the terms "hereof", "herein", and "herewith" and words of similar import will, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement. The phrases "delivered," "provided" or "made available" shall mean that the document or information referred to has been delivered by email to Norman Chirite, ndchirite@gmail.com at least three (3) Business Days prior to the Closing Date. The Parties intend that each representation, warranty and covenant contained herein will have independent significance. If any party has breached or violated, or if there is an inaccuracy in, any representation, warranty or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter or any adjustment with respect thereto (regardless of the relative levels of specificity) which the party has not breached or violated, or in respect of which there is not an inaccuracy or with respect to which there has been an adjustment, will not detract from or mitigate the fact that the party has breached or violated, or that there is an inaccuracy in, the first representation, warranty or covenant.

Section 8.13 Arm's Length Negotiations. Each Party herein expressly represents and warrants to all other Parties hereto that (a) said Party has had the opportunity to seek and has obtained the advice of its own legal, tax and business advisors before executing this Agreement; and (b) this Agreement is the result of arm's length negotiations conducted by and among the Parties and their respective counsel.

Section 8.14 Construction. The Parties agree and acknowledge that they have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumptions or burdens of proof shall arise favoring any Party by virtue of the authorship of any of the provisions of this Agreement.

Section 8.15 Specific Performance. Each Party acknowledges and agrees that the other Parties would be damaged irreparably in the event any provision of this Agreement is not performed in accordance with its specific terms or otherwise is breached, and therefore a Party shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof (without posting a bond or other surety) in addition to any other remedy to which such Party may be entitled, at law or in equity. No limitation herein shall restrict any Party from seeking and obtaining equitable relief.

Section 8.16 Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

ARTICLE IX CERTAIN DEFINITIONS

Section 9.1 Definitions.

(a) For purposes of this Agreement, the following terms shall have the meanings specified in this Section 9.1:

“Action” means any judicial, administrative or arbitral actions, suits, proceedings (public or private), claims, hearings, investigations, charges, complaints, demands or governmental proceedings.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person, and in the case of any natural Person shall include all relatives and family members of such Person.

“Assets” means the Real Property Assets and the Personal Property Assets.

“Books and Records” means all books and records relating to the Assets, including all books and records of Spence Rd.

“Business Day” means any day of the year on which national banking institutions in the City of New York are open to the public for conducting business and are not required or authorized to close.

“Code” means the Internal Revenue Code of 1986, as amended.

“Consent” means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of, registration, certificate, declaration or filing with, or report or notice to, any Person, including any Governmental Authority.

“Contract” means any contract, agreement, indenture, note, bond, loan, mortgage, license, instrument, lease, understanding, purchase order, commitment or other arrangement or agreement, whether written or oral.

“Employee Benefit Plan” means any employee benefit plan (as defined in Section 3(3) of ERISA), and any bonus, profit sharing, savings, pension, retirement, scheme, fund, deferred compensation, medical, dental, vision, life or accidental dismemberment, disability, accident, sick pay, sick leave, accrued leave, vacation, paid time off, holiday, termination, severance, incentive, commission, post-retirement health or welfare benefit, stock option, stock purchase, restricted stock, equity compensation, stock appreciation right, performance share, performance share unit, restricted stock unit, or other fringe benefit plan, agreement, policy or arrangement (whether or not subject to ERISA and whether written or unwritten, insured or self-insured) that is or has been maintained, sponsored or contributed to by any Seller or any ERISA Affiliate, or to which any Seller or any ERISA Affiliate has or could have Liability.

“Environmental Claim” means any Action, Order, lien, fine, penalty, or, as to each, any settlement or judgment arising therefrom, by or from any Person alleging Liability of whatever kind or nature (including Liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from: (a) the presence, Release of, or exposure to any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law or term or condition of any Environmental Permit.

“Environmental Laws” means any and all Laws relating to the environment or natural resources or the protection of human health and safety with respect to the foregoing.

“Equity Interest” means, with respect to any Person, (i) any capital stock, partnership or membership interest, unit of participation or other similar interest (however designated) in such Person and (ii) any option, warrant, purchase right, conversion right, exchange right or other Contract which would entitle any other Person to acquire any such interest in such Person or otherwise entitle any other Person to share in the equity, profits, earnings losses or gains of such Person, including stock appreciation, phantom stock, profit participation or other similar rights.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means each Person or entity under common control with any Seller within the meaning of Section 414(b), (c), (m) or (o) of the Code and the regulations issued thereunder.

“Escrow Agent” means Odyssey Trust Company.

“Escrow Shares” means 309,981 Parent Shares.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Federal Marijuana Laws” means The Federal Comprehensive Drug Abuse Prevention and Control Act of 1970, the Controlled Substances Act of 1910 (21 U.S.C. § 801 et seq.), and any other U.S. federal Law the violation of which is predicated upon a violation of the foregoing as it applies to marijuana.

“Governing Documents” means, with respect to any Seller Entity, the articles of organization and operating agreement of such Seller Entity.

“Governmental Authority” means any government or quasi-governmental entity, or political subdivision thereof, whether federal, state, county, municipal, city, national, provincial or municipal, or any authority, agency or commission entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or Tax authority or power, or any court, arbitrator (public or private) or tribunal (or any department, bureau or division thereof).

“Hazardous Material(s)” means any substance, material or waste that is regulated, classified or otherwise characterized under or pursuant to any Environmental Laws as “hazardous,” “toxic,” “pollutant,” “contaminant,” “radioactive,” “medical waste,” “biohazard” or words of similar meaning or effect, including petroleum and its by-products, asbestos, polychlorinated biphenyls, radon, mold or other fungi, and urea formaldehyde insulation.

“**Indebtedness**” of any Person means, without duplication, (i) the principal of and premium (if any) in respect of (A) indebtedness of such Person for money borrowed (which shall include, in the case of Sellers, the outstanding balances of any corporate credit card accounts) and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all obligations of such Person issued or assumed as the deferred purchase price of property or services, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable arising in the Ordinary Course of Business that either (x) are not more than 60 days past due or (y) are set forth under the caption “Paid by Sellers” on Schedule I to the Closing Statement); (iii) all obligations of such Person under leases that would be required to be capitalized in accordance with GAAP (including any such liabilities that are not capitalized); (iv) all obligations of such Person under any letter of credit, banker’s acceptance or similar credit transaction or any book overdraft; (v) all obligations of such Person under interest rate cap, swap, collar or similar transactions or currency hedging transactions; (vi) the liquidation value of all redeemable preferred securities of such Person; (vii) all unpaid Taxes with respect to the Assets for any period prior to the period in which the Closing occurs (including for the avoidance of doubt the October 1, 2020 installment of real property tax due November 1, 2020 with respect to the Spence Road Real Property); (viii) any accrued interest, penalties and other obligations relating to the foregoing; (ix) all obligations of the type referred to in clauses (i) through (viii) of any Persons for the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations; and (x) all obligations of the type referred to in clauses (i) through (ix) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person). Indebtedness shall also include any prepayment penalties, “breakage costs,” redemption fees, premiums and similar amounts.

“**Indemnified Taxes**” means, without duplication, (a) all Taxes (or the non-payment thereof) of Sellers or any of their Affiliates (other than Spence Rd) for any and all tax periods, (b) all Taxes of Spence Rd for any and all Pre-Closing Tax Periods, including any Taxes attributable to the portion of a Straddle Period ending on and including the Closing Date (as determined in accordance with [Section 4.8\(b\)](#)), (c) all Taxes of any member of an affiliated group of which any Seller (including Spence Rd) or any predecessor is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation §1.1502-6 (or any analogous or similar state, local, or foreign Law or regulation), (d) any and all Taxes of any Person imposed on any Seller (including Spence Rd) as a transferee or successor, by Contract or pursuant to any Law, rule, regulation, or otherwise, (e) all Taxes imposed on any Seller or for which any Seller may be liable, as a result of any transaction contemplated by this Agreement or the other Transaction Documents (including the employer-share of any employment Taxes on any compensatory payments due or made on or before the Closing Date) and (f) all Transfer Taxes.

“**Intellectual Property Rights**” means any and all proprietary and intellectual property rights, in any jurisdiction, including those rights in and to (A) inventions and discoveries (whether or not patentable or reduced to practice), improvements thereto, and invention disclosures (“**Inventions**”), (B) patents and patent applications (including applications or registrations for industrial design, mask works and statutory Invention registrations), together with extensions, reissues, divisionals, provisionals, continuations, continuations-in-part and reexaminations thereof (“**Patents**”), (C) trademarks, trademark applications and registrations, service marks, brand names, certification marks, trade dress, slogans, symbols, logos, trade names and corporate names, fictitious names, domain names and social media accounts, together with the goodwill associated therewith (in each case, whether registered or unregistered) (“**Trademarks**”), (D) copyrights, published and unpublished works of authorship, whether copyrightable or not (including software and related algorithms), moral rights and rights equivalent thereto, including the rights of attribution, assignment and integrity (in each case, whether registered or unregistered) (“**Copyrights**”), (E) all trade secrets and confidential business information including, but not limited to, confidential ideas, technical data, customer lists, pricing and cost information, marketing plans, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, (F) all proprietary breeds, cultivars, varieties and germplasm, (G) all other intellectual or industrial property or proprietary rights of any kind, including but not limited to any tradenames, (H) all applications to register, registrations and renewals, substitutions or extensions of the foregoing and (I) all copies and tangible embodiments of the foregoing.

“IRS” means the United States Internal Revenue Service.

“Knowledge of Sellers,” or “Sellers’ Knowledge,” or words of similar effect, regardless of case, means the actual knowledge of Michael Gregory and the knowledge Michael Gregory would have after conducting a reasonable investigation and inquiry into the relevant matter or matters.

“Law” means any law, statute, standard ordinance, code, treaty, resolution, promulgation, rule or regulation of a Governmental Authority, including the common law, and any order, judgment, writ, injunction, decree or other determination of an arbitrator or court or other Governmental Authority. Any reference to any federal, state, local, or foreign Law shall be deemed also to refer to all rules and regulations promulgated thereunder.

“Liability” means any liability, obligation or commitment of any nature whatsoever (whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured, or due or to become due, or otherwise), including any liability for Taxes.

“Lien” means any lien (including any Tax lien), pledge, mortgage, deed of trust, security interest, claim, demand, lease, charge, option, warrant, call, right of first refusal, easement, servitude, transfer restriction or any other encumbrance, restriction or limitation whatsoever.

“Marijuana Law” means any Law relating to the farming, growth, manufacturing, production, processing, extraction, packaging, sale or distribution of any marijuana or marijuana-related product, including any cannabidiol product.

“Material Adverse Effect” or “Material Adverse Change” means any change, event, circumstance or effect that, individually or in the aggregate with all other changes, events, circumstances and effects, has had or would reasonably be expected to have a material adverse effect on the Assets (taken as a whole) or the Assumed Liabilities (taken as a whole) or on the ability of Sellers to consummate the transactions contemplated hereby.

“Order” means any order, judgment, award, decision, decree, injunction, ruling, writ or assessment of any Governmental Authority.

“Ordinary Course of Business” means, with respect to any action, that such action (a) is consistent in nature, scope and magnitude with the past practices of Seller Entities and is taken in the ordinary course of the normal, day-to-day operations of Seller Entities; and (b) is similar in nature, scope and magnitude to actions customarily taken in the ordinary course of the normal, day-to-day operations of other Persons that are in the same line of business as Seller Entities. No violation of Law or breach of Contract, or any indemnity, infringement or other obligations with respect thereto, shall be deemed in the Ordinary Course of Business.

“Parent Shares” means subordinate voting shares of Parent.

“Permits” means all permits, approvals, registrations, certifications, clearances, consents, concessions, grants, franchises, licenses and other evidence of authority issued or granted to, conferred upon or otherwise created for any Seller by any Governmental Authority or any third-party organization or pursuant to Law.

“Permitted Liens” means (a) Liens for Taxes and water and sewer charges which are not yet due and payable, (b) covenants, restrictions and rights and all easements and agreements for the erection and/or maintenance of water, gas, steam, electric, telephone, sewer or other utility pipelines, poles, wires, conduits or other like facilities, and appurtenances thereto, over, across and under the Spence Road Real Property which (i) are either (A) presently existing or (B) granted to a public utility in the ordinary course prior to the Closing and (ii) do not allow for the benefitted party or parties to require the removal of any of the Spence Road Improvements, (c) zoning, building, environmental and other laws, ordinances, codes, restrictions and regulations of all governmental authorities having jurisdiction with respect to the Spence Road Real Property, including, without limitation, landmark designations and all zoning variances and special exceptions, if any, and (d) such other easements, restrictions and encumbrances as are shown on the Title Policy Pro Forma.

“Person” means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity.

“Pre-Closing Tax Period” means any taxable period or portion thereof ending on or before the Closing Date (including the portion of any Straddle Period ending on the Closing Date).

“Real Property Assets” means (i) the Spence Road Real Property; (ii) all warranties and guaranties, if any, related to the Spence Road Real Property; (iii) all consents, approvals, authorizations, waivers or variances, permits, grants, concessions, licenses, utility contracts, contract rights, development rights, plans and specifications, engineering and architectural drawings, plans and studies, floor plans, surveys, environmental reports, and entitlements, orders, resolutions, grants, rights and approvals from any Governmental Authority, pertaining to or accruing for the benefit of the Spence Road Real Property; and (iv) to the extent in Seller’s possession or control, all files and records, and other documents, records, correspondence and files and any rights thereto relating to the construction, operation, management, occupancy, repair and maintenance of the Spence Road Real Property.

“Related Party” means as to any Person (a) any Affiliate, (b) any Person that directly or indirectly owns, or in which such Person directly or indirectly owns, more than five percent (5%) of any class of capital stock or other equity interest of such Person or any Affiliate of such Person, (c) when referring to a legal entity, any officer, manager, director, employee, member, shareholder or partner of such legal entity, (d) when referring to a trust, any trustee or beneficiary of such trust, (e) any parent, spouse, sibling or child of any individual described in clauses (a) through (d) above, and (f) any trust for the benefit in whole or in part of such Person and/or any individual described in clause (e) above.

“Release” means any actual or threatened release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, migration or leaching into the indoor or outdoor environment, or into or out of any property.

“Securities Act” means the Securities Act of 1933, as amended.

“Share Consideration Amount” means \$12,900,000.

“Spence Rd Equity” means the outstanding Equity Interests in Spence Rd.

“Spence Road Improvements” means the existing buildings, facilities, structures, fixtures, and all other improvements currently situated on the Spence Road Land, including the buildings and components of buildings located at 20800 Spence Road, Salinas, CA 93908, including, without limitation, any and all of the following: the roof, structural elements thereof; the heating, ventilation, air conditioning, humidifying and dehumidifying, plumbing, electrical, mechanical, solar, sewer, waste water, storm water, paving and parking equipment and facilities included therein; all boilers, incinerators and the appliances, machinery, fixtures and equipment pertaining thereto; and all landscaping, sidewalks, signs, elevators, light fixtures and security devices situated thereon, owned by Sellers and used in connection with the operation and occupancy thereof, and any other structures and improvements existing from time to time on the Spence Road Land.

“Spence Road Land” means those certain tracts or parcels of real property owned by AMAG, as described on Schedule I attached hereto and made a part hereof, together with all of AMAG’s rights, privileges and easements appurtenant to said real property, and all right, title and interest of AMAG, if any, in and to all strips, gores, easements, privileges, rights-of-way, reversions, remainders, riparian and other water rights, rights to lands underlying any adjacent streets or roads, and other tenements, hereditaments and appurtenances, if any, pertaining to or accruing for the benefit of such real property.

“Spence Road Real Property” means (i) the Spence Road Land and (ii) the Spence Road Improvements.

“Spence Road Real Property Deed” mean a grant deed in form and substance satisfactory to Purchaser and the Title Company and related documents customary for real property transactions in California transferring fee simple, insurable, and good, marketable title to the Spence Road Real Property to Purchaser.

“Straddle Period” means any taxable year or other taxable period beginning on or before and ending after the Closing Date.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof or (b) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof and for this purpose, a Person or Persons owns a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity’s gains or losses or otherwise control the managing director, managing member, general partner or other managing Person of such limited liability company, partnership, association, or other business entity.

“Tax” or “Taxes” means any federal, state, provincial, local or foreign income, alternative minimum, accumulated earnings, personal holding company, franchise, capital stock, net worth, capital, profits, windfall profits, gross receipts, value added, sales, use, goods and services, excise, transfer, conveyance, mortgage, registration, stamp, documentary, recording, premium, severance, environmental (including taxes under Section 59A of the Code or any analogous or similar provision of any state, local or foreign Law or regulation), real property, personal property, ad valorem, intangibles, rent, occupancy, license, occupational, employment, unemployment insurance, social security, disability, workers’ compensation, payroll, health care, or withholding tax, including any estimated tax, any customs duties or tariffs, including from imports prior to the Closing that have not been liquidated, any Liabilities for unclaimed property, and any other tax, duty or similar governmental charge or assessment or deficiency, including any interest, penalties or additions attributable to the foregoing.

“Tax Return” means any return, report, declaration, form, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Title Policy Pro Forma” means the title policy pro forma attached hereto as Exhibit B.

“Transaction Documents” means this Agreement and each other agreement, document, instrument or certificate contemplated by this Agreement to be executed in connection with the transactions contemplated hereby.

“Treasury Regulations” means the regulations promulgated under the Code, including temporary and proposed regulations.

(b) Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
AAA Rules	Section 8.3
Acquisition Proposal	Section 4.13
Agreement	Preamble
Allocation Schedule	Section 1.5
Allowed Delay	Section 4.4(b)
AMAG	Preamble
Assumed Liabilities	Section 1.1(d)
Assumption Agreement	Section 1.3(d)
AT&T Agreement	Section 1.1(c)
Balance Sheet	Section 2.5
Balance Sheet Date	Section 2.5
Bill of Sale	Section 1.3(d)
Bulk Sales Laws	Section 4.10
Business	Recitals
C Quadrant	Preamble
Cash Consideration	Section 1.3
Closing	Section 1.2
Closing Date	Section 1.2
Closing Payoff Certificate	Section 1.3
Controlling Owner	Preamble
Deemed Share Value	Section 7.4(e)
Disclosure Schedule	Section 8.11
Dispute	Section 8.3
Escrow Agreement	Section 1.3(c)
Equipment	Section 1.1(b)
Excluded Assets	Section 1.1(c)
Excluded Contracts	Section 1.1(c)
Excluded Liabilities	Section 1.1(e)
Fundamental Representations	Section 7.1

Indemnified Party	Section 7.4(a)
Indemnifying Party	Section 7.4(a)
Purchased Assets	Section 1.1(a)
Lock-Up Holder	Section 4.5(b)
Losses	Section 7.2
Market Stand-Off	Section 4.5(b)
Outside Date	Section 6.1(b)
Parent	Preamble
Party	Preamble
Personal Property Assets	Section 1.1(b)
Proration Amount	Section 1.3(b)(ii)
Prospectus	Section 4.4(a)
Purchase Price	Section 1.5
Purchaser	Preamble
Purchaser Indemnitees	Section 7.2
Razzolink Lease	Section 1.1(b)
Reduction Securities	Section 4.4(d)
Release Date	Section 7.6
Releasees	Section 4.12
Released Claims	Section 4.12
Releasers	Section 4.12
Representative	Preamble
Resale Registration Statement	Section 4.4(a)
Restricted Period	Section 4.10
SEC	Section 4.4(a)
Seller Entity IP	Section 2.10
Seller Entities	Recitals
Seller Indemnitees	Section 7.3
Seller Parties	Preamble
Seller Quitclaim	Section 1.3(d)
Sellers	Preamble
Selling Shareholder	Section 2.19(a)
Share Consideration	Section 1.3
Spence Rd	Recitals
Third Party Acquisition	Section 4.13
Third Party Claim	Section 7.4(a)
Title Company	Section 1.3(d)
Transfer Taxes	Section 4.8(a)

* * * * *

IN WITNESS WHEREOF, this Asset Purchase Agreement has been executed by or on behalf of each of the Parties as of the day first written above.

SELLER PARTIES:

MICHAEL GREGORY

/s/ Michael Gregory
Michael Gregory

C QUADRANT LLC

By: /s/ Michael Gregory
Michael Gregory
Sole Manager

AMAG HOLDINGS, LLC

By: /s/ Michael Gregory
Michael Gregory
Sole Manager

PURCHASER:

LOWELL SR, LLC

By: /s/ Mark Ainsworth
Mark Ainsworth
Chief Executive Officer

PARENT:

LOWELL FARMS INC.

By: /s/ Mark Ainsworth
Mark Ainsworth
Chief Executive Officer

[Signature Page to Purchase Agreement]

Schedule I
Spence Road Land

Legal Description

Parcel I:

Parcel 1, in the Unincorporated Area in the County of Monterey, State of California, as shown and designated on that certain Parcel Map filed March 16, 1977 in Volume 11 of Parcel Maps, at Page 85, records of Monterey County.

Excepting therefrom that mobile home located thereon.

Parcel II:

A non-exclusive right of way, for road and utility purposes, over the Northeasterly 30 feet of the 60 foot right of way along the Northeasterly line of Parcel 1, as shown on said map referred to hereinabove, adjacent to said Parcel 1.

Parcel III:

A non-exclusive right of way 60 feet wide, for drainage purposes, over and across the 60 foot right of way along the Northeasterly line of Parcel 2, as shown on said map referred to hereinabove, and extending from the most Northerly corner of Parcel 1 to the most Northerly corner of Parcel 2, as said right of way and Parcels are shown on the Parcel Map referred to in Parcel I above.

Parcel IV:

A non-exclusive right of way 60 feet wide, for drainage purposes, over and across the 60 foot right of way along the Northeasterly line of Parcel B, and extending from the most Northerly corner of Parcel A to the most Northerly of Parcel B, as said right of way and parcels are shown on that certain Parcel Map filed February 29, 1975 in Volume 8 of Parcel Maps, at Page 62, Records of Monterey County.

Parcel V:

A non-exclusive right of way 60 feet wide, for drainage purposes, along a Northwesterly and Northeasterly line of Parcel B, as said Parcel is shown on the Parcel Maps recorded February 28, 1975 in Volume 8 of Parcel Maps, at Page 62, the centerline of said right of way beginning at the most Easterly North corner of said Parcel B, thence S. 52° 45' West, along said Northwesterly Lot Line, 490.90 feet; thence N. 66° 57' 35", along said Northeasterly Lot Line, 621.71 feet to the most Westerly North corner of said Parcel B.

[Signature Page to Purchase Agreement]

LOAN AGREEMENT

by and between

VIRIDESCENT REALTY TRUST, INC.

(“Lender”)

and

LOWELL SR LLC,

(“Borrower”)

dated as of June 29, 2021

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LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement") is made as of June 29, 2021, by and between **LOWELL SR LLC**, a California limited liability company, having its principal office at 20 Quail Run Circle, Salinas, California 93907 (together with its successors and assigns, the "Borrower"), and **VIRIDESCENT REALTY TRUST, INC.**, a Maryland real estate investment trust, having an address at c/o Viridescent Capital Partners, 10242 Greenhouse Road, Building 1201, Cypress, Texas 77433 ("Lender").

