

# Alcohol & Marijuana Control Office

Initiating License Application

5/14/2021 4:56:53 PM

**License Number:** 10245**License Status:** Active-Operating**License Type:** Retail Marijuana Store**Doing Business As:** AK Slow Burn**Business License Number:** 2110822**Designated Licensee:** Lou Weaver**Email Address:** lou@akslowburn.com**Local Government:** Anchorage (Municipality of)**Local Government 2:****Community Council:** Mountain View**Latitude, Longitude:** 61.130000, -149.503000**Physical Address:** 2042 E. 3rd Ave  
Suite A  
Anchorage, AK 99501  
UNITED STATES**Licensee #1****Type:** Entity**Alaska Entity Number:** 10037194**Alaska Entity Name:** AK SLOW BURN, LLC**Phone Number:** 907-205-1705**Email Address:** lou@akslowburn.com**Mailing Address:** 2042 E 3rd Avenue  
Anchorage, AK 99501  
UNITED STATES**Entity Official #1****Type:** Individual**Name:** Lou Weaver**SSN:** [REDACTED]**Date of Birth:** [REDACTED]**Phone Number:** 907-205-1705**Email Address:** lou@akslowburn.com**Mailing Address:** 2042 E 3rd Avenue  
Anchorage, AK 99501  
UNITED STATES**Note:** No affiliates entered for this license.



Alaska Marijuana Control Board

## Form MJ-20: Renewal Application Certifications

### What is this form?

This renewal application certifications form is required for all marijuana establishment license renewal applications. Each person signing an application for a marijuana establishment license must declare that he/she has read and is familiar with AS 17.38 and 3 AAC 306. A person other than a licensee may not have direct or indirect financial interest (as defined in 3 AAC 306.015(e)(1)) in the business for which a marijuana establishment license is issued, per 3 AAC 306.015(a).

This form must be completed and submitted to AMCO's main office by each licensee (as defined in 3 AAC 306.020(b)(2)) before any license renewal application will be considered complete.

### Section 1 – Establishment Information

Enter information for the licensed establishment, as identified on the license application.

Licensee:	AK Slow Burn, LLC	License Number:	10245		
License Type:	Retail Marijuana Store				
Doing Business As:	AK Slow Burn				
Premises Address:	2042 E. 3rd Avenue, Suite A				
City:	Anchorage	State:	Alaska	ZIP:	99501

### Section 2 – Individual Information

Enter information for the individual licensee who is completing this form.

Name:	Lou Weaver
Title:	Manager/Member

### Section 3 – Violations & Charges

Read each line below, and then sign your initials in the box to the right of any applicable statements:

Initials

I certify that I have not been convicted of any criminal charge in the previous two calendar years.

I certify that I have not committed any civil violation of AS 04, AS 17.38, or 3 AAC 306 in the previous two calendar years.

I certify that a notice of violation has not been issued to this license between July 1, 2020 and June 30, 2021.

Sign your initials to the following statement only if you are unable to certify one or more of the above statements:

Initials

I have attached a written explanation for why I cannot certify one or more of the above statements, which includes the type of violation or offense, as required under 3 AAC 306.035(b).

**Form MJ-20: Renewal Application Certifications****Section 4 – Certifications & Waiver**

Read each line below, and then sign your initials in the box to the right of each statement:

Initials

I certify that no person other than a licensee listed on my marijuana establishment license renewal application has a direct or indirect financial interest, as defined in 3 AAC 306.015(e)(1), in the business for which the marijuana establishment license has been issued.

I certify that I meet the residency requirement under AS 43.23 or I have submitted a residency exception affidavit (MJ-20a) along with this application.

I certify that this establishment complies with any applicable health, fire, safety, or tax statute, ordinance, regulation, or other law in the state.

I certify that the license is operated in accordance with the operating plan currently approved by the Marijuana Control Board.

I certify that I am operating in compliance with the Alaska Department of Labor and Workforce Development's laws and requirements pertaining to employees.

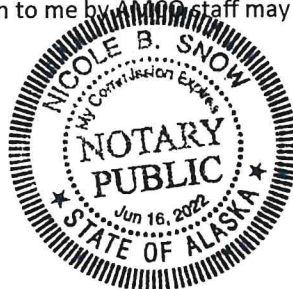
I certify that I have not violated any restrictions pertaining to this particular license type, and that this license has not been operated in violation of a condition or restriction imposed by the Marijuana Control Board.

I certify that I understand that providing a false statement on this form, the online application, or any other form provided by or to AMCO is grounds for rejection or denial of this application or revocation of any license issued.