RECITALS

Borrower has requested that the Lender make a loan to Borrower in the aggregate principal sum of up to Nine Million Three Hundred Sixty and No/100 Dollars (\$9,360,000.00) (the "Loan") for the purpose of purchasing the Property (hereinafter defined).

Lender is willing to make the Loan, and Borrower is willing to borrow the Loan, on the terms and conditions set forth in this Agreement and the other Loan Documents.

AGREEMENTS

NOW, THEREFORE, Borrower and Lender hereby agree as follows:

ARTICLE I

DEFINITIONS, ACCOUNTING PRINCIPLES, UCC TERMS.

1.1 Definitions. As used in this Agreement, the following terms shall have the following meanings unless the context hereof shall otherwise indicate:

"Accounts" any rights of Borrower arising from the ownership of the Facility, including, without limitation: (a) all accounts arising from the Lease and/or ownership of the Facility; and (b) all moneys and accounts held by Lender pursuant to this Agreement. Accounts shall include the proceeds thereof (whether cash or non-cash, moveable or immoveable, tangible or intangible) received from the sale, exchange, transfer, collection or other disposition or substitution thereof.

"Affiliate" means, with respect to any Person: (a) each Person that controls, is controlled by or is under common control with such Person; and (b) each Person that, directly or indirectly, owns or controls, whether beneficially or as a trustee, guardian or other fiduciary, twenty percent (20%) or more of the Stock of such Person.

"Agreement" is defined in this preface to this Agreement.

"Amortization Commencement Date" means the first day of the 13th full calendar month after the Closing Date.

"Assignment of Rents and Leases" means that certain Assignment of Rents and Leases executed by Borrower and Lender of even date herewith, as the same may be amended, restated, replaced, subleased or modified from time to time.

“Borrower” means Lowell SR LLC, a California limited liability company, and its successors and assigns.

“Borrower’s knowledge” means (i) the actual knowledge of Borrower, or (ii) the knowledge a Borrower would have had if a Borrower had made due inquiry regarding the fact or other matter in question as a prudent business person would be expected to make in the management of the Borrower’s business affairs.

“Business” means the cannabis drying, trimming, packaging, extraction and processing to be performed in the Facility in accordance with all Licenses, Permits and Limited Governmental Requirements.

“Business Day” means any day on which banks, savings and loan associations, savings banks, or other financial institutions are generally open for regular banking business in the State of California.

“Claim” is defined in Section 6.10(c).

“Closing Date” means the date on which all or any part of the Loan is disbursed by the Lender to or for the benefit of Borrower, including to any loan escrow funding agent.

“Collateral” means, collectively, all of Borrower’s right, title and interest in and to the Property, Improvements, Equipment, Rents, Accounts, General Intangibles (including the Spence Rd Equity), Instruments, Money, Deposit Accounts, Permits (to the full extent assignable), Reimbursement Contracts, Imposition Deposits, Debt Reserve, and all Proceeds, all whether now owned or hereafter acquired, and including replacements, additions, accessions, substitutions, and products thereof and thereto, all other assets of the Borrower, wherever located, whether now owned or existing or hereafter acquired or arising, together with all proceeds thereof, and all other property of Borrower which is or hereafter may become subject to a Lien in favor of Lender as security for any of the Loan Obligations; notwithstanding anything to the contrary contained herein, the “Collateral” shall not, include, (i) any assets of Borrower over which any mortgage, pledge, hypothecation, assignment (as security), deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest may not be granted due to (x) the operation of any applicable legal requirements, or (y) any agreement that by its terms would be in breach if it served as security for a debt; (ii) any marijuana or marijuana-related product, including any cannabidiol product; and (iii) all other permits, licenses or agreements issued by or with any other governmental authority related to the operation of marijuana businesses which by their terms prohibit the pledging of interests therein.

“Constituent of Borrower” is defined in Section 9.14(b).

“Debt” means the outstanding principal amount set forth in, and evidenced by, this Agreement and the Note, including the Exit Fee, any prepayment premium payable pursuant to Section 2.1(c)(iii) together with all interest accrued and unpaid thereon and all other sums owing to Lender in respect of the Loan under the Note, this Agreement, the Security Instrument or any other Loan Document.

“Debt Reserve” is defined in Section 7.3(a).

“Debt Service” means, with respect to any particular period of time, scheduled principal and interest payments due under the Note.

“Default” means the occurrence or existence of any event which, but for the giving of notice or expiration of time or both, would constitute an Event of Default.

“Default Rate” means a per annum rate of interest equal to the lesser of (a) five hundred (500) basis points (i.e., 5.00 percentage points) in excess of Interest Rate, or (ii) the maximum rate of interest which may be collected from Borrower under applicable law.

“Disbursement Date” is the first date on which a Lender disburses any proceeds of the Loan to or for the account of Borrower or to any loan escrow or funding agent.

“Environmental Indemnity Agreement” means that certain Environmental Indemnity Agreement dated as of the date hereof by and among Borrower, Operator and Guarantor in favor of Lender, as the same may be amended, restated, replaced or modified from time to time.

“Environmental Permit” means any Permit issued under any Hazardous Materials Law with respect to any activities or businesses conducted on or in relation to the Property and/or the Improvements.

“Environmental Reports” is defined in Section 2.4(c)(v).

“Equipment” means all machinery, furniture, furnishings, equipment, computer software and hardware, fixtures (including all heating, air conditioning, plumbing, lighting, communications and elevator fixtures), materials, supplies and other articles of personal property and accessions thereof, renewals and replacements thereof and substitutions therefor, and other property of every kind and nature, tangible or intangible, owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Facility or the Improvements, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Facility and the Improvements.

“Event of Default” means any “Event of Default” as defined in Article VIII hereof.

“Exhibit” means an Exhibit to this Agreement, unless the context refers to another document, and each such Exhibit shall be deemed a part of this Agreement to the same extent as if it were set forth in its entirety wherever reference is made thereto.

“Exit Fee” mean an amount equal to one percent (1.0%) of the outstanding principal balance of the Loan.

“Facility” means the cannabis drying, trimming, packaging, extraction and processing facility located on the Property, as it may now or hereafter exist, together with any other cannabis-related facilities, if any, now or hereafter operated on the Property.

“Facility License” means the license(s) issued to the Operator and Spence Rd to operate the Facility.

“GAAP” means, as in effect from time to time, generally accepted accounting principles consistently applied as promulgated by the American Institute of Certified Public Accountants.

“General Intangibles” means all intangible personal property of Borrower arising out of or connected with the Property or the Facility and all renewals and replacements thereof and substitutions therefor (other than Accounts, Rents, Instruments, Money and Permits), including, without limitation, choses in action, contract rights and other rights to payment of money.

“Governmental Authority” means any board, commission, carrier, intermediary, department or body of any municipal, county, state or federal governmental unit, or any subdivision of any of them, that has or acquires jurisdiction over the Borrower, Operator, Facility, the Property and/or the Improvements or the use, operation or improvement of the Property.

“Guarantee” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise), or (b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided, however*, that the term Guarantee shall not include endorsements for collection or deposit in the Ordinary Course of Business. The term guarantee” used as a verb has a corresponding meaning.

“Guarantor” means, individually and collectively, Indus Holding Company, a Delaware corporation, and any Loan Party that has executed or delivered, or shall in the future execute or deliver, any Guarantee of any portion of the Loan Obligations.

“Guaranty Agreement” means any document evidencing any Guarantee of any portion of the Loan Obligations executed by a Guarantor.

“Hazardous Materials” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (“PCBs”) and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground storage tanks, whether empty or containing any substance; any substance the presence of which on the Property is prohibited by any federal, state or local authority; any substance that requires special handling; and any other material or substance now or in the future defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” or “pollutant” within the meaning of any Hazardous Materials Law or regulated under any Hazardous Materials Law.

“Hazardous Materials Laws” means all federal, state, and local laws (including common law), ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees (including any judicial or administrative interpretations, guidance, directives, policy statements or opinions) in effect now or in the future and including all amendments, that relate to the protection or pollution of the environment or to Hazardous Materials. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., and the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, and their state analogs.

“Impositions” and “Imposition Deposits” mean the Impositions and Imposition Deposits defined in the Security Instrument.

“Improvements” means all buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Property, including, but not limited to, all gas and electric fixtures, radiators, heaters, engines and machinery, boilers, ranges, elevators and motors, plumbing and heating fixtures, carpeting and other floor coverings, water heaters, awnings and storm sashes, and cleaning apparatus which are or shall be attached to the Property or said buildings, structures or improvements.

“Indebtedness” means any (a) obligations for borrowed money, (b) obligations, payment for which is being deferred by more than thirty (30) days, representing the deferred purchase price of property other than accounts payable arising in the ordinary course of the business of Borrower, (c) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from the Accounts and/or real or personal property now or hereafter owned or acquired by Borrower or Operator, and (d) the amount of any other obligation (including obligations under financing leases) which would be shown as a liability on a balance sheet prepared in accordance with GAAP.

“Indemnitees” is defined in Section 6.10(a).

“Instruments” means all instruments, chattel paper, documents or other writings obtained from or in connection with the operation of the Property or the construction and operation of the Facility (including, without limitation, all ledger sheets, computer records and printouts, data bases, programs, books of account, trademarks or trade names, utility contracts, maintenance and service contracts, and files relating thereto).

“Interest Rate” means twelve and one-half percent (12.50%) per annum.

“Late Charge” is defined in Section 2.1(c)(viii).

“Lease Agreement” means that certain Lease Agreement made as of the date hereof by and between the Borrower, as Landlord and the Operator, as Tenant, with respect to the Facility, as the same may be amended, restated, replaced, subleased or modified from time to time.

“Leases” means, individually and collectively, the Lease Agreement, together with any other oral or written leases, subleases, licenses, concessions, occupancy agreement and other agreements for the use or occupancy made or agreed to by, any person or entity and any and all amendments, extensions, renewals, modifications and replacements thereof pertaining to all or any part of the Property, or any possessory interest therein, whether such leases or other agreements have been heretofore or are hereafter made or agreed to.

“Lien” means any voluntary or involuntary mortgage, security deed, deed of trust, lien, pledge, assignment, security interest, title retention agreement, financing lease, levy, execution, seizure, judgment, attachment, garnishment, charge, lien or other encumbrance of any kind, including those contemplated by or permitted in this Agreement and the other Loan Documents.

“Limited Governmental Requirement” means all applicable laws, laws, rules, and regulations and other legal requirements, ~~excluding, however,~~ any U.S. federal laws, statutes, codes, ordinances, decrees, rules or regulations which apply to the cultivation, harvesting, production, trafficking, distribution, processing, extraction, sale and/or possession of cannabis, marijuana or related substances or products containing or relating to the same, including, but not limited to, the prohibition on drug trafficking under 21 U.S.C. § 841(a), et seq., the conspiracy statute under 18 U.S.C. § 846, the bar against aiding and abetting the conduct of an offense under 18 U.S.C. § 2, the bar against misprision of a felony (concealing another’s felonious conduct) under 18 U.S.C. § 4, the bar against being an accessory after the fact to criminal conduct under 18 U.S.C. § 3, and federal money laundering statutes under 18 U.S.C. §§ 1956, 1957, and 1960 (the “Federal Cannabis Laws”).

“Loan” is defined in the recitals of this Agreement and is evidenced by this Agreement, the Note and other Loan Documents.

“Loan Documents” means, collectively, this Agreement, the Assignment of Rents and Leases, the Note, the Security Instrument, the Pledge Agreement, the Subordination Agreement, the Guaranty Agreement and the Environmental Indemnity Agreement, together with any and all other documents executed by Borrower, any other Loan Party, and Guarantor or others evidencing, securing or otherwise relating to the Loan.

“Loan Obligations” means the aggregate of all principal and interest owing from time to time under the Note and the other Loan Documents and all expenses, charges and other amounts from time to time owing under the Note, this Agreement, or the other Loan Documents and all covenants, agreements and other obligations from time to time owing to, or for the benefit of Lender pursuant to the Loan Documents.

“Loan Party” means Borrower, Guarantor and Operator, individually, and “Loan Parties” means Borrower, Guarantor, and Operator, collectively.

“Material Adverse Effect” means any change, event or development that has caused, or would reasonably be expected to cause, a material adverse change in (i) the value, operations, financial or physical condition of the Property, or (ii) the business, financial condition or results of operations of Borrower or Guarantor and its consolidated subsidiaries, taken as a whole, such that the ability of Borrower (or Guarantor pursuant to the Guaranty Agreement) to repay the Loan has been or would reasonably be expected to be materially impaired.

“Maturity Date” means June 29, 2026, or such other date on which the final payment of principal of the Note becomes due and payable as therein or herein provided, whether at such stated maturity date, by declaration of acceleration, or otherwise.

“Money” means all monies, cash, rights to deposit or savings accounts or other items of legal tender obtained from or for use in connection with the operation of the Property.

“Monthly Principal Payment” is defined in Section 2.1(c)(ii).

“Mortgaged Property” means the Property, the Improvements thereon and all real or personal property owned by the Borrower and encumbered by a Security Instrument, together with all tangible or intangible rights pertaining to the Property and Improvements, as more particularly defined in the Security Instrument as the “Mortgaged Property”.

“Note” means the Promissory Note of even date herewith from Borrower to Lender in the principal amount of the Loan payable by Borrower to the order of Lender, including all schedules, riders, allonges, endorsements, addenda or amendments together with any renewals, replacements, substitutions or extensions thereof.

“Operator” means Cypress Manufacturing Company, a California corporation.

“Parent” means Lowell Farms Inc., a British Columbia, Canada corporation and the owner of 100% of the outstanding voting stock of Guarantor.

“Patriot Act” is defined in Section 9.14(a).

“Payment Reserves” means the Debt Reserve and any other escrow or reserve fund established pursuant to the Loan Documents.

“Permits” means all licenses, permits, franchises, certificates of occupancy, consents and other approvals used or necessary in connection with the ownership, operation, use or occupancy of the Property and/or the Facility thereon, including, without limitation, (A) to enable the operation of the Business at the Property in accordance with all State of California and Monterey County Permits (including cannabis Permits), and (B) to facilitate the approval of the transfer of ownership of the Property to Borrower in accordance with applicable State of California and Monterey County law.

“Permitted Encumbrances” means (a) the lien of current real property taxes, water charges, sewer rents and assessments not yet due and payable; (b) the items specified in Exhibit D; (c) the exceptions (general and specific) and exclusions set forth in the Title Policy; (d) other matters to which like properties are commonly subject; (e) the rights of tenants (as tenants only) under leases (including subleases) pertaining to the related Mortgaged Property which the Loan Documents do not require to be subordinated to the lien of the Security Instrument; and (f) if the Loan is cross-collateralized with another loan or loans, the lien of the security instrument for such other loan(s), provided that none of such items (a), (b), (d) and (e), individually or in the aggregate, materially interferes with the current use or operation of the Mortgaged Property or the security intended to be provided by the Security Instrument or the Borrower’s ability to pay its obligations when they become due.

“Permitted Transfer” means, any one or a series of Transfers of direct or indirect ownership interests in any Restricted Person and/or Guarantor, so long as (a) such Transfer shall not result in the change of control by Parent of Borrower, Spence Rd, Operator or Guarantor such that the Parent does not control, directly or indirectly, the direction of the management and policies of each of Borrower, Spence Rd, Operator and Guarantor, (b) following such Transfer, each of Borrower, Spence Rd and Operator shall be wholly owned, directly or indirectly, by Guarantor, (c) such Transfer shall not result in any violation, revocation or suspension of any Facility License or any other material Permit necessary to operate the Business, (d) Lender receives at least thirty (30) days’ prior written notice thereof together with an organizational chart reflecting the ownership interests in Borrower, Spence Rd and/or Operator following consummation of such transfer; and (e) to the extent reasonably required by Lender, the assignee of such Transfer satisfies Lender’s customary “know-your-customer” and anti-money laundering requirements.

“Person” means any natural person, firm, trust, corporation, partnership, limited liability company, trust and any other form of legal entity.

“Pledge Agreement” means that certain Ownership Pledge, Assignment and Security Agreement made as of the date hereof by and between the Borrower and Lender pursuant to which the Spence Rd Equity is being pledged to the Lender as Collateral for the Loan Obligations.

“Proceeds” means all awards, payments, earnings, royalties, issues, profits, liquidated claims, and proceeds (including proceeds of insurance and condemnation or any conveyance in lieu thereof) from the sale, conversion (whether voluntary or involuntary), exchange, transfer, collection, loss, damage, condemnation, disposition, substitution or replacement of any of the Collateral.

“Prohibited Activities and Conditions” is defined in Section 6.1.

“Property” means the real estate located at 20800 Spence Road, Salinas, California 93908, which is more particularly described in Exhibit A hereto, upon which the Facility is located, and which, concurrent with the Closing Date, will be owned by the Borrower and leased to the Operator pursuant to the Lease Agreement.

“Purchase Agreement” means that certain Purchase Agreement by and among Borrower, as purchaser, Lowell Farms Inc., a British Columbia corporation, Michael Gregory, C Quadrant LLC, a California limited liability company (“C Quadrant”), AMAG Holdings, LLC, a Wyoming limited liability company (“AMAG” and, together with C Quadrant, “Sellers,” and each, a “Seller”), thereunder, as the same may be amended, restated, supplemented or otherwise modified and in effect from time to time.

“Remedial Work” is defined in Section 6.8.

“Rents” means all rent and other payments to Borrower of whatever nature from time to time payable pursuant to the Lease Agreement, including deposits (whether for security or otherwise but excluding any resident trust accounts), issues, profits, revenues, royalties, rights, benefits, and income of every nature of and from the Property and the operations conducted or to be conducted thereon.

“Restricted Person” means each of Borrower, Operator and Spence Rd.

“Security Instrument” means that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement, and Fixture Filing of even date herewith from Borrower in favor of and for the benefit of Lender and covering the Mortgaged Property described herein as the same may be amended, restated, replaced, subleased or modified from time to time.

“Single Purpose Entity” means a Person which owns no interest or property other than the Property, the Improvements, the Equipment, the Spence Rd Equity and property interests incidental to the foregoing.

“Spence Rd” means 20800 Spence Rd LLC, a California limited liability company.

“Spence Rd Equity” means the outstanding limited liability company interests in Spence Rd.

“Stock” means all shares, options, warrants, general or limited partnership interests, membership interests, participations or other equivalents (regardless of how designated) in a corporation, limited liability company, partnership or any equivalent entity, whether voting or nonvoting, including, without limitation, common stock, preferred stock, or any other “equity security” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended).

“Subordination Agreement” means that certain Subordination and Attornment Agreement of even date herewith by and among Borrower, Operator and Lender.

“Survey” is defined in Section 2.4(c).

“Taxes” means all taxes, assessments, vault rentals and other charges, if any, general, special or otherwise, including all assessments for schools, public betterments and general or local improvements, which are levied, assessed or imposed by any public authority or quasi-public authority, and which, if not paid, will become a lien, on the Land or the Improvements.

“Term” means the date hereof through the Maturity Date, as the same may be extended, or earlier termination of the Loan.

“Title Policy” is defined in Section 2.4(c).

“Transfer” means the conveyance, assignment, sale, transfer, granting of options with respect to or other disposition of (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record) (collectively, “Disposition”), or the creation of a Lien with respect to, all or any portion of any legal or beneficial interest (i) in all or any portion of the Mortgaged Property or any other real or personal property of the Borrower or Spence; (ii) in the Stock of any corporation which is a Restricted Person, a member of a Restricted Person (if the Restricted Person is a limited liability company), a partner of a Restricted Person or, if applicable, a partner of a general partner of a Restricted Person (if the Restricted Person is a limited or general partnership), including any legal or beneficial interest in any constituent limited partner or member of the Restricted Person; (iii) in a Restricted Person (or any trust of which the Restricted Person is a trustee); or (iv) if a Restricted Person is a joint venture, trust, nominee trust, tenancy in common or other unincorporated form of business association or form of ownership interest, in any Person having a direct or indirect legal or beneficial ownership in the Restricted Person, whether directly or through multiple tiers of ownership. The term “Transfer” shall also include, without limitation, the following: (a) an installment sales agreement wherein a Restricted Person agrees to sell the Mortgaged Property or any other real or personal property constituting a portion of the Collateral, or any part thereof or any interest therein, for a price to be paid in installments; (b) an agreement by a Restricted Person leasing all or a substantial part of the Mortgaged Property or any other Collateral to one or more Persons pursuant to a single transaction or related transactions (other than the Lease Agreement), or (c) a sale, assignment or other transfer of, or the grant of a security interest in, a Restricted Person’s right, title and interest in and to the Leases or the Rents; (d) any instrument subjecting the Mortgaged Property to a condominium regime or transferring ownership to a cooperative corporation or other form of multiple ownership or governance; or (e) the issuance of new Stock in any corporation which is a Restricted Person.

Notwithstanding anything to the contrary contained herein, (x) no Disposition of direct or indirect ownership interests in Parent or any direct or indirect subsidiary of Parent (other than a Restricted Person or Guarantor) shall constitute a “Transfer” for purposes of this Agreement or the other Loan Documents; provided that, in connection with any consolidation, merger or sale of all or substantially all of the assets of Parent, (a) Borrower shall have provided Lender with (i) not less than fifteen (15) Business Days’ prior written notice of such consolidation, merger or sale, together with a description thereof, and (ii) such information as is necessary to satisfy Lender’s customary “know-your-customer” requirements for any such transferee, and (b) Borrower, Guarantor and Spence Rd shall execute such documentation as Lender reasonably requires confirming the continued validity and effectiveness of the Loan Documents including, without limitation, any affirmation and/or assumption of the Guaranty and Environmental Indemnity that Lender may reasonably require, (y) neither (a) the creation of a Lien on (i) the Stock or other ownership interests in any Person other than Borrower or Spence Rd or (ii) any assets (other than Stock or other ownership interests in Borrower or Spence Rd) of a Person other than Borrower or Spence Rd, (b) the creation of a Permitted Encumbrance nor (c) the existence or creation of a Lien that is being contested in compliance with Section 5.2 shall constitute a “Transfer” for purposes of this Agreement or the other Loan Documents; and (z) no Disposition of any assets of a Person other than Borrower or Spence Rd (other than Stock or other ownership interests in a Restricted Person) shall constitute a “Transfer” for purposes of this Agreement or the other Loan Documents.

1.2 Singular and Plural Forms. Singular terms shall include the plural forms and vice versa, as applicable, of the terms defined. Unless otherwise specified, all meanings attributed to defined terms herein shall be equally applicable to both the singular and plural forms of the terms so defined. All references to a defined term that includes more than one written instrument, document, agreement or thing means and includes each document, agreement or thing encompassed within the defined term.

1.3 UCC Definitions. Terms contained in this Agreement shall, unless otherwise defined herein or unless the context otherwise indicates, have the meanings, if any, assigned to them by the Uniform Commercial Code in effect in the State of California.

1.4 Accounting Terms. All accounting terms used in this Agreement shall be construed in accordance with GAAP, except as otherwise specified.

1.5 Amendments, Etc. All references to other documents or instruments shall be deemed to refer to such documents or instruments as they may hereafter be extended, renewed, modified, or amended and all replacements and substitutions therefore.

1.6 Laws, Etc. Any reference to a code, act, statute or regulation means that law, code, act, statute or regulation as amended or supplemented from time to time and any corresponding provisions of successor laws, codes, acts, statutes or regulations and any reference to any law, code, act or statute shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

ARTICLE II

TERMS OF THE LOAN

2.1 The Loan. Borrower agrees to borrow the Loan from Lender, and Lender agrees to make the Loan to Borrower, subject to Borrower's compliance with and observance of the terms, conditions, covenants, and provisions of this Agreement and the other Loan Documents, and Borrower has made the covenants, representations, and warranties herein and therein as a material inducement to Lender to make the Loan.

(a) Loan. On the Closing Date, Lender shall make a Loan to Borrower in the amount of Nine Million Three Hundred Sixty and No/100 Dollars (\$9,360,000.00). The proceeds of the Loan shall be used to acquire the Property, to fund the Debt Reserve and to pay closing costs and fees.

(b) Interest.

(i) Except as otherwise provided in this Agreement, the unpaid principal amount of the Loan and any interest not paid within 30 days of the due date, shall bear interest with respect to so much of the principal amount of the Loan outstanding for a calendar month, at the Interest Rate.

(ii) Interest on the unpaid principal amount of the Loan shall be payable monthly in arrears commencing on the first day of the first full calendar month following the calendar month in which the Disbursement Date occurs, and on the first day of each month thereafter until the principal, together with all interest and other charges payable with respect to the Loan, shall be fully paid; and (iii) calculated on the basis of a 360 day year and the actual number of days elapsed. Interest not paid within 30 days after the due date shall accrue like interest as principal and shall be immediately payable.

(iii) All agreements among Borrower and Lender are expressly limited, so that in no event or contingency, whether because of the advancement of the Loan, acceleration of maturity of the unpaid principal balance, or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance, or retention of the money to be advanced under this Agreement or any Loan Document exceed the highest lawful rate permissible under applicable usury laws. If, under any circumstances, fulfillment of any provision of the Loan, this Agreement, the other Loan Documents or any other agreement pertaining to the Loan, after timely performance of such provision is due, shall involve exceeding the limit of interest validity prescribed by law that a court of competent jurisdiction deems applicable, then, *ipso facto*, the obligations to be fulfilled shall be reduced to the limit of such validity. If, under any circumstances, Lender shall ever receive as interest an amount that exceeds the highest lawful rate, the amount that would be excessive interest shall be applied to reduce the unpaid principal balance of the Loan and not to pay interest, or, if such excessive interest exceeds the unpaid principal balance of the Loan, such excess shall be refunded to Borrower. This provision shall control every other provision of all agreements among Borrower and Lender.

(c) Principal.

(i) Maturity Date. The entire unpaid principal balance of the Loan and all accrued but unpaid interest and all other charges payable with respect to the Loan shall be due and payable on the Maturity Date.

(ii) Installment Payments. On the Amortization Commencement Date and on the first day of each consecutive calendar month thereafter, Borrower shall pay to Lender monthly payments of interest together with monthly payments of principal based on a ten (10) year amortization schedule in accordance with Exhibit C (each a "Monthly Principal Payment").

(iii) Prepayment. Borrower may repay all or any portion of the Loan without penalty at any time, subject to (i) payment of the Exit Fee as provided for herein, and (ii) any prepayment of any principal amount outstanding under this Note shall be made together with a prepayment premium in the following amount, as applicable:

(A) for any prepayment made during the first (1st) year of the term of the Loan, in amount equal (a) the sum of all interest that otherwise would be due and payable on the full principal amount of this Note during the first (1st) year of the term of the Loan, less (b) accrued interest previously paid by Borrower during the first (1st) year of the term of the Loan;

(B) for any prepayment made during the second (2nd) year of the term of the Loan, four percent (4%) of the principal amount being prepaid; and

(C) for any prepayment made during or after the third (3rd) year of the term of the Loan, two percent (2%) of the principal amount being prepaid. Any partial prepayment shall first be applied to accrued and unpaid interest and then to the outstanding principal balance of the Loan, and no such partial prepayment shall relieve Borrower of the obligation to pay any subsequent installment of principal when due.

(iv) Manner and Time of Payment. All payments of interest, principal and fees shall be made in lawful money of the United States in immediately available funds, without counterclaim or setoff and free and clear of, and without any deduction or withholding for, any taxes or other payments by wire transfer to Lender to such account as Lender shall from time to time designate. Payments shall be credited on the Business Day on which immediately available funds are received prior to 5:00 P.M. Eastern Standard Time; payments received after 5:00 P.M. Eastern Standard Time shall be credited to the Loan on the next Business Day. Payments which are by check, which Lender may at its option accept or reject, or which are not in the form of immediately available funds shall not be credited to the Loan until such funds become immediately available to Lender, and, with respect to payments by check, such credit shall be provisional (but shall not result in the accrual of interest on any interest payment made by such check) until the item is finally paid by the payor bank.

(v) Application of Payments. Except to the extent otherwise required by law or by the express terms of any other Loan Document, Lender shall apply and credit funds received by Lender pursuant to this Agreement or any other Loan Document as follows: (a) first, to pay, or reimburse Lender for amounts advanced by Lender (other than principal of the Loan) pursuant to any provision of the Loan Documents (including without limitation those fees, charges, costs and expenses described in subsections (vi) and (vii) below, (b) second, to pay any interest earned or accrued, (c) third, to fund any deposits that Borrower may be required by the terms of any Loan Document to make with Lender, including any such deposits to be used to pay the cost of repairing or constructing any improvements, insurance premiums, Taxes, Payment Reserves (if any), and utility charge, (d) fourth, to pay any Late Charges due under this Agreement or any other Loan Document, (e) fifth, to pay any other sums due under the Loan Documents, and (f) sixth, to pay principal outstanding; provided, however, that during the continuance of an Event of Default, Lender shall apply and credit funds in such manner and order of priority as Lender shall determine in Lender's sole discretion.

(vi) Billing. Lender may submit monthly billings reflecting payments due; provided, however, that any changes in the interest rate which occur between the date of billing and the due date may be reflected in adjustments in the billing for a subsequent month. Neither the failure of Lender to submit a bill, nor any error in any such bill shall excuse Borrower from the obligation to make full payment of all Borrower's payment obligations when due.

(vii) Default Rate Interest. In the event that any Event of Default shall occur and remaining continuing for a period of 30 days, any unpaid principal, accrued interest, Late Charges and other amounts payable under this Agreement or any other Loan Document shall bear interest, compounded monthly, at the Default Rate; provided, however, that if collection from Borrower of interest at such rate would be contrary to applicable law, then such amounts shall bear interest at the highest rate which may be collected from Borrower under applicable law.

(viii) Late Charge. If any payment (whether of fees, interest or principal but excluding the payment due on the Maturity Date or upon any acceleration of the Loan) is not paid within five (5) Business Days of the date on which the payment is due, Borrower shall pay to Lender in addition to the delinquent payment and without any requirement of notice or demand by Lender except as may be imposed by law, a "Late Charge" equal to five percent (5%) of the amount of the delinquent payment. Late Charges are (a) payable in addition to, and not in limitation of, the Default Rate; (b) intended to compensate Lender for administrative and processing costs incident to late payments; (c) not interest; and (d) not subject to refund or rebate or credit against any other amount due. Borrower expressly acknowledges and agrees that this Late Charges provision is reasonable under the circumstances existing on the date of this Agreement, which it would be extremely difficult and impractical to fix Lender's actual damages arising out of any late payment and that the Late Charge shall be presumed to be the actual amount of such damages incurred by Lender. In addition, in the event that any loan payment check tendered by Borrower to Lender is not honored upon presentation for demand, Borrower shall pay to Lender upon demand an amount equal to Two Hundred Fifty Dollars (\$250.00). No provision in this Agreement (including the provisions for Late Charges and for additional interest on any amounts remaining unpaid after the Maturity Date) shall be construed as in any way excusing Borrower from its obligation to make each payment promptly when due.

2.2 Security for the Loan. The Loan will be evidenced, secured and guaranteed by the Loan Documents.

2.3 Origination Fee; Transaction Costs. On the Closing Date, Borrower shall pay to Lender from the proceeds of the Loan an origination fee in an amount equal to Three Hundred Sixty Thousand Dollars (\$360,000.00); and Borrower shall have paid or reimbursed Lender for all title insurance premiums, recording and filing fees, costs of environmental reports, physical condition reports, appraisals and other reports, the reasonable fees and costs of Lender's counsel and all other third party out of pocket expenses incurred in connection with the origination of the Loan. The origination fee shall be deemed to be fully earned upon the earlier to occur of (a) issuance of any commitment letter, or (b) the Closing Date, and shall be non-refundable upon payment.

2.4 Conditions Precedent to Closing. The obligation of Lender to make the Loan hereunder is subject to the fulfillment by Borrower or waiver by Lender of the following conditions precedent no later than the Closing Date:

(a) Representations and Warranties; Compliance with Conditions. The representations and warranties of Borrower and other Loan Parties, as applicable, contained in this Agreement and the other Loan Documents shall be true and correct in all material respects on and as of the Closing Date with the same effect as if made on and as of such date, and no Default or an Event of Default shall have occurred and be continuing; and Borrower shall be in compliance in all material respects with all terms and conditions set forth in this Agreement and in each other Loan Document on its part to be observed or performed.

(b) Loan Agreement and Note. Lender shall have received a copy of this Agreement and the Note, in each case, duly executed and delivered on behalf of Borrower.

(c) Delivery of Loan Documents; Title Insurance; Reports; Leases

(i) Security Instrument, Assignment of Leases. Lender shall have received from Borrower and Operator, as applicable, fully executed and acknowledged counterparts of the Security Instrument, the Subordination Agreement and the Assignment of Leases and evidence that counterparts of the Security Instrument, the Subordination Agreement and Assignment of Leases have been delivered to the title company for recording, in the reasonable judgment of Lender, so as to effectively create upon such recording valid and enforceable Liens upon the Property, of the requisite priority, in favor of Lender (or such other trustee as may be required or desired under local law), subject only to the Permitted Encumbrances. Lender shall have also received from each Loan Party, as applicable, fully executed counterparts of the other Loan Documents.

(ii) Title Insurance. Lender shall have received title insurance policies issued by a title company acceptable to Lender and dated as of the Closing Date, or a commitment to issue a policy with title insurance (either in the form of a commitment or pro forma policy) (the "Title Policy"). The Title Policy shall (i) provide coverage in amounts reasonably satisfactory to Lender, (ii) insure Lender that the Security Instrument creates a valid first priority lien on the Property encumbered thereby of the requisite priority, free and clear of all exceptions from coverage other than Permitted Encumbrances, (iii) contain such endorsements and affirmative coverages as Lender may reasonably request, and (iv) name Lender as the insured. The Title Policy shall be assignable. Lender also shall have received evidence that all premiums in respect of the Title Policy have been paid.

(iii) Survey. Lender shall have received a current land survey for the Property, certified to the title company, and Lender and their successors and assigns, in form and content reasonably satisfactory to Lender and prepared by a professional and properly licensed land surveyor satisfactory to Lender in accordance with the Accuracy Standards for ALTA/NSPS Land Title Surveys as adopted by ALTA, American Congress on Surveying & Mapping and National Society of Professional Surveyors in 2021 or such other standard as Lender may approve in its sole discretion (the "Survey"). The Survey shall reflect the same legal description contained in the Title Policy and shall include, among other things, a metes and bounds description of the real property comprising part of the Property reasonably satisfactory to Lender. The surveyor's seal shall be affixed to the Survey and the surveyor shall provide a certification for the Survey in form and substance reasonably acceptable to Lender.

(iv) Insurance. Lender shall have received valid certificates of insurance and the endorsements related thereto for the policies required pursuant to Section 4.5 hereunder, satisfactory to Lender in its sole discretion, and evidence of the payment of all insurance premiums then due and owing.

(v) Environmental Reports. Lender shall have received a Phase I environmental report (and, if recommended by the Phase I environmental report, a Phase II environmental report) (collectively, the "Environmental Reports") in respect of the Property, in each case reasonably satisfactory in form and substance to Lender.

(vi) Zoning. With respect to the Property, Lender shall have received, at Lender's option, letters or other evidence with respect to the Property from the appropriate municipal authorities (or other Persons) concerning applicable zoning and building laws, in substance reasonably satisfactory to Lender.

(vii) Encumbrances. Borrower shall have taken or caused to be taken such actions in such a manner so that Lender have a valid and perfected first priority Lien as of the Closing Date with respect to the Security Instrument on the Property, subject only to applicable Permitted Encumbrances, and Lender shall have received reasonably satisfactory evidence thereof.

(viii) Flood Certificates. Lender shall have received a Flood Determination Certificate reasonably satisfactory to Lender.

(d) Related Documents. Each additional document not specifically referenced herein, but relating to the transactions contemplated herein, shall be in form and substance reasonably satisfactory to Lender, and shall have been duly authorized, executed and delivered by all parties thereto and Lender shall have received and approved certified copies thereof.

(e) Delivery of Organizational Documents. Borrower shall deliver or cause to be delivered to Lender copies certified by each applicable Loan Party of all organizational documentation related to each Loan Party and/or the formation, structure, existence, good standing and/or qualification to do business, as Lender may request in its sole discretion, including good standing certificates, qualifications to do business in the appropriate jurisdictions, resolutions authorizing the entering into of the Loan, execution and delivery of the Loan Documents, as applicable, and incumbency certificates as may be requested by Lender.

(f) Opinions of Borrower's Counsel. Lender shall have received opinions from Borrower's counsel with respect to the due execution, authority, enforceability of the Loan Documents and such other matters as Lender may require, all such opinions in form, scope and substance satisfactory to Lender and Lender's counsel in their reasonable discretion.

(g) Basic Carrying Costs. Borrower (or other Persons) shall have paid all basic carrying costs relating to the Property which are in arrears, if any, including without limitation, (i) accrued but unpaid insurance premiums, (ii) currently due Taxes (including any in arrears) and (iii) currently due other charges, which amounts shall be funded with proceeds of the Loan.

(h) Completion of Proceedings. All corporate and other proceedings taken or to be taken in connection with the transactions contemplated by this Agreement and other Loan Documents and all documents incidental thereto shall be reasonably satisfactory in form and substance to Lender, and Lender shall have received all such counterpart originals or certified copies of such documents as Lender may reasonably request.

(i) Payments. All Payment Reserves, payments, deposits or escrows required to be made or established by Borrower under this Agreement, the Note and the other Loan Documents on or before the Closing Date shall have been paid.

(j) Intentionally Omitted.

(k) Material Adverse Change. There shall have been no material adverse change in the financial condition or business condition of any Loan Party or the Property since the date of the most recent financial statements delivered to Lender. The income and expenses of the Property, the occupancy thereof, and all other features of the transaction shall be as represented to Lender without material adverse change. No Loan Party nor any of its constituent Persons shall be the subject of any bankruptcy, reorganization, or insolvency proceeding.

(l) Lease. Lender shall have received a fully executed copy of the Lease Agreement, which shall be satisfactory in form and substance to Lender.

(m) Tenant Estoppels. Lender shall have received an executed estoppel letter, which shall be in form and substance satisfactory to Lender, from Operator under the Lease Agreement.

(n) Subordination and Attornment. Lender shall have received appropriate instruments acceptable to Lender subordinating the Lease Agreement designated by Lender to the Security Instrument. Lender shall have received an agreement to attorn to Lender satisfactory to Lender from any tenant under a Lease that does not provide for such attornment by its terms.

(o) Tax Lot. Lender shall have received evidence that the Property constitutes one (1) or more separate tax lots, which evidence shall be reasonably satisfactory in form and substance to Lender.

(p) Physical Condition Reports. Lender shall have received physical condition reports with respect to the Property, which reports shall be reasonably satisfactory in form and substance to Lender.

(q) Intentionally Omitted.

(r) Appraisal. Lender shall have received an appraisal of the Property, which shall be satisfactory in form and substance to Lender.

(s) Acquisition. The acquisition of the Property, the Facility and related assets shall have been completed and consummated as contemplated by the Purchase Agreement, all on terms and conditions reasonably satisfactory to Lender.

(t) Intentionally Omitted.

(u) Further Documents. Lender or its counsel shall have received such other and further approvals, opinions, documents and information as Lender or its counsel may have reasonably requested including the Loan Documents in form and substance satisfactory to Lender and its counsel.

ARTICLE III

BORROWER'S REPRESENTATIONS AND WARRANTIES

To induce Lender to enter into this Agreement, and to make the Loan to Borrower, Borrower represents and warrants to Lender as follows:

3.1 Existence, Power and Qualification. Borrower is a duly organized and validly existing limited liability company, has the power to own or lease its properties and to carry on its business as is now being conducted, and is duly qualified to do business and is in good standing in every jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes qualification necessary. Operator is a duly organized and validly existing corporation, has the power to own or lease its properties and to carry on the Business, and is duly qualified to do business and is in good standing in every jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes its qualification necessary.

3.2 Power and Authority. Borrower has full power and authority to borrow the Indebtedness evidenced by the Note and to incur the Loan Obligations provided for herein, all of which have been authorized by all proper and necessary action. All consents, approvals authorizations, orders or filings of or with any court or Governmental Authority, if any, required for the execution, delivery and performance of the Loan Documents by any Loan Party have been obtained or made. Each Loan Party has the full power and authority to incur liabilities and obligations provided for in the respective Loan Documents to which it is a party, all of which have been authorized by all proper and necessary action. All consents, approvals authorizations, orders or filings of or with any court or Governmental Authority, if any, required for the execution, delivery and performance of the Loan Documents by each Loan Party have been obtained or made.

3.3 Due Execution and Enforcement. Each of the Loan Documents to which a Loan Party is a party constitutes a legal, valid and binding obligation of the Loan Party, enforceable in accordance with its respective terms (except as such enforcement may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity) and does not violate, conflict with, or constitute any default under any law, government regulation, decree, judgment, the Loan Party's articles of organization or incorporation, partnership agreement/operating agreement or by-laws, as applicable, or any other material agreement or instrument binding upon the Loan Party. There is no valid offset, defense, counterclaim or right of rescission available to Borrower with respect to any of the Loan Documents.

3.4 Single Purpose Entity. Borrower is a Single Purpose Entity.

3.5 Pending Matters.

(A) Operations; Financial Condition. No action or investigation is pending or, to Borrower's knowledge, threatened before or by any court or administrative agency which could reasonably be expected to result in any material adverse change in the financial condition, operations of a Loan Party. No Loan Party, to its knowledge, is in violation of any agreement, the violation of which could reasonably be expected to have a material adverse effect on its business or assets. No Loan Party, to its knowledge, is in violation of any order, judgment, or decree of any court, or any statute or governmental regulation to which it is subject.

(B) Property Improvements. There are no proceedings pending or, to Borrower's knowledge, threatened in writing to acquire through the exercise of any power of condemnation, eminent domain or similar proceedings any part of the Property, the Improvements or any interest therein, or to enjoin or similarly prevent or restrict the use of the Property or the operation of any of the Facility in any material manner. None of the Improvements is subject to any unrepaired casualty or other damage.

3.6 Financial Statements Accurate. All financial statements heretofore or hereafter provided by or on behalf of each Loan Party are and will be true and complete in all material respects as of their respective dates and fairly present in all material respects the respective financial condition of such Loan Party as of such date, and there are no material liabilities, direct or indirect, fixed or contingent, as of the respective dates of such statements that would be required to be reflected therein or in the notes thereto under GAAP and which are not reflected therein or in the notes thereto or in a written certificate delivered with such statements. The financial statements of each Loan Party have been and will be prepared in accordance with GAAP. There has been no material adverse change in the financial condition, or operations of any Loan Party since the dates of such statements previously delivered except as fully disclosed in writing with the delivery of such statements. All financial statements of the operations of the Facility hereafter provided to Lender will be true and complete in all material respects as of their respective dates, and to Borrower's knowledge, all such financial statements provided to Lender shall be true and correct in all material respects.

3.7 Compliance with Facility Laws.

(a) Borrower, Spence Rd and Operator, as applicable, are the lawful holders of all Permits for the Facility, all of which (i) are in full force and effect; (ii) constitute all of the Permits required for the use, operation and occupancy thereof; (iii) have not been pledged as collateral for any other loan or Indebtedness; (iv) are held free from restrictions or any encumbrance which would materially adversely affect the use or operation of the Facility; and (v) are not provisional, probationary or restricted in any way.

(b) To Borrower's knowledge after due inquiry, Borrower Operator and the operation of the Facility and the Business are in compliance in all material respects with the applicable Limited Governmental Requirements. No waivers of any laws, rules, regulations, or requirements are required for the Facility to operate as a cannabis drying, trimming, packaging and processing facility.

3.8 Governmental Proceedings and Notices. Loan Parties have received no notice of, and to Borrower's knowledge, neither Borrower, the Operator nor the Facility is currently the subject of any proceeding by any Governmental Authority and no written notice of any violation has been received from a Governmental Authority that would, directly or indirectly, or with the passage of time, (i) have a material adverse impact on Operator's ability to operate the Business, or (ii) modify, limit or annul or result in the transfer, suspension, revocation or imposition of probationary use of any of the Permits.

3.9 Pledges of Accounts. Borrower has not pledged its Accounts as collateral security for any loan or Indebtedness other than the Loan.

3.10 Payment of Taxes and Property Impositions. Each Loan Party has filed all federal, state, and local tax returns which it is required to file and has paid, or made adequate provision for the payment of, all taxes which are shown pursuant to such returns or are required to be shown thereon or to assessments received by any Loan Party. All such returns are complete and accurate in all respects. Borrower has paid or made adequate provision for the payment of all applicable Taxes, governmental assessments and other outstanding governmental charges (including, without limitation, water and sewer charges) and ground rents (if applicable) due with respect to the Property.

3.11 Title to Collateral. Borrower has good and marketable title to the Mortgaged Property described in the Security Instrument executed by Borrower and all of the other Collateral, subject to no lien, mortgage, pledge, encroachment, zoning violation, or encumbrance, except Permitted Encumbrances. There are no senior, pari passu or junior mortgages or mortgage liens encumbering the Property or any portion thereof other than the Security Instrument and other than such liens that will be released at the Closing. No rights exist which under law could give rise to any lien that would be prior to or equal with the lien of the Security Instrument.