I, Lou Weaver, hereby waive my confidentiality rights under AS 43.05.230(a) and authorize the State of Alaska, Department of Revenue to disclose any and all tax information regarding this marijuana license to the Alcohol and Marijuana Control Office (AMCO) upon formal request as part of any official investigation as long as I hold, solely, or together with other parties, this marijuana license.

As an applicant for a marijuana establishment license renewal, I declare under penalty of unsworn falsification that I have read and am familiar with AS 17.38 and 3 AAC 306, and that this application, including all accompanying schedules and statements, is true, correct, and complete. I agree to provide all information required by the Marijuana Control Board in support of this application and understand that failure to do so by any deadline given to me by AMCO staff may result in additional fees or expiration of this license.

Signature of licensee



Notary Public in and for the State of Alaska

Lou Weaver  
Printed name of licensee

My commission expires: June 16, 2022

Subscribed and sworn to before me this 18 day of MAY, 2021.

**Superseding Commercial Lease Agreement with Option To Purchase  
FOR 2042 E 3<sup>rd</sup> Avenue, Anchorage, Alaska 99501**

1. **PARTIES.** This Superseding Commercial Lease Agreement (this "Lease"), dated January 15, 2021 is made by and between William A Luth, whose address is PO BOX 428, WILLOW, AK 99688 ( "Landlord") and AK Restorations, LLC, having an address of 2042 E. 3<sup>rd</sup> Ave., Unit A, Anchorage, Alaska 99501 as ("Tenant") hereby supersedes and replaces, in its entirety, the original Business Property Lease agreement dated June 27, 2016 and the 1<sup>st</sup> Amended Lease dated April 1, 2018, attached as **Exhibit "A"** for reference ("Old Leases") and any other previous oral or written agreements between the parties. For clarity sake, both 2016 and 2018 leases refer to Tenant interchangeable as AK Restorations and AK Slow Burn, the two entities are owned by Louis Weaver and are related entities, for purposes of this Lease and the Old Leases are treated as one in the same entity.

Tenant and Landlord collectively are referred to as the "Parties". The Parties intend for this Lease to supersede the Old Leases and intend to have this Lease govern their respective agreements and obligations regarding the real piece of property (referred to herein as the "Premises") which includes the entire building and associated parking at the address commonly known as 2042 E. 3<sup>rd</sup> Ave, Anchorage, Alaska, more particularly described as:

*Lot One (1), Block Twenty-Six B (26B) Fourth Addition to the Townsite of Anchorage, according to plat C-43, Anchorage Recording District, Third Judicial District, State of Alaska.*

2. **PREMISES.** Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord.



3. **TERM.**

3.1 **INITIAL TERM.** This Lease term shall commence on January 15, 2021 and shall continue for five (5) years to January 15, 2026.

3.2 **OPTION TO RENEW.** The Tenant shall have two (2) options to renew the Lease for an additional terms of give (5) years for each renewal term each, so long as Tenant shall provide Landlord with written notice of their election to renew at least thirty (30) days prior to the expiration of the term hereof and so long as Tenant is current as to all obligations contained herein and is not in material default under the terms and conditions set out within this Lease. *Landlord, at his discretion, may increase the rental rate per each renewal term, however, such increase may not be more than a total of 4% for each renewal term.*

4. **RENT & Utilities.**

4.1 **Commencement of Rent.** Rental payment under this lease shall commence on the first day of January, 2021, Tenant shall pay to Landlord monthly rent of \$3500.00

Initial (T)   
Initial (L) 



The said monthly rent shall be payable in advance, on the first (1<sup>st</sup>) day of each calendar month. Rent for any period which is for less than one (1) month shall be a prorate portion of the monthly installment.

4.2 **Utilities & Taxes.** Tenant shall pay for electrical, gas, and refuse associated with its use of the Premises. Tenant acknowledges that city water and sewer serve the Premises and Tenant shall pay for those utilities. Tenant shall arrange for and pay for any other utility services furnished to the Premises, including and not limited to any telephone, internet, and snow removal services. Tenant shall pay all personal property taxes and any taxes on activities conducted on the premises by any federal, state, or local taxing authority, including but not limited to business, occupation, sales, and use taxes. Landlord shall pay for real property taxes associated with the Premises. If Landlord fails to pay said real property taxes and it impacts Tenant's business operations, Tenant may, at its option, pay the real property taxes that are past due and deduct those amounts from the rental amounts due.