3.12 Priority of Mortgage. The Security Instrument constitutes a legal, valid and enforceable first lien against the Borrower's fee interest in the Mortgaged Property in the principal amount of the Loan, prior to all other liens or encumbrances, including those which may hereafter accrue, excepting only Permitted Encumbrances and other than such liens that will be released at the Closing. The Security Instrument and the other Loan Documents establish and create a valid and enforceable lien on the property described therein. There are no subordinate mortgages or junior liens encumbering the Mortgaged Property. There is no mezzanine debt related to the Mortgaged Property. The Assignment of Rents and Leases creates a valid first-priority collateral assignment of, or a valid first-priority lien or security interest in, rents and certain rights under the related lease or leases, subject only to a license granted to the Borrower to exercise certain rights and to perform certain obligations of the lessor under such lease or leases, including the right to operate the related leased property. The Pledge Agreement creates a valid first-priority collateral assignment of, or a valid first-priority lien or security interest in, the Spence Rd Equity. The enforceability of the Security Instrument, the Assignment of Lease and the Pledge Agreement may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity. No person other than Borrower owns any interest in any payments due under such lease or leases that is superior to or of equal priority with Lender's interest therein.

3.13 Location of Chief Executive Offices. The location of Borrower's principal place of business and chief executive office is 20800 Spence Road, Salinas, California 93908 and the location of each other Loan Party's principal place of business and chief executive office is 20 Quail Run Circle, Salinas, California 93907.

3.14 Disclosure. All information furnished or to be furnished by a Loan Party to Lender in connection with the Loan or any of the Loan Documents, is, or will be at the time the same is furnished, accurate and correct in all material respects and complete insofar as completeness may be necessary to provide Lender with true and accurate knowledge of the requested information.

3.15 Trade Names. No Loan Party has changed its legal name, been known by any other name or been a party to a merger, reorganization or similar transaction within the last five (5) years.

3.16 ERISA. Borrower is in compliance with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

3.17 Ownership. The record ownership of each Loan Party is correctly and accurately set forth on Schedule 3.17.

3.18 Intentionally Omitted.

3.19 Bankruptcy. Neither the Mortgaged Property, nor any portion thereof, is the subject of, and none of Borrower, Operator or Guarantor is a debtor in, any state or federal bankruptcy, insolvency or similar proceeding. Each Loan Party is solvent for purposes of 11 U.S.C. §548, and the borrowing of the Loan will not render any Loan Party insolvent for purposes of 11 U.S.C. §548.

3.20 Lease Agreement. The Lease Agreement (a) is in full force and effect and there are no defaults (either monetary or non-monetary) by the Borrower or Operator thereunder; (b) has a term extending for not less than five (5) years following the Closing Date; and (c) provides for an annual aggregate triple net rent of no less than the sum of 1.00 times Debt Service plus annual real estate property taxes and annual property insurance.

3.21 Other Indebtedness. Borrower has no outstanding Indebtedness, secured or unsecured, direct or contingent (including any guaranties), other than: (a) the Loan, and (c) Indebtedness which represents trade payables or accrued expenses incurred in the ordinary course of business of owning and operating the Property. No other Indebtedness will be secured (senior, subordinate or pari passu) by the Property.

3.22 Other Obligations. Borrower has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Borrower is a party or by which Borrower or the Property or other Collateral is otherwise bound, other than obligations incurred in the ordinary course of the operation of the Property, other than obligations under the Security Instrument and the other Loan Documents.

3.23 Fraudulent Conveyances. Borrower: (a) has not entered into this Agreement or any of the other Loan Documents with the actual intent to hinder, delay, or defraud any creditor; and (b) has received reasonably equivalent value in exchange for its obligations under the Loan Documents. Giving effect to the transactions contemplated by the Loan Documents, the fair saleable value of Borrower's assets exceeds and will, immediately following the execution and delivery of the Loan Documents, be greater than Borrower's probable liabilities, including the maximum amount of its contingent liabilities or its debts as such debts become absolute and mature. Borrower's assets do not and, immediately following the execution and delivery of the Loan Documents will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. Borrower does not intend to, and does not believe that it will, incur debts and liabilities (including, without limitation, contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of Borrower).

3.24 Fixtures, Furniture and Equipment. Borrower, Operator or Spence Rd owns or leases the fixtures and Equipment required by all state and federal laws and regulations for the operation of the Property.

3.25 Sole Purpose. Borrower warrants, represents and agrees that Borrower is a single purpose entity that has not engaged in any business other than the acquisition and leasing and the operation of the Facility.

3.26 Use of Loan Proceeds. The proceeds of the Loan shall be used to acquire the Property, to fund the Debt Reserve and to pay closing costs and fees pursuant to the terms and conditions set forth herein.

3.27 Intentionally Omitted.

3.28 Other Proceedings. There is no pending, filed or, to Borrower's knowledge, threatened action, suit or proceeding, arbitration or, to the Borrower's knowledge, governmental investigation involving Borrower, Operator, Guarantor, Spence Rd or the Mortgaged Property, an adverse outcome of which would reasonably be expected to materially and adversely affect (a) title to the Mortgaged Property, (b) the validity or enforceability of the Security Instrument, (c) Borrower's ability to perform under the Loan Documents, (d) Guarantor's ability to perform under the Loan Documents to which it is a party, (e) the use, operation or value of the Mortgaged Property, (f) the principal benefit of the security intended to be provided by the Loan Documents, (g) the current ability of the Mortgaged Property to generate net cash flow sufficient to service the Loan, or (h) the current principal use of the Mortgaged Property.

3.29 Access. The Property (a) is located on or adjacent to a public road and has direct legal access to such road, or has access via an irrevocable easement or irrevocable right of way permitting ingress and egress to/from a public road, (b) is served by or has uninhibited access rights to public or private water and sewer (or well and septic) and all required utilities, all of which are appropriate for the current use of the Property, and (c) constitutes one or more separate tax parcels which do not include any property which is not part of the Mortgaged Property.

3.30 Encroachments. Based solely on the Survey and the Title Policy, all material Improvements are within the boundaries of the Property, except encroachments that do not materially and adversely affect the value or current use of the Mortgaged Property, after taking into account any applicable provisions of the Title Policy. No improvements on adjoining parcels encroach onto the Property except for encroachments that do not materially and adversely affect the value or current use of the Mortgaged Property, after taking into account any applicable provisions of the Title Policy. No improvements encroach upon any easements except for encroachments the removal of which would not materially and adversely affect the value or current use of the Mortgaged Property after taking into account any applicable provisions of the Title Policy.

ARTICLE IV

AFFIRMATIVE COVENANTS OF BORROWER

Borrower agrees with and covenants unto Lender that until the Loan Obligations have been paid in full:

4.1 Payment of Loan/Performance of Loan Obligations. Borrower shall duly and punctually pay or cause to be paid the principal and interest of the Note in accordance with its terms and duly and punctually pay and perform or cause to be paid or performed all Loan Obligations hereunder and under the other Loan Documents.

4.2 Maintenance of Existence. Borrower shall maintain its existence as a limited liability company and shall cause each of Operator and Spence Rd to maintain its existence as a limited liability company, and Borrower shall maintain its qualification to do business and cause each of Operator and Spence Rd to maintain its qualification to do business in the jurisdiction in which the Mortgaged Property is located and in each other jurisdiction in which the character of the property owned by either of them or in which the transaction of its business makes qualification necessary.

4.3 Maintenance of Single Purpose. Borrower shall maintain its existence as a Single Purpose Entity.

4.4 Accrual and Payment of Taxes. During each fiscal year, Borrower shall make, and shall cause Operator and Spence Rd to make, accurate provision for the payment of all current tax liabilities of all kinds, including, without limitation, federal and state income taxes, franchise taxes, payroll taxes and Taxes, all required withholding of income taxes of employees, and pay the same prior to delinquency.

4.5 Insurance. Borrower shall maintain, or cause Operator to maintain, the following insurance coverages with respect to the Property, the Improvements and the Facility thereon:

(a) Insurance against loss or damage by fire, casualty and other hazards as now are or subsequently may be covered by a comprehensive "all risk" policy or a policy covering "special" causes of loss, with such endorsements as are customarily required by institutional lenders of similar properties similarly situated, including, without limitation, building ordinance or law, demolition, incurred cost of construction, lightning, windstorm, civil commotion, hail, riot, strike, water damage, sprinkler leakage, collapse, malicious mischief, explosion, smoke, aircraft, vehicles, vandalism, falling objects and weight of snow, ice or sleet, and covering the Facility in an amount equal to one hundred percent (100%) of the full insurable replacement value of the Facility (exclusive of footings and foundations below the lowest basement floor) without deduction for depreciation. The determination of the replacement cost amount shall be determined by the "Insurable Value" or "Cost Approach to Value" as reflected in an appraisal, with a waiver of depreciation, and shall be adjusted annually to comply with the requirements of the insurer issuing the coverage, or as may be determined to be reasonably required by Lender, and, unless the insurance required by this paragraph shall be effected by blanket and/or umbrella policies in accordance with the requirements of this Agreement, the policy shall include inflation guard coverage that ensures that the policy limits will be increased over time to reflect the effect of inflation. Each policy shall, subject to Lender's reasonable approval, contain: (i) a replacement cost endorsement, without deduction for depreciation; (ii) either an agreed amount endorsement or a waiver of any co-insurance provisions; and (iii) an ordinance or law coverage or enforcement endorsement if the Improvements or the use of the Property constitutes any legal nonconforming structures or uses, and shall provide for reasonable deductibles.

(b) Commercial general liability insurance under a policy containing "Comprehensive General Liability Form" of coverage (or a comparably worded form of coverage) and the "Broad Form CGL" endorsement (or a policy which otherwise incorporates the language of such endorsement), providing coverage on an occurrence (or "claims made") basis, which policy shall include, without limitation, coverage against claims for personal injury, bodily injury, death and property damage liability with respect to the Facility and the operations related thereto, whether on or off the Property, and the following coverages: Product Liability/Completed Operations; Broad Form Contractual Liability, Independent Contractor, Personal Injury and Advertising Injury Protection, Broad Form Cross Suits Liability Endorsement, where applicable, hired and non-owned automobile coverage (including rented and leased vehicles), and, if any alcoholic beverages shall be sold, manufactured or distributed in the Facility, liquor liability coverage, all of which shall be in such amounts not less than One Million Dollars (\$1,000,000) per occurrence, Three Million Dollars (\$3,000,000) in the aggregate. The deductible amount shall not exceed \$50,000 per occurrence. Such liability policy shall delete the contractual exclusion under the personal injury coverage, if possible, and if available, shall include the following endorsements: Notice of Accident, Knowledge of Occurrence, and Unintentional Error and Omission.

(c) Professional liability insurance coverage for the Facility combined in an amount equal to One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate, with each deductible not to exceed \$100,000 in the aggregate.

(d) Loss of rents insurance for the Property: (i) covering the same perils of loss as are required to be covered by the property insurance required under Section 4.5(a) above; (ii) in an amount of 100% of the gross rental income of the Facility for a period of twelve (12) months as projected by Borrower to the reasonable satisfaction of Lender, containing a 180-day extended period of indemnity endorsement; (iii) including either an agreed amount endorsement or a waiver of any co-insurance provisions, so as to prevent Borrower, Lender and any other insured thereunder from being a co-insurer; and (iv) providing that any covered loss thereunder shall be payable to Lender.

(e) During the period of any new construction on the Property, a so-called "Builder's All-Risk Completed Value" or "Course of Construction" insurance policy in non-reporting form for any improvements under construction, including, without limitation, for demolition and increased cost of construction or renovation, in an amount equal the amount of the general contract plus the value of any existing trust note for improvements and materials stored on or off the real property, including "soft cost" coverage, and Workers' Compensation Insurance covering all persons engaged in such construction, in an amount at least equal to the minimum required by law. In addition, each contractor and subcontractor shall be required to provide Lender with a certificate of insurance for (i) workers' compensation insurance covering all persons engaged by such contractor or subcontractor in such construction in an amount at least equal to the minimum required by law, and (ii) general liability insurance showing minimum limits of at least Five Million Dollars (\$5,000,000), including coverage for products and completed operations. Each contractor and subcontractor also shall cover Borrower and Lender as an additional insured under such liability policy and shall indemnify and hold Borrower and Lender harmless from and against any and all claims, damages, liabilities, costs and expenses arising out of, relating to or otherwise in connection with its performance of such construction.

(f) If the Facility contains steam boilers, steam pipes, steam engines, steam turbines or other high pressure vessels, insurance covering the major components of the central heating, air conditioning and ventilating systems, boilers, other pressure vessels, high pressure piping and machinery, elevators and escalators, if any, and other similar equipment installed in the Improvements, in an amount equal to one hundred percent (100%) of the full replacement cost thereof, which policies shall insure against physical damage to and loss of occupancy and use of the Improvements arising out of an accident or breakdown covered thereunder.

(g) Flood Hazard insurance, in the maximum amount allowable by law, if any portion of the Improvements is located in a federally designated "special flood hazard area" and in which flood insurance is available. In lieu thereof, Lender will accept proof, satisfactory to it in its sole discretion, that the improvements are not within the boundaries of a designated "special flood hazard area."

(h) Workers' compensation insurance or other similar insurance which may be required by governmental authorities or applicable legal requirements in an amount at least equal to the minimum required by law.

(i) Intentionally omitted.

(j) Additional Requirements/Provisions:

(i) Borrower is required to provide Lender with original renewals or replacements of such insurance policies or certificates during the Term of the Loan.

(ii) If the Facility is located in a seismically active area or an area prone to geologic instability and mine subsidence, Lender may require an inspection by a qualified structural or geological engineer satisfactory to Lender, and at Borrower's expense. The Facility must be structurally and geologically sound and capable of withstanding normal seismic activity or geological movement. Lender reserves the right to require earthquake insurance or Maximum Probable Loss insurance on a case-by-case basis based upon the reasonable recommendations of such engineer.

(iii) All insurance policies shall have a term of not less than one (1) year and shall be in the form and amount and with deductibles as, from time to time, shall be reasonably acceptable to Lender. Except for the insurance coverage pursuant to Section 4.5(c) above, all insurance coverages apply to the Property and Facility separately. All such policies shall be primary, provide for loss payable solely to Lender and shall contain a standard “non-contributory mortgagee” endorsement or its equivalent relating, inter alia, to recovery by Lender notwithstanding the negligent or willful acts or omissions of Borrower and notwithstanding: (i) occupancy or use of the Facility for purposes more hazardous than those permitted by the terms of such policy; (ii) any foreclosure or other action taken by Lender pursuant to the Security Instrument upon the occurrence of an Event of Default thereunder; or (iii) any change in title or ownership of the Facility.

(iv) All insurance policies must be written by a licensed insurance carrier in the State in which the Facility is located and that has a long-term senior debt rating of at least “A-VIII” by Standard & Poor’s Rating Service.

(v) All liability insurance policies must name “Viridescent Realty Trust, Inc., and its successors and/or assigns as their interests may appear” as additional insureds, and all property insurance policies (including those provided for in 4.5(a), (d), (e), (f), (g) and (i) as applicable) must name “Viridescent Realty Trust, Inc., and its successors and/or assigns as their interests may appear” as the named mortgage holder entitled to all insurance proceeds as loss payee. Lender shall have the right, without Borrower’s consent, by notice to the insurance company and to Borrower, to change the additional insured and named mortgagee endorsements in connection with any sale, assignment or other transfer of the Loan.

(vi) All insurance policies for the above required insurance must provide for thirty (30) days prior written notice of cancellation to Lender.

(vii) Policies or binders, together with the evidence of the above required insurance on ACORD Form 27 or its equivalent, must be submitted to Lender prior to setting the interest rate on the Loan. Borrower shall not carry separate insurance, concurrent in kind or form or contributing in the event of loss, with any insurance required under this Section 4.5. If the limits of any policy required hereunder are reduced or eliminated due to a covered loss, Borrower shall pay the additional premium, if any, in order to have the original limits of insurance reinstated, or Borrower shall purchase new insurance in the same type and amount that existed immediately prior to the loss.

(viii) If Borrower fails to maintain and deliver to Lender the original policies or certificates of insurance required by this Agreement, Lender may, at its option and following five (5) days' prior written notice to Borrower, procure such insurance and Borrower shall pay or, as the case may be, reimburse Lender for, all premiums thereon promptly, upon demand by Lender, with interest thereon from the date paid by Lender to the date of repayment and such sum shall constitute a part of the Loan Obligations.

(ix) The insurance required by this Agreement may, at the option of Borrower, be effected by blanket and/or umbrella policies issued to Borrower or to an Affiliate of Borrower covering the Facility and the properties of such Affiliate; provided that, in each case, the policies otherwise comply with the provisions of this Agreement and allocate to the Facility, from time to time, the coverage specified by this Agreement, without possibility of reduction or coinsurance by reason of, or damage to, any other property (real or personal) named therein. If the insurance required by this Agreement shall be effected by any such blanket or umbrella policies, Borrower shall furnish to Lender original policies or certified copies thereof, with schedules attached thereto showing the amount of the insurance provided under such policies which is applicable to the Facility.

(x) Neither Lender nor its agents or employees shall be liable for any loss or damage insured by the insurance policies required to be maintained under this Agreement; it being understood that: (i) Borrower shall look solely to its insurance company for the recovery of such loss or damage; (ii) such insurance company shall have no rights of subrogation against Lender or any of its agents or employees; and (iii) Borrower shall use its best efforts to procure from such insurance company a waiver of subrogation rights against Lender. If, however, such insurance policies do not provide for a waiver of subrogation rights against Lender (whether because such a waiver is unavailable or otherwise), then Borrower hereby agrees, to the extent permitted by law and to the extent not prohibited by such insurance policies, to waive its rights of recovery, if any, against Lender and each of its agents and employees, whether resulting from any damage to the Facility, any liability claim in connection with the Facility or otherwise. If any such insurance policy shall prohibit Borrower from waiving such claims, then Borrower must obtain from such insurance company a waiver of subrogation rights against Lender.

(k) Lender agrees that Lender shall make the net proceeds of insurance or condemnation (after payment of Lender's reasonable costs and expenses) available to Borrower for Borrower's repair, restoration and replacement of the Improvements and Equipment damaged or taken on the following terms and subject to Borrower's satisfaction of the following conditions:

(i) Omitted;

(ii) At the time of such loss or damage and at all times thereafter while Lender is holding any portion of such proceeds, there shall exist no Default or Event of Default;

(iii) The Improvements and Equipment for which loss or damage has resulted shall be capable of being restored to its preexisting condition and utility in all material respects with a value equal to or greater than that which existed prior to such loss or damage and such restoration shall be capable of being completed prior the original Maturity Date of the Loan;

(iv) Within thirty (30) days from the date of such loss or damage Borrower shall have given Lender a written notice electing to have the proceeds applied for such purpose;

(v) Within sixty (60) days following the date of notice under the preceding subparagraph 4.5(k)(iv) and prior to any proceeds being disbursed to Borrower, Borrower shall have provided to Lender all of the following:

(A) complete plans and specifications for restoration, repair and replacement of the Improvements and Equipment damaged to the condition, utility and value required by Section 4.5(k)(iii) above;

- (B) if loss or damage exceeds \$250,000, if reasonably available, fixed-price or guaranteed maximum cost bonded construction contracts for completion of the repair and restoration work in accordance with such plans and specifications;
- clause; (C) if required by Lender, builder's risk insurance for the full cost of construction with Lender named under a standard mortgagee loss-payable
- (D) such additional funds as in Lender's reasonable opinion are necessary to complete such repair, restoration and replacement; and
- (E) copies of all permits and licenses, if any, necessary to complete the work in accordance with the plans and specifications;
- (vi) Lender may, at Borrower's expense, retain an independent inspector to review and approve plans and specifications and completed construction and to approve all requests for disbursement, which approvals shall be conditions precedent to release of proceeds as work progresses;
- (vii) No portion of such proceeds shall be made available by Lender for architectural reviews or for any other purposes which are not directly attributable to the cost of repairing, restoring or replacing the Improvements and Equipment for which a loss or damage has occurred unless the same are covered by such insurance;
- (viii) Borrower shall diligently pursue such work and shall complete such work prior to the earlier to occur of the expiration of business interruption insurance or the Maturity Date;
- (ix) Omitted;
- (x) Each disbursement by Lender of such proceeds and deposits shall be funded only upon receipt of disbursement requests on an AIA G702/703 form (or similar form approved by Lender) signed and certified by Borrower and, if required by the Lender, its architect and general contractor with appropriate invoices and lien waivers as reasonably required by Lender; and
- (xi) Lender shall have a first lien and security interest in all building materials and completed repair and restoration work and in all fixtures and equipment acquired with such proceeds, and Borrower shall execute and deliver such mortgages, deeds of trust, security agreements, financing statements and other instruments as Lender shall request to create, evidence, or perfect such lien and security interest.
- (xii) In the event and to the extent such insurance proceeds are not required or used for the repair, restoration and replacement of the Improvements and Equipment for which a loss or damage has occurred because the conditions set forth herein for such application are otherwise not satisfied, then Lender shall be entitled without notice to or consent from Borrower to apply such proceeds, or the balance thereof, at Lender's option either (A) to the full or partial payment or prepayment of the Loan Obligations (without premium) in the manner aforesaid, or (B) to the repair, restoration and/or replacement of all or any part of such Improvements and Equipment for which a loss or damage has occurred.

(l) Borrower appoints Lender as Borrower's attorney-in-fact to cause the issuance of or an endorsement of any insurance policy to bring Borrower into compliance herewith and, as limited above, at Lender's sole option during the continuance of an Event of Default, to make any claim for, receive payment for, and execute and endorse any documents, checks or other instruments in payment for loss, theft, or damage covered under any such insurance policy; however, in no event will Lender be liable for failure to collect any amounts payable under any insurance policy.

Notwithstanding anything contained in this Agreement, including, without limitation, this Section 4.5 or elsewhere in any other Loan Document to the contrary, Lender hereby acknowledges that (i) as of the Closing Date, Borrower has obtained the insurance coverages as described on Exhibit E attached hereto (collectively, the "Existing Insurance Coverages") and (ii) for so long as any portion of the Loan remains outstanding and Lowell SR LLC remains the borrower hereunder, the Existing Insurance Coverages shall satisfy the coverage requirements set forth in this Section 4.5 and otherwise set forth in the Loan Documents. Accordingly, so long as the Borrower maintains the Existing Insurance Coverages in full force and effect, as the same may be modified or amended with the prior written consent of Lender, such consent not to be unreasonably withheld, the insurance requirements relative to the Loan and the Property shall be deemed satisfied. If at any time any of the Existing Insurance Coverages is no longer in effect, then Borrower shall be solely responsible for satisfaction of the insurance requirements of this Section 4.5.