4.3 **Security Deposit.** Landlord hereby acknowledges that per the Old Leases Tenant has already paid to Landlord \$3,000.00 for Tenant's security deposit, and Landlord is not requiring any additional security deposit and is holding the Security Deposit in trust. Said sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of this Lease to be kept and performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease, including but not limited to the provisions relating to the payment of rent, Landlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit for the payment of any rent or any other sum in default or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's default.

4.4 **Late Charge.** If any payment is not paid within five (5) days of the due date, then the Landlord may charge an additional amount of equal to five percent (5%) of the delinquent payment for the month or portion thereof after the date it was due, provided, however, if such sum and late charges are not paid in full on or before the tenth (10<sup>th</sup>) day of the month, such sum shall commence to bear interest at the rate of ten and one-half percent (10.5%) per annum until paid in full.

4.5 **Payment of Rent.** All rent payments shall be sent to Landlord at the following address payable to: William A Luth PO Box 428, Willow, AK 99688.

5. **Landlord's Reliance on Legality of Activity allowed by the State of Alaska.**

Landlord is relying on the historic pattern of the federal government relying primarily on the state and local governments to address marijuana businesses that are state licensed and, in any event, if this federal government policy shifts, Landlord will comply with the federal government

and its request. Tenant will abide by the following priorities, in addition to all state and local regulatory requirements:



- *Preventing the distribution of marijuana to minors;*
- *Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;*
- *Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;*
- *Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;*
- *Preventing violence and the use of firearms in the cultivation and distribution of marijuana;*
- *Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;*
- *Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and Preventing marijuana possession or use of marijuana on federal property.*

6. **Option to Purchase Premises.** Landlord understands that Tenant has invested substantial sums of money into the Premises on promise of and representation by Landlord that Landlord will sell the Property to Tenant at the purchase price stated in the **Exhibit B**, Option Agreement to Purchase Real Estate, which is hereby incorporated by reference and merged herein as if its terms are set forth fully. Based on Landlord's assurance of honoring said option to purchase, Tenant has moved forward with substantial investment into the Premises and has increased its value above and beyond the value of the Premises prior to the date of execution of the Old Leases. The parties now wish to formalize the terms of the option to purchase, and the ultimate purchase of the Premises in **Exhibit B**. The terms of which are supported by adequate consideration, acknowledged by both Parties, and are hereby binding on the Parties and their heirs and may be enforced by specific performance. To ensure there is no question as to adequate consideration for the Option Agreement, Tenant upon execution of this Lease and **Exhibit B** shall pay an option fee of **\$500.00** to Landlord, which is non-refundable, however shall be deducted from the purchase price of the Premises upon Tenant exercising the option.

The Parties have specifically executed this Paragraph Six (6) in the abundance of caution to evidence that they intend that this Option to Purchase the Premises and The Option Agreement attached as **Exhibit B** be binding and valid:

DocuSigned by:  
  
 F6E892C07A0D4AD  
 Landlord Signature

DocuSigned by:  
  
 FE46EDF3241F4B3...  
 Tenant Signature

Initial (T)   
 Initial (L) 

7. **USE.** The Premises shall be used and occupied for the purpose of a licensed marijuana retail establishment, licensed marijuana cultivation and processing establishment and as authorized under the authority for such activities under AS 17.38.070 and any other lawful purpose. Tenant has and shall continue remodel premises in a manner to modify the premises to suite its needs, but shall use good workmanship. Tenant shall comply with all laws relating to its use of the Premises and shall observe such reasonable rules and regulations as may be adopted and published by Landlord for the safety, care and cleanliness of not only the Premises but also the Building and for the preservation of good order therein.

8. **Right of First Refusal.** In the event the property is put up for sale and/or for rent after the renewal term concludes or in the event Tenant fails to exercise the Option in **Exhibit B**, Tenant shall still have an ongoing right of first right of refusal to either lease or purchase property, at the agreed upon value of \$525,000.00. Tenant shall have fourteen (14) days after receiving notice of the Landlord's intent to sell or lease property to exercise the right of first offer. In the event that Tenant does not assert its Right of First Refusal, then Tenant's sub-lessee shall have the right of First Refusal to purchase or rent.

## 9. **MAINTENANCE, REPAIRS AND ALTERATIONS.**

9.1 **Landlord's Obligations.** Landlord, at Landlord's expense, shall keep in good order, condition and repair the foundation and structural portions of the exterior walls and exterior roof of the building, along with the exterior doors and windows of the building. Landlord shall also be responsible for replacement of mechanical, plumbing, electrical, hot water and HVAC systems, except where failure is resulting from damage, negligence or lack of proper maintenance by tenant, it's employee's, invitees, contractors or customers.