4.6 Financial and Other Information. Borrower shall provide to Lender, and cause the Operator and Guarantor to provide to Lender, at its address set forth in Section 9.7, the following financial statements and information on a continuing basis during the Term of the Loan:

(a) Annual from Parent. Within one hundred twenty (120) days after the end of each calendar year, Borrower shall deliver to Lender financial statements for Parent and its consolidated subsidiaries (including Guarantor, Operator and Borrower) prepared in accordance with Regulation S-X in the form filed by Parent with the Securities and Exchange Commission or, if Parent is not then a U.S. reporting company, prepared in accordance with GAAP. Such financial statements shall include for each such year a (A) balance sheet, (B) statement of income and (C) statement of stockholders equity. Such financial statements shall be manually signed and certified as true and correct by an officer of Parent.

(b) Periodic from Borrower. Within sixty (60) days after the end of each calendar quarter, Borrower shall deliver to Lender unaudited financial statements for Borrower for such calendar quarter. Such financial statements shall include for each such quarter a (A) balance sheet and (B) statement of income. All such financial statements shall be manually signed and certified as true and correct in all material respects by an officer of Borrower.

(c) Periodic from Operator. Within sixty (60) days after the end of each calendar quarter, Operator shall deliver to Lender unaudited financial statements for Operator for such calendar quarter. Such financial statements shall include for each such quarter a (A) balance sheet and (B) statement of income. All such financial statements shall be manually signed and certified as true and correct in all material respects by an officer of Operator.

(d) Annual from Guarantor. Within one hundred twenty (120) days after the end of each calendar year, Borrower shall deliver to Lender unaudited financial statements for such calendar year for the Guarantor (which shall at a minimum include a detailed balance sheet and a detailed statement of net worth). Each such financial statement shall be manually signed and certified as true and correct by an officer of the Guarantor.

(e) Tax Returns. Within fifteen (15) days after the filing deadline (including any applicable extension thereof), as may be extended from time to time, copies of all federal tax returns, if any, of Borrower, Guarantor and Operator, together with all supporting documentation and required schedules.

(f) Insurance Report. As soon as practicable and in any event by the last day of each calendar year, a report in form and substance satisfactory to Lender outlining all material insurance coverage maintained as of the date of such report by the Loan Parties in respect of the Property, and all material insurance coverage planned to be maintained by the Loan Parties with respect to the Property in the immediately succeeding calendar year.

(g) Information Regarding Collateral. Borrower will furnish to Lender prompt written notice 30 days in advance of any change (i) in any Loan Party's identity or corporate structure, or (ii) in any Loan Party's Federal Taxpayer Identification Number. Borrower also agrees promptly to notify Lender if Collateral having a value equal to or greater than \$250,000 is damaged or destroyed. Further, to the extent not paid by Lender from the Payment Reserves, Borrower agrees to furnish Lender, within one hundred twenty (120) days after the end of each calendar year, evidence of the payment of all property taxes owing in respect of each Property for such calendar year.

(h) Post-Closing Lien Searches. As soon as practicable and in any event within thirty (30) days following the Closing Date, at Borrower's sole cost expenses, copies of such UCC and real property lien searches as Lender shall determine to be necessary to evidence the perfection and first-priority nature of the security interests granted to Lender pursuant to the Loan Documents.

(i) Other Requirements.

(i) Lender reserves the right to require that the annual financial statements of Parent be audited by a nationally or regionally recognized accounting firm or independent certified public accountant registered with the PCAOB, at its cost and expense, if: (A) an Event of Default exists; or (B) Lender has reasonable grounds to believe that any unaudited annual financial statements do not accurately represent the financial condition of Parent.

(ii) Lender reserves the right to require such other financial information of Borrower or Operator as Lender may reasonably request, and Borrower agrees promptly to provide or to cause to be provided, such information to Lender. All financial statements must be in the form and detail as Lender may from time to time reasonably requests.

4.7 Intentionally Omitted.

4.8 Books and Records. Borrower shall keep and maintain, or cause to be kept and maintained, at all times and upon Lender's request shall make available, complete and accurate books of account and records (including copies of supporting bills and invoices) adequate to reflect correctly the results of the operation of the Facility, and copies of all written contracts, leases, subleases (if any), and other instruments which affect the Property, which books, records, contracts, leases, subleases (if any) and other instruments shall be subject to examination and inspection at any reasonable time by Lender (upon reasonable advance notice during normal business hours, which for such purposes only may be given orally, except in the case of an emergency or during the continuance of an Event of Default, in which case no advance notice shall be required); provided, however, that if an Event of Default has occurred and is continuing, Borrower shall deliver or cause to be delivered to Lender upon written demand copies of all books, records, contracts, leases and subleases (if any) and other instruments relating to the Facility or its operation, other than such documents required by law to be maintained at the Facility and Borrower authorizes Lender to obtain a credit report on Borrower at any time.

4.9 Payment of Indebtedness. Borrower shall duly and punctually pay or cause to be paid all other Indebtedness now owing or hereafter incurred by Borrower in accordance with the terms of such Indebtedness, except such Indebtedness owing to those Persons other than Lender which is being contested in good faith and with respect to which any execution against properties of Borrower has been effectively stayed and for which reserves or other collateral for the payment and security, as the case may be, thereof have been established as determined by Lender in its reasonable discretion.

4.10 Conduct of Business. Borrower shall conduct, or cause Operator to conduct, the operation of the Facility in accordance with the following:

(A) to operate the Facility in a prudent manner and in compliance, in all material respects, with applicable laws and regulations relating thereto;

(B) to maintain sufficient Equipment of types and quantities at the Facility to enable Operator adequately to perform operations of the Facility;

(C) to keep all Improvements and Equipment located on or used or useful in connection with the Facility in good repair, working order and condition, reasonable wear and tear excepted, and from time to time make all needed and proper repairs, renewals, replacements, additions, and improvements thereto to keep the same in good operating condition; and

(D) to keep all required Permits and insurance coverage current and in full force and effect.

4.11 Intentionally Omitted.

4.12 Financial Covenants. Borrower covenants and agrees that for so long as the Loan or any part thereof is unpaid, the membership interests in Borrower and Spence Rd shall not be pledged for the benefit of any Person other than in favor of Lender.

4.13 Fixtures, Furniture and Equipment. Borrower will cause all fixtures, furniture and equipment at the Facility to be owned by Borrower.

4.14 Intentionally Omitted.

4.15 Updated Appraisals. For so long as the Loan remains outstanding, if any Event of Default shall occur and continue hereunder, or if, in Lender's reasonable judgment, a material depreciation in the value of the Property shall have occurred, Lender, may cause the Property to be appraised by an appraiser selected by Lender, and in accordance with Lender's appraisal guidelines and procedures then in effect, and Borrower agrees to cooperate, and to cause Operator to cooperate, in all respects with such appraisals and furnish to the appraisers all reasonably requested information regarding the Property and the Facility. Borrower agrees to pay all reasonable costs incurred by Lender in connection with such appraisal which costs shall be secured by the Security Instrument and, to the extent not paid within 15 days of written demand therefor by Lender, shall accrue interest at the Default Rate until paid.

4.16 Comply with Covenants and Laws. Borrower shall comply and cause Operator to comply, in all material respects, with all applicable covenants and restrictions of record with respect to the Property and all Limited Governmental Requirements.

4.17 Taxes and Other Charges. Subject to Borrower's right to contest the same as set forth in Section 9(d) of the Security Instrument, Borrower shall pay or cause to be paid all Taxes, assessments, charges, claims for labor, supplies, rent, and other obligations which, if unpaid, might give rise to a Lien against property of Borrower, except Liens to the extent permitted by this Agreement.

4.18 Intentionally Omitted.

4.19 Certificate. Within 10 days after Lender's written request, Borrower shall furnish Lender with a certificate stating that Borrower has complied with and is in compliance with, in all material respects, all terms, covenants and conditions of the Loan Documents to which Borrower is a party and that, to Borrower's knowledge, there exists no Default or Event of Default or, if such is not the case, that one or more specified events have occurred, and that there has been no Material Adverse Effect since the date of this Agreement.

4.20 Notice of Fees or Penalties. Borrower shall immediately notify Lender, upon Borrower's knowledge thereof, of the assessment by any state or licensing agency of any fines or penalties against Borrower, Spence Rd, Operator (with respect to Borrower, Spence Rd or the Facility) or the Facility.

4.21 Lease Agreement.

(a) Borrower shall: (i) maintain or cause to be maintained the Lease Agreement, with a term expiring not earlier than five (5) years after the Closing Date, and an annual aggregate triple net rent of no less than the sum of 1.00 times Debt Service plus annual real estate property taxes, annual property insurance, in full force and effect, (ii) timely perform all of its obligations thereunder, (iii) timely enforce the Lease against Operator; (iv) not waive any Operator obligations under the Lease Agreement without the prior written consent of Lender (which consent may be granted or refused in Lender's sole discretion); and (v) not permit the termination or amendment of the Lease Agreement unless the prior written consent of Lender is first obtained (which consent will not be unreasonably withheld, conditioned or delayed); and

(b) Upon the occurrence and during the continuance of an Event of Default, Lender shall have the right to direct all payments of rent and other amounts due to Borrower under the Lease to be made directly to Lender; and

(c) In the event that bankruptcy or insolvency proceedings are instituted by or against Operator, Borrower shall (to the extent permitted by the applicable bankruptcy court having jurisdiction over such proceedings), upon written instruction received from Lender, terminate the Lease Agreement with the Operator.

4.22 Intentionally Omitted

4.23 Loan Closing Certification. Upon becoming aware of the same, Borrower shall promptly notify Lender in writing of any (i) condemnation or threatened condemnation of the Property or any material portion thereof, (ii) casualty event that is reasonably likely to involve losses in excess of \$250,000 and (iii) any Material Adverse Effect since the date of this Agreement, provided that notification shall not be required pursuant to this Section 4.23 of developments affecting the industry generally in which Guarantor and its consolidated subsidiaries do business or affecting the economy or financial markets as a whole.

4.24 Intentionally Omitted.

4.25 Management. The management of the Facility shall be by Borrower or Operator pursuant to the terms of the Lease Agreement.

4.26 Mortgage Tax. Borrower hereby agrees to pay any and all documentary stamp taxes and intangible taxes which may become due and payable in connection with any of the Security Instrument, together with any fines, penalties, interest or similar charges resulting from the non-payment thereof, whenever the same shall become due and payable, whether upon the recording of the Security Instrument or at any later date. Borrower hereby agrees to indemnify, defend, and hold harmless Lender from and against any and all claims, charges, actions, suits, proceedings, law suits, obligations, losses, damages, expenses or liabilities (joint and/or several) including, without limitation, reasonable attorney's fees, suffered or incurred by Lender as a result of any assessment by any applicable Governmental Authority with respect to recording fees and expenses, including documentary stamp taxes and intangible taxes, now or at any time hereafter payable with respect to the recording of the Security Instrument; this indemnification shall be a continuing one and shall be unaffected by the fact that the Loan has been repaid in full. Borrower acknowledges that Lender has relied and was entitled to rely upon the agreements set forth in this Section as a material condition precedent to the making of the Loan.

ARTICLE V

NEGATIVE COVENANTS OF BORROWER

Until the Loan Obligations have been paid in full, Borrower shall not, nor shall Borrower suffer, permit, tolerate or allow Spence Rd or, where indicated below, Operator or Guarantor to:

5.1 Assignment of Licenses and Permits. Assign or transfer any of its interest in any Permits pertaining to the Facility or the Business, without Lender's prior written consent, which consent may be granted or refused for any reason or for no reason whatsoever in Lender's sole and absolute discretion.

5.2 No Liens; Exceptions. Create, incur, assume or suffer to exist any Lien upon or with respect to the Property and Improvements or any of its properties, rights, income or other assets relating thereto, including, without limitation, the Collateral, whether now owned or hereafter acquired, other than the following permitted Liens:

(a) Liens at any time existing in favor of Lender;

(b) Permitted Encumbrances;

(c) Inchoate Liens arising by operation of law for the purchase of labor, services, materials, equipment or supplies (including as a consequence of the Lease Agreement), provided payment shall not be delinquent and, if such Lien is a lien upon any of the Property or Improvements, such Lien must be fully disclosed to Lender and removed from the Property and Improvements, within thirty (30) days of its creation, in a manner satisfactory to Lender; and

(d) Liens incurred in the ordinary course of business (including as a consequence of the Lease Agreement) in connection with workers' compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, statutory obligations, leases and contracts (other than for money borrowed or for credit received with respect to property acquired) entered into in the ordinary course of business as presently conducted or to secure obligations for surety or appeal bonds.

Notwithstanding anything to the contrary contained herein, Borrower, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity of any Liens, provided that (a) no Event of Default has occurred and remains uncured; (b) such proceeding shall be permitted under and be conducted in accordance with all applicable Legal Requirements; (c) none of the Collateral, the Property nor any part thereof or interest therein will be in imminent danger of being sold, forfeited, terminated, cancelled or lost; (d) Borrower shall promptly upon final determination thereof pay the amount of any such Liens, together with all costs, interest and penalties which may be payable in connection therewith; (e) to insure the payment of such Liens, Borrower shall deliver to Lender either (i) cash, or other security as may be approved by Lender, in an amount equal to one hundred twenty-five percent (125%) of the contested amount, or (ii) a payment and performance bond in an amount equal to one hundred percent (100%) of the contested amount from a surety acceptable to Lender in its reasonable discretion; (f) failure to pay such Liens will not subject Lender to any civil or criminal liability; (g) such contest shall not affect the ownership, use or occupancy of the Property; and (h) Borrower shall, upon request by Lender, give Lender prompt notice of the status of such proceedings and/or confirmation of the continuing satisfaction of the conditions set forth in the foregoing clauses (a) through (h).

Without limitation of Section 5.9, Borrower shall not permit Operator to create, incur, assume or suffer to exist any Lien upon or with respect to any Collateral.

5.3 Merger, Consolidation, Etc. Except as otherwise provided in the Security Instrument, consummate or suffer or permit Operator to consummate any merger, consolidation or similar transaction, or sell, assign, lease or otherwise dispose of substantially all of its assets (whether now or hereafter acquired), without the prior written consent of the Lender, which consent may be granted or refused in Lender's sole discretion, provided that none of the foregoing transactions involving Operator shall require Lender's consent if the successor is a wholly owned subsidiary of Guarantor and such transaction is in accordance with Limited Governmental Requirements and Borrower, Operator and/or any applicable transferee shall execute such documentation as Lender reasonably requires confirming the continued validity and effectiveness of the Loan Documents to which Borrower or Operator, as applicable, is a party. From and after any such transaction, the successor to Borrower or Operator or transferee of the assets of Borrower or Operator, as the case may be, shall constitute "Borrower" or "Operator," as applicable, for all purposes hereunder.

5.4 Maintain Single-Purpose Entity Status. As to Borrower and Spence Rd.:

(a) Dissolve or terminate or materially amend, its certificate of incorporation, articles of organization, operating agreement or partnership agreement or by-laws, the terms of which require Borrower or Spence Rd, as applicable, to be a Single-Purpose Entity;

(b) at any time own any encumbered asset other than (a) in the case of Borrower: (i) the Collateral, and (ii) incidental personal property necessary for the operation of the Property and (b) in the case of Spence Rd, holding those certain Permits which are necessary to enable the operation of the Business at the Property in accordance with all State of California and Monterey County Permits (including cannabis Permits);

(c) at any time be engaged directly or indirectly, in any business other than the ownership, management and operation of the applicable assets described in clause (b) above;

(d) incur, create or assume any Indebtedness, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than, in the case of Borrower: (i) the Loan, or (ii) Indebtedness which represents trade payables or accrued expenses incurred in the ordinary course of business of owning and operating the Property; none of which shall be secured (senior, subordinate or *pari passu*) by the Property;

(e) fail to endeavor to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations, in each case provided that the foregoing shall not require any direct or indirect equity holder to make any additional capital contributions;

(f) fail to do all things necessary to preserve Borrower's or Spence Rd's existence as a Single-Purpose Entity, and will not, nor will it permit any partner, limited or general, member or shareholder thereof, amend, modify or otherwise change its partnership certificate, partnership agreement, articles of organization, operating agreement, articles of incorporation or by-laws in a manner which materially and adversely affects Borrower's or Spence Rd's existence as a Single-Purpose Entity;

(g) fail to maintain books and records separate from those of its Affiliates, including its members, general partners or shareholders, as applicable;

(h) fail to at all times hold itself out to the public as a legal entity separate and distinct from any other entity (including any Affiliate thereof, including the general partner or any member or shareholder of the Borrower, Spence Rd or any Affiliate of the general partner or any member or shareholder of the Borrower or Spence Rd, as applicable); or

(i) fail to maintain its assets in such a manner that it is not costly or difficult to segregate, ascertain or identify its individual assets from those of any Affiliate or any other Person.

5.5 Change of Business. Permit to be conducted at the Facility any activities other than cannabis cultivation, drying, trimming, packaging, extraction, manufacturing and processing, and similar cannabis activities.

5.6 Changes in Accounting. Change, or suffer, permit, tolerate or allow Operator to change, its methods of accounting, unless such change is permitted by GAAP, and provided such change is not for the purpose of curing or preventing what would otherwise be an Event of Default or Default had such change not taken place.

5.7 ERISA Funding and Termination. In the event that Borrower becomes the licensed operator of the Facility, permit (a) the funding requirements of ERISA with respect to any employee plan to be less than the minimum required by ERISA at any time, or (b) any employee plan to be subject to involuntary termination proceedings at any time.

5.8 Transactions with Affiliates. Enter into any transaction with a Person which is an Affiliate of Borrower other than (x) in the ordinary course of its business and on fair and reasonable terms no less favorable to Borrower than those they could obtain in a comparable arms-length transaction with a Person not an Affiliate, (y) transactions that do not have a material adverse effect on the Collateral or Lender and (z) the transactions contemplated by the Loan Documents.

5.9 Transfer of Property or any Ownership Interests. Other than any Permitted Transfer(s) in accordance with the terms hereof, which shall not require the prior written consent of Lender, Borrower shall not, without the prior written consent of Lender, permit or suffer any Transfer.

5.10 Change of Use. Alter or change, or suffer, permit, tolerate or allow Operator to alter or change, the use of the Facility (other than a use permitted by Section 5.5). Enter into any management agreement for the Facility or enter into any Lease for the Facility (other than the Lease Agreement), in each case other than with Guarantor or a wholly owned subsidiary of Guarantor, unless Borrower first notifies Lender and provides Lender a copy of the proposed lease agreement or management agreement, obtains Lender's written consent thereto, and obtains and provides Lender with a subordination agreement in form satisfactory to Lender, as determined by Lender in its sole discretion, from Operator subordinating to all rights of Lender.

5.11 Place of Business. Change, or suffer, permit, tolerate or allow Borrower or Spence Rd to change, its chief executive office or its principal place of business without first giving Lender at least thirty (30) days prior written notice thereof and promptly providing Lender such information and amendatory financing statements as Lender may request in connection therewith.

5.12 Acquisitions. Directly or indirectly, purchase, lease, manage, own, operate, or otherwise acquire any property or other assets (or any interest therein) which are not used in connection with the operation of the Property, Equipment and Improvements or the Facility.

5.13 Dividends, Distributions and Redemptions. As long as any Event of Default exists, or if any Event of Default would result from a distribution, Borrower shall not suffer or permit Guarantor to declare or pay any distributions to its shareholders, members or partners, as applicable, or purchase, redeem, retire, or otherwise acquire for value, any Stock or ownership interests in Guarantor now or hereafter outstanding, return any capital to its shareholders, members or partners as applicable, or make any distribution of assets to its shareholders, members or partners, as applicable, provided that in no event shall (i) the redemption of Class B Common Shares and Class C Common Shares of Guarantor for subordinate voting shares of Parent or (ii) intercompany transfers between Guarantor and Parent to fund expenses of Parent be prohibited by this Section 5.13 so long as Guarantor shall have the financial wherewithal reasonably necessary to perform its obligations under the Loan Documents to which it is a party.

5.14 Conduct of Business. Borrower shall not and shall not permit Operator or Spence Rd to:

(A) Fail to operate the Facility in a prudent manner and in compliance in all material respects with Limited Governmental Requirements and fail to cause all Permits, and any other agreements necessary for the use and operation of the Facility or the Business;

(B) Fail to maintain sufficient Equipment of types and quantities at the Facility to enable Operator adequately to perform operations of the Facility;

(C) Fail to keep all Improvements and Equipment located on or used or useful in connection with the Facility in good repair, working order and condition, reasonable wear and tear excepted, and from time to time and fail to make all needed and proper repairs, renewals, replacements, additions, and improvements thereto to keep the same in good operating condition; and

(D) Fail to keep all required Permits and insurance coverage current and in full force and effect.

5.15 Regulated Assets. Notwithstanding anything to the contrary herein, only those authorized to possess and handle marijuana for medical/recreational use pursuant to any law relating to the farming, growth, manufacturing, production, processing, extraction, packaging, sale or distribution of any marijuana or marijuana-related product, including any cannabidiol product, are permitted to possess regulated assets, such as marijuana and marijuana-infused products, without being subject to law enforcement action. Therefore, all such regulated assets are not subject to seizure by Lender or other parties unauthorized to possess them; rather, Lender must seek and obtain approval from the applicable Governmental Authorities, or otherwise comply with the requirements thereof as set forth above, before Lender and/or Lender's agents and employees during the continuance of an Event of Default may lawfully, in addition to and not in derogation of any remedies from any preceding breach of this Agreement, immediately or at any time thereafter and with process of law enter into upon any areas of the Facility in which cannabis products are sold, processed, stored or manufactured or any part thereof in the name of the whole and repossess the same and expel Borrower or Operator and those claiming through or under Borrower or Operator and remove its and their effects, without prejudice to any remedies which might otherwise be used for arrears of payments due under or with respect to the Loan or prior breach of covenant. Nothing herein shall be construed to permit Lender to possess, sell or otherwise dispose of Lender's property that is cannabis or cannabis-infused product or any waste product from the processing thereof. If required by applicable Legal Requirements, Lender shall at no time possess keys to any areas of the Facility in which cannabis products are sold, store or manufactured, and shall, at all times during any access to any portion of the Premises in which cannabis products are sold, stored or manufactured, be accompanied by a member of Borrower's management team.

ARTICLE VI

ENVIRONMENTAL HAZARDS

6.1 Prohibited Activities and Conditions. Borrower shall not cause or permit, or suffer or permit Operator or Spence Rd to cause, permit or suffer, any of the following (other than in the ordinary course of business and to the extent not resulting in a material adverse effect on Borrower, Spence Rd or Operator):

(a) The presence, use, generation, release, treatment, processing, storage (including storage in above ground and underground storage tanks), handling, or disposal of any Hazardous Materials in, on, under, at or from the Property or any Improvements in violation of applicable Hazardous Materials Laws;

(b) The transportation of any Hazardous Materials to, from, or across the Property in violation of applicable Hazardous Materials Laws,

(c) Any occurrence or condition on the Property or in the Improvements or any other property of Borrower that is adjacent to the Property, which occurrence or condition is in violation of Hazardous Materials Laws; or

(d) Any material violation of or noncompliance with the terms of any Environmental Permit with respect to the Property, the Improvements or any property of Borrower that is adjacent to the Property.

The matters described in clauses (a) through (d) above are referred to collectively in this Article VI as "Prohibited Activities and Conditions" and individually as a "Prohibited Activity and Condition."

6.2 Intentionally Omitted.

6.3 Preventive Action. Borrower shall take all appropriate steps (including the inclusion of appropriate provisions in the Lease Agreement approved by Lender which are executed after the date of this Agreement) to prevent its employees, agents, contractors, tenants and occupants of the Facility from causing or permitting any Prohibited Activities and Conditions.

6.4 Intentionally Omitted.

6.5 Borrower's Environmental Representations and Warranties. Except as disclosed in the Phase 1 Environmental Report prepared by Rincon Consultants, Inc., dated April 8, 2021 and provided to Lender, Borrower represents and warrants to Lender that:

(a) Borrower has not, to its knowledge, at any time caused or permitted any Prohibited Activities and Conditions;

(b) To Borrower's knowledge, no Prohibited Activities and Conditions exist with respect to the Facility;

(c) Borrower has complied in all material respects with all Hazardous Materials Laws, including all requirements for notification regarding releases of Hazardous Materials. Without limiting the generality of the foregoing, Borrower has obtained all Environmental Permits required for the operation of the Facility, Property and the Improvements in accordance with Hazardous Materials Laws now in effect and all such Environmental Permits are in full force and effect. To Borrower's knowledge, no event has occurred or condition exists with respect to the Facility, Property and/or Improvements that constitutes, or with the passing of time or the giving of notice would constitute, material noncompliance with any Hazardous Materials Law or the terms of any Environmental Permit;

(d) There are no actions, suits, claims or proceedings pending or, to Borrower's knowledge, threatened that involves the Facility, Property and/or the Improvements or allege, arise out of, or relate to any Prohibited Activity and Condition;

(e) Borrower has not received any written complaint, order, notice of violation or other communication from any Governmental Authority with regard to air emissions, water discharges, noise emissions or Hazardous Materials, or any other environmental matters affecting the Facility, Property, the Improvements or any other property of Borrower that is adjacent to the Property.

6.6 Notice of Certain Events. Borrower shall promptly notify Lender in writing of any and all of the following that may occur:

(a) Borrower's, Spence Rd's or Operator's discovery of any Prohibited Activity and Condition;

(b) Borrower's, Spence Rd's or Operator's receipt of any written complaint, order, notice of violation or other communication from any Governmental Authority or other Person with regard to present, or future alleged violations of Hazardous Materials Law, Prohibited Activities and Conditions or any other materially environmental matters affecting the Property, the Improvements or any other property of Borrower that is adjacent to the Property; and/or

(c) Any such notice given by Borrower shall not relieve Borrower or any other Person of, or result in a waiver of, any obligation under this Agreement, the Note, or any of the other Loan Documents.

6.7 Costs of Inspection. Borrower shall pay promptly the costs of any environmental inspections, tests or audits required by Lender in connection with any foreclosure or deed in lieu of foreclosure, or, if required by Lender, as a condition of Lender's consent to any "Transfer" (to the extent required hereunder), or required by Lender following a reasonable determination by Lender that Prohibited Activities and Conditions may exist. Any such costs incurred by Lender (including the reasonable fees and out-of-pocket costs of attorneys and technical consultants whether incurred in connection with any judicial or administrative process or otherwise) which Borrower fails to pay promptly shall become an additional part of the Loan Obligations.

6.8 Remedial Work. If any investigation, site monitoring, containment, clean-up, restoration or other remedial work ("Remedial Work") is necessary to comply with any Hazardous Materials Law or order of any Governmental Authority that has or acquires jurisdiction over the Property, the Improvements or the use, operation or improvement of the Property under any Hazardous Materials Law, Borrower shall, by the earlier of (a) the applicable deadline required by Hazardous Materials Law or (b) thirty (30) days after notice from Lender demanding such action, begin performing the Remedial Work, and thereafter diligently prosecute it to completion, and shall in any event complete such work by the time required by applicable Hazardous Materials Law. If Borrower fails to begin on a timely basis or diligently prosecute any required Remedial Work, Lender may, at its option and after five (5) days' prior written notice, cause the Remedial Work to be completed, in which case Borrower shall reimburse Lender on demand for the cost of doing so. Any reimbursement due from Borrower to Lender shall become part of the Loan Obligations.

6.9 Cooperation with Governmental Authorities Borrower shall cooperate with any inquiry by any Governmental Authority and shall comply with any governmental or judicial order which arises from any Hazardous Materials Law or any alleged Prohibited Activity and Condition.

6.10 Indemnity.

(a) Borrower and Guarantor shall hold harmless, defend and indemnify: (i) Lender, (ii) omitted; (iii) any subsequent owner or holder of any interest in the Note; (iv) the officers, directors, partners, agents, shareholders, employees and trustees of any of the foregoing; and (v) the heirs, legal representatives, successors and assigns of each of the foregoing (together, the "Indemnitees") against all proceedings, claims, damages (excluding punitive, consequential, indirect or special damages except to the extent actually awarded in favor of a third party), losses, liabilities, expenses, penalties, costs, fines, encumbrances, liens, judgments, assessments, obligations or settlement payments (whether initiated or sought by any Governmental Authority or private parties), including reasonable fees and expenses of attorneys, expert witnesses and Remedial Work, whether incurred in connection with any judicial or administrative process or otherwise, arising directly or indirectly from any of the following:

(A) Any breach of any representation or warranty of Borrower or any other Loan Party, as applicable, in this Article VI or the Environmental Indemnity Agreement;

(B) Any failure by Borrower or any other Loan Party, as applicable, to perform any of their obligations under this Article VI or the Environmental Indemnity Agreement;

(C) The existence or alleged existence of any Prohibited Activity and Condition;

(D) The presence or alleged presence of Hazardous Materials in, on, around or under the Property, the Improvements or any property of Borrower that is adjacent to the Property; or

(E) Compliance with or actual or alleged violation of any Hazardous Materials Law.

(b) Counsel selected by Borrower to defend Indemnitees shall be subject to the reasonable approval of those Indemnitees, which approval shall not be unreasonably withheld, delayed or conditioned. Notwithstanding anything contained herein, any Indemnitee may elect to defend any claim or legal or administrative proceeding at the Borrower's expense if such Indemnitee has reason to believe that its interests are not being adequately represented or diverge from other interests being represented by such counsel (but Borrower shall be obligated to bear the expense of at most only one such separate counsel). Nothing contained herein shall prevent an Indemnitee from employing separate counsel in any such action at any time and participating in the defense thereof at its own expense.

(c) Borrower shall not, without the prior written consent of those Indemnitees who are named as parties to a claim or legal or administrative proceeding (a "Claim") settle or compromise the Claim if the settlement (i) does not include as an unconditional term the delivery by the claimant or plaintiff to Lender of a written release of those Indemnitees, reasonably satisfactory in form and substance to Lender; or (ii) would reasonably be expected to materially and adversely affect any Indemnitee, as determined by such Indemnitee in its sole but reasonable discretion.

(d) The liability of Borrower to indemnify the Indemnitees shall not be limited or impaired by any of the following, or by any failure of Borrower or any other Loan Party to receive notice of or consideration for any of the following:

(i) Any amendment or modification of any Loan Document;

(ii) Any extensions of time for performance required by any of the Loan Documents;

(iii) The accuracy or inaccuracy of any representations and warranties made by Borrower under this Agreement or any other Loan Document;

(iv) The release of Borrower or any other Person, by Lender or by operation of law, from performance of any obligation under any of the Loan Documents; and

(v) The release or substitution in whole or in part of any security for the Loan Obligations.

(e) Borrower shall, at its own cost and expense, do all of the following:

(i) Pay or satisfy any judgment or decree that may be entered against any Indemnitee or Indemnitees in any legal or administrative proceeding incident to any matters against which Indemnitees are entitled to be indemnified under this Article VI or the Environmental Indemnity Agreement;

(ii) Reimburse Indemnitees for any expenses paid or incurred in connection with any matters against which Indemnitees are entitled to be indemnified under this Article VI or the Environmental Indemnity Agreement; and

(iii) Reimburse Indemnitees for any and all expenses, including reasonable fees and costs of attorneys and expert witnesses, paid or incurred in connection with the enforcement by Indemnitees of their rights under this Article VI or the Environmental Indemnity Agreement, or, except as otherwise provided herein, in monitoring and participating in any legal or administrative proceeding.

(f) In any circumstances in which the Lender employs in accordance with Section 6.10(b) its own separate legal counsel and consultants to prosecute, defend or negotiate any Claim or legal or administrative proceeding and Lender, with the prior written consent of Borrower (which shall not be unreasonably withheld, delayed or conditioned) may settle or compromise any Claim or legal or administrative proceeding, Borrower shall reimburse Lender upon demand for all costs and expenses incurred by Lender, including all costs of settlements entered into in good faith, and the fees and out of pocket expenses of such attorneys and consultants.

(g) The provisions of this Article VI shall be in addition to any and all other obligations and liabilities that Borrower may have under the applicable law or under the other Loan Documents, and each Indemnitee shall be entitled to indemnification under this Article VI without regard to whether Lender or that Indemnitee has exercised any rights against the Property and/or any Improvements or any other security, pursued any rights against any Indemnitee, or pursued any other rights available under the Loan Documents or applicable law. If Borrower consists of more than one person or entity, the obligation of those persons or entities to indemnify the Indemnitees under this Article VI shall be joint and several. The obligations of Borrower to indemnify the Indemnitees under this Article VI shall survive any repayment or discharge of the Loan Obligations, any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the lien of the Security Instrument.

ARTICLE VII

PAYMENT RESERVES

7.1 Establishment of Payment Reserves. Borrower understands and agrees that, notwithstanding the establishment of the Debt Reserve as herein required, all of the proceeds of the Loan have been, and shall be considered, fully disbursed and shall bear interest and be payable on the terms provided in the Loan Documents.

7.2 Required Repairs. Borrower shall perform or cause Operator to perform all of the repairs to the Property as more particularly set forth on Exhibit B (the Required Repairs). The Required Repairs shall be completed in a good and workmanlike manner on or before the "completion date" if any, set forth on Exhibit B for the particular item of the Required Repairs.

7.3 Debt Reserve.

(a) On the Closing Date, if applicable, Borrower shall deposit with Lender, for the purposes of establishing a Debt Reserve for purposes of the payment of the Debt and satisfaction of the Loan Obligations, the amount equal to \$100,750.00, to be held as Collateral for the payment of the Debt and satisfaction of the Loan Obligations. Amounts so deposited are referred to as the "Debt Reserve".

(b) The Debt Reserve shall be disbursed by the Lender and applied to the Debt and other Loan Obligations as determined by Lender during the Term of the Loan. Within ninety (90) days following any disbursement of funds from the Debt Reserve, Borrower shall be obligated to replenish the amount of any such disbursement from the Debt Reserve. Upon payment of the Debt and satisfaction of all other Loan Obligations of Borrower under the Loan Documents, to the extent not disbursed, the Debt Reserve, including any interest earned thereon, shall be refunded to Borrower.

7.4 Security Interest in Payment Reserves

(a) Lender or its assignee may hold the Payment Reserves in a separate account or accounts at a depository institution or trust company determined by Lender in its sole discretion. Borrower shall not be entitled to interest on any part of the Payment Reserves. As additional security for the payment and performance by Borrower of the Loan Obligations, Borrower hereby unconditionally and irrevocably assigns, conveys, pledges, mortgages, transfers, delivers, deposits, sets over and confirms unto Lender, and hereby grants to Lender, a security interest in all of Borrower's right, title and interest in (A) the Payment Reserves, (B) the depository or other accounts into which the Payment Reserves have been deposited, (C) all insurance on said accounts, (C) all accounts, contract rights, and general intangibles or other rights and interests pertaining thereto, (E) all sums now or hereinafter therein or represented thereby, (F) all replacements, substitutions or proceeds thereof, (G) all instruments and documents, now or hereafter evidencing the Payment Reserves or such accounts, (H) all powers, options, rights, privileges, and immunities pertaining to the Payment Reserves (including the right to make withdrawals therefrom), and (I) all proceeds of the foregoing. Borrower hereby expressly authorizes and consents to the accounts into which the Payment Reserves have been deposited being held in Lender's name or the name of any entity servicing the Note for Lender, and hereby acknowledges and agrees that Lender, or at Lender's election, such servicing agent, shall have exclusive control over said accounts. Notice of the assignment and security interest granted to Lender herein may be delivered by Lender at any time to the financial institution wherein the Payment Reserves have been established, and Lender, or such servicing entity, shall have possession of all passbooks or other evidences of such accounts. Borrower hereby assumes all risk of loss with respect to amounts on deposit in the Payment Reserves. Borrower shall execute and deliver such account control agreements as may be required by Lender to perfect Lender's lien on and security interest in the Payment Reserves.

(b) During the continuance of an Event of Default, Lender may, but shall not be obligated to, apply at any time the balance then remaining in the Payment Reserves against the Loan Obligations in whatever order Lender shall determine in Lender's sole and absolute discretion. To the extent Lender withdraws any funds from the Payment Reserves as a result of Borrower's Default, Borrower shall replenish the Payment Reserves within ninety (90) days of Lender's written demand. No such application of the Payment Reserves by Lender shall be deemed to cure any Default or Event of Default hereunder except to the extent of the amounts applied, and any such application shall not limit Borrower's obligation to deposit any deficiency of which Lender gives notice. Upon full payment and performance of the Loan Obligations and in accordance with its terms or at such earlier time as Lender may elect, the balance of the Payment Reserves then in Lender's possession shall be paid over to Borrower and no other party shall have any right or claim thereto.

(c) Borrower hereby knowingly, voluntarily, and intentionally stipulates, acknowledges and agrees that the advancement of the funds from the Payment Reserves as set forth herein is at Borrower's direction and is not the exercise by Lender of any right of set off or other remedy upon an Event of Default. Borrower hereby waives all right to withdraw funds from the Payment Reserves, and all rights to receive disbursements from the Payment Reserves except in compliance with the Loan Documents.

(d) During the continuance of an Event of Default, Lender may, without notice or demand (it being expressly agreed by Borrower that Borrower is waiving any notice of acceleration and intent to accelerate) on Borrower, at its option (i) withdraw any and all funds (including, without limitation, interest) then remaining in the Payment Reserves and apply the same, after deducting all reasonable costs and expenses of safekeeping, collection, and delivery (including, but not limited to, reasonable attorneys' fees, costs, and expenses) to the Loan Obligations in such manner as Lender shall determine in its sole and absolute discretion, (ii) exercise any and all rights and remedies of a secured party under the applicable Uniform Commercial Code, and/or (iii) exercise any other remedies available at law or in equity.

The exercise of any or all of Lender's right to initiate and complete a judicial or non-judicial foreclosure under the Security Instrument shall not preclude its exercise of its rights under this Article VII.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

8.1 Events of Default. The occurrence of any one or more of the following shall constitute an "Event of Default" hereunder:

(a) Borrower's failure to pay the entire amount of the Debt and other Loan Obligations on or before the Maturity Date; or

(b) Borrower's failure to pay any regularly scheduled monthly installment of principal or interest (other than the amount payable on the Maturity Date) that is payable on the first day of the month pursuant to this Agreement or any Loan Document within 30 days of such payment date; or

(c) The failure to pay prior to delinquency, any Taxes, insurance premiums or payment of money (other than as provided in Section 8.1(a) or (b)) required by the Note, this Agreement, the Security Instrument, or any of the other Loan Documents (other than amounts owed to the Lender by Borrower), within fifteen (15) days after notice from Lender; or

(d) (i) Dissolution of any Loan Party or (ii) any Transfer that is not a Permitted Transfer or otherwise expressly permitted in this Agreement, the Security Instrument or any of the other Loan Documents; or

(e) The failure of any Loan Party to perform or keep or abide by any term, covenant or condition of any of the Loan Documents (other than as set forth in Section 8.1(a), (b), (c) or (d)), which can be cured with the payment of money, within fifteen (15) days after notice from Lender; or

(f) The failure of any Loan Party to perform or keep or abide by any term, covenant or condition of any of the Loan Documents (other than as set forth in Section 8.1(a), (b), (c) or (d)), that cannot be cured with the payment of money (but is otherwise susceptible of curing), within thirty (30) days after notice from Lender, provided that if such failure cannot reasonably be cured within such thirty (30) day period and Borrower shall have commenced to cure within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such failure, it being agreed that no such extension shall be for a period in excess of sixty (60) days; or

(g) Any Loan Party shall (a) apply for, consent to, acquiesce in, or suffer the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar fiduciary of itself or of all or a substantial part of its property, (b) make a general assignment for the benefit of creditors, (c) admit in writing its inability, or be generally unable to pay its debts as they become due or cease operations of its present business, (d) commence a voluntary case under any state or federal bankruptcy laws (as now or hereafter in effect), (e) be adjudicated a bankrupt or insolvent, (f) file a petition seeking to take advantage of any other law providing for the relief of debtors, or (g) acquiesce to, or fail to have dismissed, within sixty (60) days, any petition filed against it in any involuntary case under such bankruptcy laws; or

(h) a judgment in excess of \$500,000.00 is hereafter awarded against any Loan Party by any court of competent jurisdiction that remains unsatisfied or otherwise in force and effect for a period of sixty (60) days after the date of such award and the enforcement of said judgment against the assets of any Loan Party has not been stayed by an order of a court of competent jurisdiction; or

(i) if any written representation or warranty made to the Lender by any Loan Party is breached or is untrue in any material respect when made and not cured within thirty (30) days of Borrower obtaining knowledge thereof, unless with respect to the foregoing breach or untruth (each, a "**Misrepresentation**") (A) such Misrepresentation was not knowingly or intentionally made, (B) Lender has suffered no material losses on account thereof (or Borrower shall have reimbursed Lender for the amount of such losses) nor has the same resulted in a material adverse change, (C) such Misrepresentation can be cured (meaning that the facts and circumstances underlying the applicable Misrepresentation can be changed such that the applicable representation or information as made or delivered will be true and correct), and (D) such Misrepresentation has been so cured within thirty (30) days after the earlier of (1) the date on which Borrower first has actual knowledge that such Misrepresentation exists, and (2) the date on which Lender first notifies Borrower that such Misrepresentation exists; or

(j) any failure to furnish to Lender financial statements and other information required by Section 4.6 when due; *provided, however*, failure to furnish any financial statements and other information required by pursuant to clauses (e)-(h) of Section 4.6 shall not result in an Event of Default hereunder so long as such information is delivered within twenty (20) days following Lender's request therefore; or

(k) failure to permit an examination of books and records in accordance with Section 4.8 for five (5) Business Days (or two (2) Business Days in the case of an emergency or if an Event of Default has occurred and is continuing) after written request from Lender; or

(l) the Borrower shall convey, transfer or otherwise divest itself of title to the Property; or

(m) the Borrower or Spence Rd shall encumber the Property or any other Collateral with any Indebtedness other than the Loan Obligations without the prior written approval of Lender which approval may be granted or withheld for any reason or for no reason whatsoever in Lender's sole and absolute discretion; or

(n) if at any time while the Loan remains outstanding, the revocation or suspension of any Facility License held by Borrower, Operator or Spence Rd or any other material Permit necessary to operate the Business, provided that the foregoing shall not constitute an Event of Default for so long as Borrower, Operator or Spence Rd, as the case may be, is diligently and expeditiously proceeding to cure the such revocation or suspension and no Material Adverse Effect shall have resulted from such revocation or suspension; or

(o) fraud or material and intentional misrepresentation or material and intentional omission by any Loan Party, any of their respective officers, directors, trustees, members, general partners or managers or any Loan Party in connection with (1) the application for or creation of Loan Obligations, (2) any financial statement, financial report, certification, or other report or information required under this Loan Agreement required to be provided to Lender during the term of Loan Obligations; or

(p) if Borrower or any Operator amends, terminates, assigns or otherwise modifies the Lease Agreement in any material respect or any event of default occurs under the terms of the Lease Agreement, or

(q) if Borrower incurs additional Indebtedness without the prior written approval of the Lender, or

(r) Omitted; or

(s) if Borrower or Operator or any lessee of the Property should be assessed fines or penalties in excess of \$500,000 in the aggregate in any calendar year by any Governmental Authority with jurisdiction over the Facility that is not satisfied within sixty (60) days after the date of such fines or penalties; or

(t) the receipt by Lender of a written notice from any Loan Party that was sent with the intention of terminating, limiting or restricting the indebtedness secured by the Security Instrument.

Notwithstanding anything in this Section, all requirements of notice shall be deemed eliminated if Lender is prevented from declaring an Event of Default by bankruptcy or other applicable law. The cure period, if any, shall then run from the occurrence of the event or condition of Default rather than from the date of notice.

8.2 Remedies. During the continuance of any one or more of the foregoing Events of Default, Lender may, at its option:

(a) If such Event(s) of Default continue for thirty (30) calendar days, declare the entire unpaid principal and accrued but unpaid interest of the Loan Obligations to be, and the same shall thereupon become, immediately due and payable, without presentment, protest or further demand or notice of any kind (including, without limitation, notice of acceleration and notice of intent to accelerate), all of which are hereby expressly waived; provided, however, that immediately upon an Event of Default arising under Section 8.1(g), the Loan Obligations shall automatically and immediately be due and payable in full; and/or

(b) Proceed to protect and enforce its rights by action at law (including, without limitation, bringing suit to reduce any claim to judgment), suit in equity and other appropriate proceedings including, without limitation, for specific performance of any covenant or condition contained in this Agreement; and/or

(c) Exercise any and all rights and remedies afforded by the laws of the United States, the states in which the Property or other Collateral is located or any other appropriate jurisdiction as may be available for the collection of debts and enforcement of covenants and conditions such as those contained in this Agreement and the Loan Documents; and/or

(d) Exercise the rights and remedies of setoff and/or banker's lien against the interest of Borrower in and to every account and other property of Borrower which is in the possession of Lender or any Person who then owns a participating interest in the Loan, to the extent of the full amount of the Loan; and/or

(e) Exercise its rights and remedies pursuant to any of the Loan Documents.

Any failure of Lender to make any election of remedies following an Event of Default shall not constitute a waiver of Lender's right to make the election in the event of any subsequent Event of Default. Borrower: (A) waives all rights and defenses arising out of an election of remedies by Lender even though that election of remedies, such as non-judicial foreclosure with respect to security for Borrower's obligations, has destroyed each of their rights of subrogation and reimbursement against the other by the operation of Section 580(d) of the California Code of Civil Procedure or otherwise; and (B) waives any right to a fair value hearing or similar proceeding following a nonjudicial foreclosure of the Obligations, whether arising under California Code of Civil Procedure Section 580a or otherwise

8.3 Costs of Collection and Enforcement. Borrower agrees to pay (a) all reasonable attorneys' fees and other out-of-pocket costs and expenses of any nature incurred by Lender in connection with the enforcement of Lender's rights and remedies under the Loan Documents, including reasonable attorneys' fees incurred by Lender; (b) all reasonable attorneys' fees, as determined by the court, and all other out-of-pocket costs, expenses and fees incurred by Lender in connection with any suit or proceeding instituted to collect the Loan Obligations or to enforce Lender's and each Lender's rights and remedies under the Loan Documents, whether or not such suit or proceeding is prosecuted to judgment or conclusion; (c) all reasonable attorneys' fees and other out-of-pocket costs and expenses incurred by Lender in connection with any bankruptcy, insolvency or reorganization proceeding or receivership involving Borrower or any affiliate of Borrower, including any guarantor, and including all reasonable attorneys' fees incurred in making any appearances in any such proceeding or in seeking relief from any stay or injunction issued in or arising out of any such proceeding; and (d) all reasonable attorneys' fees and other out-of-pocket costs and expenses incurred in any appellate proceedings and any post-judgment proceedings to collect or enforce the judgment.

8.4 Offsets. No indebtedness shall be deemed to have been offset or shall be offset or compensated by all or part of any claim, cause of action, counterclaim or cross-claim, whether liquidated or unliquidated, which Borrower now or hereafter may have or may claim to have against Lender. Furthermore, in respect to the present indebtedness of, or any future indebtedness incurred by, Borrower to Lender, Borrower waives, to the fullest extent permitted by law, the benefits of any applicable law, regulation, or procedure which substantially provides that, where cross-demands for money have existed between persons at any point in time when neither demand was barred by the applicable statute of limitations, and an action is thereafter commenced by one such person, the other may assert in his answer the defense of payment in that the two demands are compensated so far as they equal each other, notwithstanding that an independent action asserting the claim would at the time of filing the answer be barred by the applicable statute of limitations.

ARTICLE IX

MISCELLANEOUS

9.1 Waiver.

(a) No remedy conferred upon, or reserved to, Lender in this Agreement or any of the other Loan Documents is intended to be exclusive of any other remedy or remedies, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity. Exercise of or omission to exercise any right of Lender shall not affect any subsequent right of Lender to exercise the same. No course of dealing between Borrower and Lender or any delay on Lender's part in exercising any rights shall operate as a waiver of any of Lender's rights. No waiver of any Default under this Agreement or any of the other Loan Documents shall extend to or shall affect any subsequent or other then existing Default or shall impair any rights, remedies or powers of Lender. If Borrower consists of more than one person or entity, each such person or entity shall be jointly and severally liable for the performance of each of the obligations of Borrower to Lender hereunder. rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure. Each Borrower expressly waives any right to receive notice of any judicial or nonjudicial foreclosure or sale of any real property collateral provided by the other Borrowers to secure the Obligations and failure to receive any such notice shall not impair or affect such Borrower's obligations hereunder or the enforceability of this Agreement or the other Loan Documents or any liens created or granted hereby or thereby.

(b) Borrower hereby waives all of its rights under California Civil Code Section 2822, which provides as follows: "(a) The acceptance, by a creditor, of anything in partial satisfaction of an obligation, reduces the obligation of a surety thereof, in the same measure as that of the principal, but does not otherwise affect it. However, if the surety is liable upon only a portion of an obligation and the principal provides partial satisfaction of the obligation, the principal may designate the portion of the obligation that is to be satisfied; and (b) For purposes of this Section and Section 2819, an agreement by a creditor to accept from the principal debtor a sum less than the balance owed on the original obligation, without the prior consent of the surety and without any other change to the underlying agreement between the creditor and principal debtor, shall not exonerate the surety for the lesser sum agreed upon by the creditor and principal debtor.

9.2 Costs and Expenses. Borrower will bear all taxes (other than Excluded Taxes as defined below), fees and expenses (including actual reasonable attorneys' fees and expenses of counsel for Lender) in connection with, the preparation of this Agreement and the other Loan Documents (including any amendments hereafter made), the administration of the Loan by Lender and in connection with any modifications thereto and the recording of any of the Loan Documents. Borrower will bear the reasonable fees and expenses of administration of the Loan by Lender that are allocated by Lender on a consistent basis among all of its portfolio loans, provided that Borrower shall not be required to bear the cost of any general & administrative expenses. If, at any time, an Event of Default occurs and is continuing or Lender becomes a party to any suit or proceeding in order to protect its interests or priority in any collateral for any of the Loan Obligations or its rights under this Agreement or any of the Loan Documents, or if Lender is made a party to any suit or proceeding by virtue of the Loan, this Agreement or any Collateral and as a result of any of the foregoing (other than as a consequence of a dispute with another lender or participant with respect to the Loan Obligations or another third party (unless such dispute is occasioned by Borrower's breach of this Agreement or any of the other Loan Documents)), Lender employs counsel to advise or provide other representation with respect to this Agreement, or to collect the balance of the Loan Obligations, or to take any action in or with respect to any suit or proceeding relating to this Agreement, any of the other Loan Documents, any Collateral, Borrower, or to protect, collect, or liquidate any of the security for the Loan Obligations, or attempt to enforce any security interest or lien granted to Lender by any of the Loan Documents, then in any such events, all of the actual reasonable attorney's fees arising from such services, including attorneys' fees for preparation of litigation and in any appellate or bankruptcy proceedings, and any expenses, costs and charges relating thereto shall constitute additional obligations of Borrower to Lender payable on demand of Lender. Without limiting the foregoing, Borrower has undertaken the obligation for payment of, and shall pay, all recording and filing fees, revenue or documentary stamps or taxes, intangibles taxes, and other taxes, expenses and charges payable in connection with this Agreement, any of the Loan Documents, the Loan Obligations, or the filing of any financing statements or other instruments required to effectuate the purposes of this Agreement (other than Taxes that are (a) imposed on or measured by net income (however denominated), franchise Taxes, or branch profits tax, (b) withholding tax, (c) attributable to a failure to comply with U.S. tax law or (d) withholding tax under the Foreign Account Tax Compliance Act (FATCA) (collectively, "**Excluded Taxes**")), and should Borrower fail to do so, Borrower agrees to reimburse Lender for the amounts paid by Lender, together with penalties or interest, if any, incurred by Lender as a result of underpayment or nonpayment. Such amounts shall constitute a portion of the Loan Obligations, shall be secured by the Security Instrument and, to the extent not paid within 15 days of written demand therefor by Lender, shall bear interest at the Default Rate from the date advanced until repaid.

9.3 Performance of Lender. At its option, upon Borrower's failure to do so after five (5) days' prior written notice, Lender may make any payment or do any act on Borrower's behalf that Borrower or others are required to do to remain in compliance with this Agreement or any of the other Loan Documents, and Borrower agrees to reimburse Lender, on demand, for any payment made or expense incurred by Lender pursuant to the foregoing authorization, including, without limitation, reasonable attorneys' fees, and until so repaid any sums advanced by Lender shall constitute a portion of the Loan Obligations, shall be secured by the Security Instrument and shall, to the extent not paid within 15 days of written demand therefor by Lender, bear interest at the Default Rate from the date advanced until repaid.

9.4 Indemnification. Borrower shall, at its sole cost and expense, protect, defend, indemnify and hold harmless the Indemnified Parties (as defined below) from and against any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages (other than punitive, consequential, indirect or special damages except to the extent actually awarded in favor of a third party), losses, costs, expenses, diminutions in value (but only to the extent actually realized by an Indemnified Party in connection with a sale of the Property by foreclosure, deed in lieu of foreclosure or other similar exercise of remedies under the Loan Documents or any sale of the Property thereafter), fines, penalties, charges, fees, expenses, judgments, awards, amounts paid in settlement, of whatever kind or nature (including but not limited to reasonable attorneys' fees and other costs of defense) imposed upon or incurred by or asserted against Lender by reason of: (a) omitted; (b) any amendment to, or restructuring of, the Loan Obligations and/or any of the Loan Documents; (c) any and all lawful action that may be taken by Lender in connection with the enforcement of the provisions of the Security Instrument, or the Note or any of the other Loan Documents, whether or not suit is filed in connection with same, or in connection with Borrower or Operator and/or any partner, joint venturer, member or shareholder thereof becoming a party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; (d) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Property, the Improvements or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (e) any use, nonuse or condition in, on or about the Property, the Improvements or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (f) any failure on the part of Borrower or Operator to perform or comply with any of the terms of this Agreement or any of the other Loan Documents; (g) any claims by any broker, person or entity claiming to have participated in arranging the making of the Loan evidenced by the Note (other than any such person engaged by Lender); (h) any failure of the Property to be in compliance with any applicable laws; (i) any and all claims and demands whatsoever which may be asserted against Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in a Lease or any replacement or renewal thereof or substitution therefore; (j) performance of any labor or services or the furnishing of any materials or other property with respect to the Property, the Improvements or any part thereof; (k) the failure of any person to file timely with the Internal Revenue Service an accurate Form 1099-b, statement for recipients of proceeds from real estate, broker and barter exchange transactions, which may be required in connection with the Security Instrument, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which the Loan is made; (l) any misrepresentation made to Lender in this Agreement or in any of the other Loan Documents; (m) any tax on the making and/or recording of any of the Security Instrument, the Note or any of the other Loan Documents, other than Excluded Taxes; (n) the violation of any requirements of the Employee Retirement Income Security Act of 1974, as amended; (o) any fines or penalties assessed or any corrective costs incurred by Lender if the Facility or any part of the Property is determined to be in violation of any covenants, restrictions of record, or any applicable laws, ordinances, rules or regulations; or (p) the enforcement by any of the Indemnified Parties of the provisions of this Section 9.4. The foregoing to the contrary notwithstanding, Borrower shall not have any obligation to indemnify an Indemnified Party under this Section 9.4 with respect to any liability that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct of such Indemnified Person. Any amounts payable to Lender by reason of the application of this Section 9.4 shall become immediately due and payable, and shall constitute a portion of the Loan Obligations, shall be secured by any of the Security Instrument, and, to the extent not paid within 15 days of written demand therefor by Lender, shall accrue interest. The obligations and liabilities of Borrower under this Section 9.4 shall survive any termination, satisfaction, assignment, entry of a judgment of foreclosure or exercise of a power of sale or delivery of a deed in lieu of foreclosure of the Security Instrument. For purposes of this Section 9.4, the term "Indemnified Parties" means Lender and any Person who is or will have been involved in the origination of the Loan, any Person who is or will have been involved in the servicing of the Loan, any Person in whose name the encumbrance created by any of the Security Instrument is or will have been recorded, any Person who may hold or acquire or will have held a full or partial interest in the Loan (including, without limitation, any investor in any securities backed in whole or in part by the Loan) as well as the respective directors, officers, shareholder, partners, members, employees, agents, servants, representatives, contractors, subcontractors, affiliates, subsidiaries, participants, successors and assigns of any and all of the foregoing (including, without limitation, any other Person who holds or acquires or will have held a participation or other full or partial interest in the Loan or the Property, whether during the term of the Security Instrument or as a part of or following a foreclosure of the Loan and including, without limitation, any successors by merger, consolidation or acquisition of all or a substantial portion of Lender's assets and business).

9.5 Headings. The headings of the Sections of this Agreement are for convenience of reference only, are not to be considered a part hereof, and shall not limit or otherwise affect any of the terms hereof.

9.6 Survival of Covenants. All covenants, agreements, representations and warranties made herein and in certificates or reports delivered pursuant hereto shall be deemed to have been material and relied on by Lender, notwithstanding any investigation made by or on behalf of Lender, and shall survive the execution and delivery to Lender of the Note and this Agreement.

9.7 Notices, etc. Any notice or other communication required or permitted to be given by this Agreement or the other Loan Documents or by applicable law shall be in writing and shall be deemed received: (a) on the date delivered, if sent by hand delivery (to the person or department if one is specified below) with receipt acknowledged by the recipient thereof; (b) three (3) Business Days following the date deposited in U.S. mail, postage prepaid, certified or registered, with return receipt requested; or (c) one (1) Business Day following the date deposited with Federal Express or other national overnight carrier, and in each case addressed as follows:

If to Borrower: Lowell SR LLC
c/o Indus Holding Company
20 Quail Run Circle
Salinas, California 93907
Attention: Brian Shure
Email: brian.shure@lowellfarms.com

with a copy to: Akerman LLP
1251 Avenue of the Americas, 37th Floor
New York, New York 10020
Attention: Kenneth G. Alberstadt
Email: kenneth.alberstadt@akerman.com

If to Lender: Viridescent Realty Trust, Inc.
c/o Viridescent Capital Partners
10242 Greenhouse Road
Building 1201
Cypress, Texas 77433
Attention: Dante Domenichelli
Email: DDomenichelli@viridescentcapital.com

with a copy to: Seyfarth Shaw LLP
Seaport East
Two Seaport Lane, Suite 300
Boston, Massachusetts 02210
Attention: Robert Edgerton, Esq.
Email: redgerton@seyfarth.com

Any party may change its or its attorney address to another single address by notice given as herein provided, except any change of address notice must be actually received in order to be effective.

9.8 Benefits and Information Sharing. All of the terms and provisions of this Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. No Person other than Borrower and Lender shall be entitled to rely upon this Agreement or be entitled to the benefits of this Agreement. Lender may share with any Affiliates, any and all financial and other information about the Loan Parties obtained by Lender in connection with the Loan, and the Loan Parties hereby authorizes such information sharing.

9.9 Supersedes Prior Agreements; Counterparts. This Agreement and the other Loan Documents referred to herein supersede and incorporate all representations, promises, and statements, oral or written, made by Borrower, Lender in connection with the Loan. This Agreement may not be varied, altered, or amended except by a written instrument executed by an authorized officer of Borrower and Lender. This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, but such counterparts shall together constitute one and the same instrument. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission (including in pdf format) will be effective as delivery of a manually executed counterpart to this Agreement. This Agreement and the other Loan Documents represent the final agreement between the parties with respect to the subject matter hereof and thereof. There are no unwritten oral agreements between the parties.

9.10 Loan Agreement Governs. The Loan is governed by terms and provisions set forth in this Agreement and the other Loan Documents and in the event of any irreconcilable conflict between the terms of the other Loan Documents and the terms of this Agreement, the terms of this Agreement shall control; provided, however, in the event there is any apparent conflict between any particular term or provision which appears in both this Agreement and the other Loan Documents and it is possible and reasonable for the terms of both this Agreement and the Loan Documents to be performed or complied with then (except with respect to the Maturity Date or any extension thereof, in which case this Agreement shall be controlling) notwithstanding the foregoing both the terms of this Agreement and the other Loan Documents shall be performed and complied with.

9.11 CONTROLLING LAW. THE PARTIES HERETO AGREE THAT THE VALIDITY, INTERPRETATION, ENFORCEMENT AND EFFECT OF THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA AND THE PARTIES HERETO SUBMIT (AND WAIVE ALL RIGHTS TO OBJECT) TO NON-EXCLUSIVE PERSONAL JURISDICTION IN THE STATE OF CALIFORNIA, FOR THE ENFORCEMENT OF ANY AND ALL OBLIGATIONS UNDER THE LOAN DOCUMENTS EXCEPT THAT IF ANY SUCH ACTION OR PROCEEDING ARISES UNDER THE CONSTITUTION, LAWS OR TREATIES OF THE UNITED STATES OF AMERICA, OR IF THERE IS A DIVERSITY OF CITIZENSHIP BETWEEN THE PARTIES THERETO, SO THAT IT IS TO BE BROUGHT IN A UNITED STATES DISTRICT COURT, IT SHALL BE BROUGHT IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA OR ANY SUCCESSOR FEDERAL COURT HAVING ORIGINAL JURISDICTION.

9.12 WAIVER OF JURY TRIAL. BORROWER HEREBY WAIVES ANY RIGHT THAT IT MAY HAVE TO A TRIAL BY JURY ON ANY CLAIM, COUNTERCLAIM, SETOFF, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE LOAN, OR (B) IN ANY WAY CONNECTED WITH OR PERTAINING OR RELATED TO OR INCIDENTAL TO ANY DEALINGS OF LENDER AND/OR BORROWER WITH RESPECT TO THE LOAN DOCUMENTS OR IN CONNECTION WITH THIS AGREEMENT OR THE EXERCISE OF ANY PARTY'S RIGHTS AND REMEDIES UNDER THIS AGREEMENT OR OTHERWISE, OR THE CONDUCT OR THE RELATIONSHIP OF THE PARTIES HERETO, IN ALL OF THE FOREGOING CASES WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. BORROWER AGREES THAT LENDER MAY FILE A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY, AND BARGAINED AGREEMENT OF BORROWER IRREVOCABLY TO WAIVE ITS RIGHTS TO TRIAL BY JURY AS AN INDUCEMENT OF LENDER TO MAKE THE LOAN, AND THAT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY DISPUTE OR CONTROVERSY WHATSOEVER (WHETHER OR NOT MODIFIED HEREIN) AMONG BORROWER, LENDER SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

9.13 Intentionally Omitted.

9.14 Patriot Act Compliance.

(a) Borrower will use its good faith and commercially reasonable efforts to comply with the Patriot Act (as defined below) and all applicable requirements of governmental authorities having jurisdiction of the Borrower and the Property, including those relating to money laundering and terrorism, in each case to the extent constituting Limited Governmental Requirements. In the event that the Borrower fails to comply with such Limited Governmental Requirements, then Lender may, at its option, cause the Borrower to comply therewith and any and all reasonable costs and expenses incurred by Lender in connection therewith shall be secured by the Security Instrument and the other Loan Documents and shall be immediately due and payable. For purposes hereof, the term "Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as the same may be amended from time to time, and corresponding provisions of future laws.

(b) Neither the Borrower nor any partner, member, shareholder or other constituent (each a “Constituent of Borrower”) or a partner, member or shareholder of a Constituent of Borrower nor any owner of a direct or indirect interest in the Borrower (i) is listed on any Government Lists (as defined below), (ii) is a person who has been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC (as defined below) or in any enabling legislation or other Presidential Executive Orders in respect thereof, (iii) has been previously indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense (as defined below), or (iv) is currently under investigation by any governmental authority for alleged criminal activity. For purposes hereof, the term “Patriot Act Offense” means any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (i) the criminal laws against terrorism; (ii) the criminal laws against money laundering, (iii) the Bank Secrecy Act, as amended, (iv) the Money Laundering Control Act of 1986, as amended, or the (v) Patriot Act. “Patriot Act Offense” also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense. For purposes hereof, the term “Government Lists” means (i) the Specially Designated Nationals and Blocked Persons Lists maintained by Office of Foreign Assets Control (“OFAC”), (ii) any other list of terrorists, terrorist organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC that Lender notified Borrower in writing is now included in “Governmental Lists”, or (iii) any similar lists maintained by the United States Department of State, the United States Department of Commerce or any other government authority or pursuant to any Executive Order of the President of the United States of America that Lender notified Borrower in writing is now included in “Governmental Lists”.

9.15 Secondary Market Transactions.

(a) Right to Sell. Lender shall have the unrestricted right at any time or from time to time, and without Borrower’s or any other Loan Party’s consent, to assign all or any portion of its rights and obligations hereunder to one or more banks or other financial institutions domiciled in the United States of America (each, an “Assignee”), and Borrower and each other Loan Party agrees that it shall execute, or cause to be executed, such documents, including without limitation, amendments to this Agreement and to any other documents, instruments and agreements executed in connection herewith as Lender shall deem necessary to effect the foregoing. In addition, at the request of Lender and any such Assignee, Borrower shall issue one or more new promissory notes, as applicable, to any such Assignee and, if Lender has retained any of its rights and obligations hereunder following such assignment, to Lender, which new promissory notes shall be issued in replacement of, but not in discharge of, the liability evidenced by the Note held by Lender prior to such assignment and shall reflect the amount of the respective commitments and loans held by such Assignee and Lender after giving effect to such assignment. Upon the execution and delivery of appropriate assignment documentation, amendments and any other documentation required by Lender in connection with such assignment, and the payment by Assignee of the purchase price agreed to by Lender, such Assignee shall be a party to this Agreement and shall have all of the rights and obligations of Lender hereunder (and under any and all other guaranties, documents, instruments and agreements executed in connection herewith) to the extent that such rights and obligations have been assigned by Lender pursuant to the assignment documentation between Lender and such Assignee, and Lender shall be released from its obligations hereunder and thereunder to a corresponding extent; *provided, however*, no assignment, sale, negotiation, pledge, hypothecation or other transfer of any part of any Lender’s interest in and to the Loan shall be effective until such Lender shall have provided Borrower with written notice of such transfer.

(b) Right to Participate. Lender reserves the right to transfer and assign the Loan, or portion thereof, or participation interests therein, but no such transfer or sale of participation interests shall affect or limit the rights and obligations of Lender, Borrower, Operator and Guarantor as set forth in the Loan Agreement. Lender may disclose to, or share with, any actual or prospective transferee or participant all information, including, but not limited to, financial information, in Lender's possession regarding the Loan, Borrower, any other Loan Party, or the Facility.

9.16 Construction. Captions in this Agreement are included solely for convenience and are not to be referred to in construing or interpreting this Agreement. Defined terms may be used in the singular or the plural, as the context requires. All references to time of day mean the then applicable time in New York, New York, unless otherwise expressly provided. Each reference in this Agreement to a particular section is a reference to a section of this Agreement unless otherwise expressly indicated. The words "include," "includes" and "including" are deemed to be followed by the phrase "without limitation". Unless the context in which it is used otherwise clearly requires, the word "or" has the inclusive meaning represented by the phrase "and/or". Unless the context in which it is used otherwise clearly requires, all references to days, weeks and months mean calendar days, weeks and months. If any portion of this Agreement is declared invalid, illegal or unenforceable by any court of competent jurisdiction, such portion shall be deemed severed from this Agreement and the remaining portions shall continue in full force and effect. Time is strictly of the essence of each and every provision of this Agreement. This Agreement shall be governed by and interpreted and enforced under the laws of the United States and the regulations, rules, orders, requirements and policies of any federal departments, offices, bureaus, boards and other agencies, instrumentalities and authorities that have jurisdiction over Lender or this Agreement to the extent that Lender or this Agreement is subject to or governed by such federal laws, regulations, rules, orders, requirements and policies.

9.17 No Partnership. Borrower acknowledges and agrees that the provisions of this Agreement shall not create a partnership, joint venture or any other relationship among the Borrower, Lender except the relationship of borrower and lender. Accordingly, nothing contained in this Agreement or in the other Loan Documents shall obligate or be deemed to obligate Lender to pay any costs, fees or expenses of the Property, or to reimburse Borrower for any such costs or otherwise. In addition, nothing in this Agreement or in any of the other Loan Documents shall be deemed to imply that Lender is an owner or operator of the Property or any business or businesses located thereon or in connection therewith and Lender shall not be deemed to control or review Borrower's ownership or operation of the Property, or any business or businesses located thereon or in connection therewith.

9.18 Financing Statements. Borrower agrees that Lender may file UCC-1 Financing Statements with the following description of the Collateral or a substantially similar description: "ALL ASSETS OF THE DEBTOR, WHEREVER LOCATED, WHETHER NOW OWNED OR EXISTING OR HEREAFTER ACQUIRED OR ARISING, TOGETHER WITH ALL PROCEEDS THEREOF."

9.19 Press Releases. Borrower hereby consents to all news releases, publicity or advertising by Lender, through any media intended to reach the general public, which refers to the Loan Documents or financing evidenced by the Loan Documents, to the Borrower or any of its Affiliates.

9.20 Change in Law. If any change in law, request, rule, guideline or directive of any Governmental Authority enacted after the date hereof to the extend binding on Lender (whether or not having the force of law), or required compliance therewith by such Lender (or any corporation controlling such Lender) (collectively, a “**Change in Law**”), has the effect of increasing such Lender’s cost of making, issuing, funding or maintaining any extension of credit hereunder or committing to do any of the foregoing, or increasing the amount of capital or liquidity required or expected to be maintained by such Lender (or such corporation) or reducing the rate of return on capital (taking into legal and regulatory obligations relating to capital adequacy and liquidity) as a consequence of its obligations under any Loan Document, then, in each case, the Borrower agrees, upon demand by such Lender (which demand shall be accompanied by a written statement setting forth the basis for such demand and a statement as to the method of the calculation of the amount thereof in reasonable detail), to pay to such Lender additional amounts sufficient to compensate such Lender for such increased costs, increased capital or liquidity requirements or reduced rate of return, as the case may be, provided that no such payment of additional amounts shall be required with as a result of any Change in Law with respect to Excluded Taxes.

9.21 Applicability of Cannabis Laws. Borrower and Lender hereby acknowledge (x) that the production, sale, manufacture, possession, and use of cannabis is illegal under Federal Cannabis Laws and other United States federal laws, rules, and regulations, including (a) the investment in a company engaging in such activities, (b) making a loan to a company engaging in such activities, and (c) entering into a transaction with a company engaging such activities, and (y) that some or all of the Loan Documents and some or all of the transactions contemplated thereby may violate or be in violation of Federal Cannabis Laws other United States federal laws, rules, and regulations concerning marijuana or cannabis. Given the foregoing and notwithstanding Federal Cannabis Laws and other United States federal laws, rules, and regulations, the Parties hereby (i) expressly waive any defense to the enforcement of the terms and conditions of this Agreement and the other Loan Documents based upon non-conformance with or violation of applicable laws relating to cannabis and the cannabis industry and (ii) no such violations of Federal Cannabis Laws or other United States federal laws, rules, and regulations shall render this Agreement, the other Loan Documents, or any of the terms and conditions thereof null, void, or otherwise unenforceable, to the extent permitted by applicable legal requirements.

**SIGNATURES AND ACKNOWLEDGEMENTS ON
FOLLOWING PAGES**

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

BORROWER:

LOWELL SR LLC

By: /s/ Mark Ainsworth
Name: Mark Ainsworth
Title: Chief Executive Officer

LENDER:

VIRIDESCENT REALTY TRUST, INC.

By: /s/ Dante Domenichelli
Name: Dante Domenichelli
Title: Chief Operating Officer

EXHIBIT A
LEGAL DESCRIPTION

The land situated in an unincorporated area known as Salinas, the County of Monterey, State of California, and as described as follows:

Parcel I:

Parcel 1, in the Unincorporated Area in the County of Monterey, State of California, as shown and designated on that certain Parcel Map filed March 16, 1977 in Volume 11 of Parcel Maps, at Page 85, records of Monterey County.

Excepting therefrom that mobile home located thereon.

Parcel II:

A non-exclusive right of way, for road and utility purposes, over the Northeasterly 30 feet of the 60 foot right of way along the Northeasterly line of Parcel 1, as shown on said map referred to hereinabove, adjacent to said Parcel 1.

Parcel III:

A non-exclusive right of way 60 feet wide, for drainage purposes, over and across the 60 foot right of way along the Northeasterly line of Parcel 2, as shown on said map referred to hereinabove, and extending from the most Northerly corner of Parcel 1 to the most Northerly corner of Parcel 2, as said right of way and Parcels are shown on the Parcel Map referred to in Parcel I above.

Parcel IV:

A non-exclusive right of way 60 feet wide, for drainage purposes, over and across the 60 foot right of way along the Northeasterly line of Parcel B, and extending from the most Northerly corner of Parcel A to the most Northerly of Parcel B, as said right of way and parcels are shown on that certain Parcel Map filed February 29, 1975 in Volume 8 of Parcel Maps, at Page 62, Records of Monterey County.

Parcel V:

A non-exclusive right of way 60 feet wide, for drainage purposes, along a Northwesterly and Northeasterly line of Parcel B, as said Parcel is shown on the Parcel Maps recorded February 28, 1975 in Volume 8 of Parcel Maps, at Page 62, the centerline of said right of way beginning at the most Easterly North corner of said Parcel B, thence S. 52° 45' West, along said Northwesterly Lot Line, 490.90 feet; thence N. 66° 57' 35", along said Northeasterly Lot Line, 621.71 feet to the most Westerly North corner of said Parcel B

EXHIBIT B
POST CLOSING REPAIRS

None.

EXHIBIT C
AMORTIZATION SCHEDULE

(See attached)

Close Date	6/29/2021
Next payment Date	7/1/2021
Loan Amount	\$9,360,000
Loan Interest Rate	12.50%
Balloon	\$4,500,000
Amort (m)	120

Days	P	Date	Balance	Principal	Interest	Debt Service
	0	6/29/2021	\$9,360,000			
2	1	7/1/2021	\$9,360,000		\$6,500.00	\$6,500.00
31	2	8/1/2021	\$9,360,000		\$100,750.00	\$100,750.00
31	3	9/1/2021	\$9,360,000		\$100,750.00	\$100,750.00
30	4	10/1/2021	\$9,360,000		\$97,500.00	\$97,500.00
31	5	11/1/2021	\$9,360,000		\$100,750.00	\$100,750.00
30	6	12/1/2021	\$9,360,000		\$97,500.00	\$97,500.00
31	7	1/1/2022	\$9,360,000		\$100,750.00	\$100,750.00
31	8	2/1/2022	\$9,360,000		\$100,750.00	\$100,750.00
28	9	3/1/2022	\$9,360,000		\$91,000.00	\$91,000.00
31	10	4/1/2022	\$9,360,000		\$100,750.00	\$100,750.00
30	11	5/1/2022	\$9,360,000		\$97,500.00	\$97,500.00
31	12	6/1/2022	\$9,360,000		\$100,750.00	\$100,750.00
30	13	7/1/2022	\$9,335,453		\$97,500.00	\$97,500.00
31	14	8/1/2022	\$9,310,905	\$24,547.30	\$100,485.78	\$125,033.07
31	15	9/1/2022	\$9,286,102	\$24,803.00	\$100,221.55	\$125,024.55
30	16	10/1/2022	\$9,261,041	\$25,061.36	\$96,730.23	\$121,791.60
31	17	11/1/2022	\$9,235,719	\$25,322.42	\$99,684.82	\$125,007.24
30	18	12/1/2022	\$9,210,132	\$25,586.19	\$96,205.40	\$121,791.60
31	19	1/1/2023	\$9,184,280	\$25,852.72	\$99,136.84	\$124,989.56
31	20	2/1/2023	\$9,158,158	\$26,122.02	\$98,858.57	\$124,980.58
28	21	3/1/2023	\$9,131,764	\$26,394.12	\$89,037.64	\$115,431.77
31	22	4/1/2023	\$9,105,095	\$26,669.06	\$98,293.29	\$124,962.35
30	23	5/1/2023	\$9,078,148	\$26,946.86	\$94,844.73	\$121,791.60
31	24	6/1/2023	\$9,050,920	\$27,227.56	\$97,716.17	\$124,943.73
30	25	7/1/2023	\$9,023,409	\$27,511.18	\$94,280.42	\$121,791.60
31	26	8/1/2023	\$8,995,611	\$27,797.75	\$97,126.97	\$124,924.73
31	27	9/1/2023	\$8,967,524	\$28,087.31	\$96,827.76	\$124,915.07
30	28	10/1/2023	\$8,939,144	\$28,379.89	\$93,411.71	\$121,791.60
31	29	11/1/2023	\$8,910,468	\$28,675.51	\$96,219.95	\$124,895.47
30	30	12/1/2023	\$8,881,494	\$28,974.22	\$92,817.38	\$121,791.60
31	31	1/1/2024	\$8,852,218	\$29,276.03	\$95,599.42	\$124,875.45
31	32	2/1/2024	\$8,822,637	\$29,580.99	\$95,284.29	\$124,865.28
29	33	3/1/2024	\$8,792,748	\$29,889.13	\$88,839.06	\$118,728.18
31	34	4/1/2024	\$8,762,548	\$30,200.47	\$94,644.16	\$124,844.63
30	35	5/1/2024	\$8,732,033	\$30,515.06	\$91,276.54	\$121,791.60
31	36	6/1/2024	\$8,701,200	\$30,832.92	\$93,990.63	\$124,823.55
30	37	7/1/2024	\$8,670,046	\$31,154.10	\$90,637.50	\$121,791.60
31	38	8/1/2024	\$8,638,567	\$31,478.62	\$93,323.41	\$124,802.03
31	39	9/1/2024	\$8,606,760	\$31,806.53	\$92,984.57	\$124,791.10
30	40	10/1/2024	\$8,574,623	\$32,137.84	\$89,653.75	\$121,791.60
31	41	11/1/2024	\$8,542,150	\$32,472.61	\$92,296.28	\$124,768.90
30	42	12/1/2024	\$8,509,339	\$32,810.87	\$88,980.73	\$121,791.60
31	43	1/1/2025	\$8,476,186	\$33,152.65	\$91,593.58	\$124,746.23
31	44	2/1/2025	\$8,442,688	\$33,497.99	\$91,236.73	\$124,734.72
28	45	3/1/2025	\$8,408,841	\$33,846.93	\$82,081.69	\$115,928.62
31	46	4/1/2025	\$8,374,642	\$34,199.50	\$90,511.84	\$124,711.33
30	47	5/1/2025	\$8,340,086	\$34,555.74	\$87,235.85	\$121,791.60
31	48	6/1/2025	\$8,305,171	\$34,915.70	\$89,771.76	\$124,687.46
30	49	7/1/2025	\$8,269,891	\$35,279.40	\$86,512.19	\$121,791.60
31	50	8/1/2025	\$8,234,244	\$35,646.90	\$89,016.19	\$124,663.09
31	51	9/1/2025	\$8,198,226	\$36,018.22	\$88,632.49	\$124,650.71
30	52	10/1/2025	\$8,161,833	\$36,393.41	\$85,398.19	\$121,791.60
31	53	11/1/2025	\$8,125,060	\$36,772.51	\$87,853.06	\$124,625.57
30	54	12/1/2025	\$8,087,905	\$37,155.55	\$84,636.04	\$121,791.60
31	55	1/1/2026	\$8,050,362	\$37,542.59	\$87,057.31	\$124,599.90
31	56	2/1/2026	\$8,012,428	\$37,933.66	\$86,653.20	\$124,586.86
28	57	3/1/2026	\$7,974,099	\$38,328.80	\$77,898.61	\$116,227.41
31	58	4/1/2026	\$7,935,371	\$38,728.06	\$85,832.32	\$124,560.38
30	59	5/1/2026	\$7,896,240	\$39,131.48	\$82,660.12	\$121,791.60
31	60	6/1/2026	\$7,856,701	\$39,539.10	\$84,994.25	\$124,533.35
28	61	6/29/2026	\$0	\$7,856,700.86	\$76,384.59	\$7,933,085.45

EXHIBIT D
PERMITTED ENCUMBRANCES
(See attached)

General and Special taxes for the fiscal year 2021-2022, including any assessments collected with taxes. A lien not yet payable.

First installment due and payable 11/01/2021, delinquent if not paid by 12/10/2021
Second installment due and payable 02/01/2022, delinquent if not paid by 04/10/2022

Intentionally Deleted

The Lien of future supplemental taxes, if any, assessed pursuant to the provisions of section 75, et seq of the revenue and taxation code resulting from changes of ownership or completion of new construction occurring on or after the date of Policy.

Intentionally Deleted

Intentionally Deleted

The effect of a map of community facilities district and the notice of special tax authorization and the lien of any taxes or assessments levied by or bonds issued by County of Monterey, filed in Book 0005, Page(s) 15, assessment maps, as disclosed by a document recorded 2/18/2016 as Instrument No. 2016-14152, Official Records. None currently due as of the date of policy.

Intentionally Omitted

An instrument, upon the terms and conditions contained therein

Entitled: Road Agreement
Dated: 7/3/1975
Executed by and between: Rubicon Construction Company, a corporation et al
Recorded: 7/11/1975, in Book 989, Page 506 of Official Records

An easement for purposes herein stated, and rights incidental thereto as set forth in an instrument

Recorded: In Book 989, Page 511 of Official Records
For: road and utility purposes and incidental purposes
Affects: As shown on ALTA/NSPS Survey as prepared for Lowell Farms, Inc. by Brian M. Wilson for Monterey Bay Engineers, Inc. and dated April 30, 2021 and as last revised _____.

An easement for purposes herein stated, and rights incidental thereto as set forth in an instrument

Recorded: In Book 991, Page 554 of Official Records
For: road and utility and incidental purposes
Affects: As shown on ALTA/NSPS Survey as prepared for Lowell Farms, Inc. by Brian M. Wilson for Monterey Bay Engineers, Inc. and dated April 30, 2021 and as last revised _____.

An easement for purposes herein stated, and rights incidental thereto as set forth in an instrument

Recorded: In Book 991, Page 899 of Official Records
For: road and utility purposes and incidental purposes
Affects: As shown on ALTA/NSPS Survey as prepared for Lowell Farms, Inc. by Brian M. Wilson for Monterey Bay Engineers, Inc. and dated April 30, 2021 and as last revised _____.

An easement for drainage, road, utilities and incidental purposes, as shown on said Parcel Map
Affects: As shown on ALTA/NSPS Survey as prepared for Lowell Farms, Inc. by Brian M. Wilson
for Monterey Bay Engineers, Inc. and dated April 30, 2021 and as last revised _____
Filed: in Book 11 Page 85 of Parcel Maps

Boundary discrepancies that may exist or be disclosed by a Record of Survey filed in Book 18 Page 44 of Record of Surveys
in the office of the County Recorder of said County. As shown on the survey prepared by Monterey Bay Engineers, Inc.,
dated 4/23/2021, Job No. 21-045.

An instrument, upon the terms and conditions contained therein
Entitled: Permit Approval Notice
Recorded: 10/27/1994, in Book 2165, Page 1169, Official Records

Reference is hereby made to the above document for full particulars.

Covenants and restrictions imposed by any land conservation contract executed pursuant to Government Code Sections 5
1200 et seq. (also called the Williamson Act) authorizing the establishment of agricultural preserves. The use of the land
within the preserve may be restricted by the land contract to agricultural, recreational, open-space and other compatible uses.

Any right, interest or claim that may exist, arise or be asserted under or pursuant to the Perishable Agricultural Commodities
Act of 1930, as amended, 7 use 499a, et seq., the Packers and Stockyard Act of 1921, as amended, 7 use isi, etseq., or any
similar state laws.

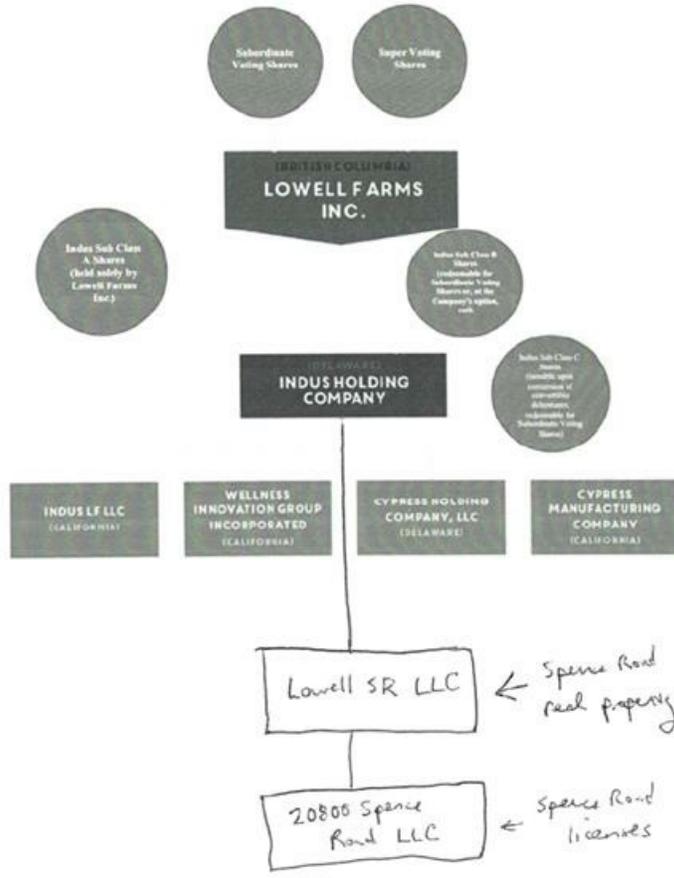
Any rights, interests or claims which may exist or arise by reason of the following facts shown on a survey plate
entitled ALTA/NSPS Land Title Survey 20800 Spence Road Parcel 1 Vol. 11 Parcel Maps, Page 85 dated
4/23/2021 prepared by Monterey Bay Engineers, Inc.

- a) AC Paving (parking) encroaching onto easement for overhead communication and electric
- b) Building encroaching onto easement for overhead communication and electric
- c) 2.9' sump pit extends off property in question on the Southwesterly portion
- d) Line of poles and wires shown no recording reference found
- e) Fence encroaching onto adjoining land on the Northeasterly portion

SCHEDULE 3.17

ORGANIZATIONAL CHART OF EACH LOAN PARTY

(See attached)





LOWELL FARMS COMMISSIONING FIRST-OF-ITS-KIND CANNABIS PROCESSING FACILITY IN SALINAS VALLEY

Facility capable of processing 250,000 lbs. of wholesale cannabis flower annually

Commissioning Lowell Farms Services, a new business unit serving California cultivators with midstream processing services

Brings additional diversity and volume capacity to our consumer brands

Link to Lowell Farms Services Video: <https://vimeo.com/568620561>

SALINAS, CA – Lowell Farms Inc. (“Lowell Farms” or the “Company”) (CSE:LOWL; OTCQX:LOWLF) announced that it has acquired real property and related assets and is commissioning a first-of-its-kind cannabis drying and midstream processing facility located in Monterey County, nearby Lowell’s flagship cultivation operation. The 10-acre, 40,000 sq ft processing facility will provide drying, bucking, trimming, sorting, grading, and packaging operations for up to 250,000 lbs. of wholesale cannabis flower annually. The facility is centrally located in the Salinas Valley with several million square feet of cultivation canopy within a few miles.

The new facility will process nearly all the cannabis grown locally by Lowell at our existing cultivation operations. Additionally, Lowell is commissioning a new business unit called Lowell Farms Services (“LFS”), which will engage in fee-based processing services for regional growers from the Salinas Valley area, one of the largest and fastest growing cannabis cultivation regions in the country.

“We are commissioning LFS to answer a pressing need in the market for which we see no other solution in sight. We seek to service the massive and fast-growing cannabis cultivation industry in California, not to compete with it,” said Lowell Farms Chairman of the Board George Allen. “Large-scale processing and automation are the missing pieces that will make California cannabis dominant in this exciting new frontier,” added Allen.

The facility will initially include eight environmentally-controlled, segregated drying rooms, each capable of accepting ~30,000 pounds of wet cannabis plant material per month. In the facility’s bucking and trimming area, a combination of mechanized and hand trimming services – including a total of 70 flexible trimming stations – will be able to produce up to 800 pounds of flower daily. In addition, in the future, the facility will house one of the country’s first end-to-end, fully-automated pre-roll manufacturing lines, further driving innovation in Lowell’s product offerings and bringing an unprecedented level of choice to the industry’s most discerning customers.

The real property and related assets were acquired from C Quadrant LLC for consideration consisting of \$9.0 million in cash and 7,997,520 of the Company's subordinate voting shares. In conjunction with the transaction, Lowell has entered into a loan with affiliates of Viridescent Realty Trust, Inc. to finance the cash portion of the acquisition with a five-year fixed rate loan secured by the acquired assets.

George Allen, Chairman of the Board for Lowell Farms will deliver a presentation at the [VirtualInvestorConferences.com](https://www.virtualinvestorconferences.com) to conference attendees on Tuesday, June 29, at 4:30 p.m. EST. Registration can be accessed at <https://bit.ly/34Tj6je>

ABOUT LOWELL FARMS INC.

Lowell Farms Inc. (CSE:LOWL; OTCQX:LOWLF) is a California-based vertically-integrated cannabis company with advanced production capabilities supporting every step of the supply chain, including cultivation, extraction, manufacturing, brand sales, marketing, and distribution. Founded in 2014 as Indus Holding Company, Lowell Farms grows artisan craft cannabis with a deep love and respect for the plant, and prides itself on using sustainable materials – from seed to sale – to produce an extensive portfolio of award-winning original and licensed brands, including Lowell Herb Co, Cypress Cannabis, MOON, and Kaizen Extracts, for licensed retailers statewide.

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Forward-Looking Information and Statements

This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved." The forward-looking information and forward-looking statements contained herein may include, but are not limited to, the ability of the Company to successfully achieve its business objectives, including as a result of the described acquisition, including the ability of the Company to complete the commissioning of the acquired facility and achieve the operating and financial performance from such facility as described herein, the extent of the market opportunity available to the facility for the services it is anticipated to make available to third party growers, and expectations for other economic, business, and/or competitive factors. There can be no assurance that such forward-looking information and statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking information and statements. This forward-looking information and statements reflect the Company's current beliefs and are based on information currently available to the Company and on assumptions the Company believes are reasonable.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; operating and development costs; competition; changes in legislation or regulations affecting the Company; the timing and availability of external financing on acceptable terms; the available funds of the Company and the anticipated use of such funds; favorable production levels and outputs; the stability of pricing of cannabis products; the level of demand for cannabis product; the availability of third-party service providers and other inputs for the Company's operations; lack of qualified, skilled labor or loss of key individuals; and risks and delays resulting from the COVID-19 pandemic. A description of additional assumptions used to develop such forward-looking information and a description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the Company's disclosure documents, such as the Company's annual information form filed on the SEDAR website at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward-looking information contained in this news release is expressly qualified by this cautionary statement.

The forward-looking information contained in this news release represents the expectations of the Company as of the date of this news release and, accordingly, is subject to change after such date. However, the Company expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.

Neither the Canadian Securities Exchange nor its Regulation Service Provider has reviewed, or accepts responsibility for the adequacy or accuracy of, the content of this news release.