9.2 **Tenant's Obligations.** Tenant, at Tenant's expense, shall keep in good order, condition and repair the Premises and every part thereof, including but not limited to the light bulb replacement, any mechanical or electrical apparatus tenant has installed, interior doors, interior window frames, hardware, glass and nonstructural ceilings and walls. Tenant shall, at the expiration or termination of this Lease, surrender and deliver up the Premises to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable use, wear and tear excepted. Tenant shall repair any damage to the Premises or the Building occasioned by its use thereof or by the removal of Tenant's trade fixtures, furnishings and equipment, which repair shall include the patching and filling of holes and repair of structural damage.

9.3 **Landlord's Rights.** If Tenant fails to perform Tenant's obligations under this **Section 9.2**, Landlord may (but shall not be required to) enter upon the Premises after 30 days prior written notice to Tenant, and in compliance with the AMCO visitor policy for non-licensees and non-company agents, and put the same in good order, condition and repair or otherwise cure

the default, and the cost of such action plus four percent (4%) thereof shall become due and payable as additional rent to Landlord together with Tenant's next rental installment.

###### **10. INSURANCE: INDEMNITY.**

10.1 **Liability Insurance.** Tenant shall maintain in force during the term of this Lease a policy of comprehensive public liability insurance issued by a company acceptable to Landlord and insuring Tenant and Landlord against any liability, including without limitation damage to other portions of the Building, arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto, such insurance shall be in an amount of not less than One Million Dollars (\$1,000,000.00) General Aggregate and Five Hundred Thousand Dollars (\$500,000.00) for each occurrence and Fifty Thousand Dollars (\$50,000.00) for property damage. The limits of said insurance shall limit the liability of Tenant hereunder. Such policies shall name Landlord and Landlord's agents as additional insured and shall provide that they may not be cancelled without thirty (30) days prior written notice to Landlord. Landlord shall be furnished with a certificate evidencing issuance of such policy of liability insurance, and such certificate shall recite that said policy may not be cancelled without thirty (30) days prior written notice to Landlord. If Tenant shall fail to maintain said insurance, Landlord may but shall not be required to procure and maintain the same, at the expense of Tenant. Tenant shall provide Landlord with such certificate prior to entering the Premises or starting tenant improvement work.

10.2 **Property Insurance.** Landlord shall maintain in force during the term of this Lease, a policy of insurance issued by a company authorized to engage in the insurance business in the State of Alaska, insuring the Building against damage or destruction by fire and/or by perils covered by the standard form of extended coverage endorsements to fire insurance policies in the State of Alaska in effect at the time when the policies are obtained to include limits that cover the full replacement of the building.

10.3 **Fire Insurance.** Tenant will during said term keep all improvements now or hereafter erected on real estate insured against loss or damage by fire and any hazards, casualty, or contingency for which insurance is procurable which Tenant may be able to insure with an insurance company or companies, in the name of the Tenant in an amount equal to the full replacement cost of said improvements and will pay all premiums thereon at the time and place the same are payable. Annually, Tenant shall review the amount of insurance coverage to assure the improvements are insured for the full replacement cost. Every policy shall be made payable in case of loss or damage to the parties as their interest may appear, and all compensation, indemnity or other monies paid on account of any loss or damage, other than rental value insurance, shall with all convenient speed be laid out in rebuilding, repairing, or otherwise reinstating the same improvements in a good and substantial manner according to the plan and elevation of the improvements so destroyed or damaged. In the event such insurance proceeds are inadequate to accomplish the foregoing, Tenant has the option to cancel the Lease by giving Landlord written notice within thirty (30) days of the casualty.





10.4 **Waiver of Subrogation.** As long as their respective insurers so permit, Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage and other property insurance policies existing for the benefit of the respective parties. Each party shall apply to its insurers to obtain said waivers. Each party shall obtain any special endorsements, if required by its insurer, to evidence compliance with the aforementioned waiver.

10.5 **Hold Harmless.** Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims arising from Tenant's use of the Premises or from the conduct of its business or from any activity, work or thing which may be permitted or suffered by Tenant in or about the Premises and shall further indemnify, defend and hold Landlord harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the provisions of this Lease or arising from any negligence of Tenant or any of its agents, contractors, employees or invitees and from any and all costs, attorneys' fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon. Tenant hereby assumes all risk of damage to property or injury to persons in or about the Premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord, except where said damage arises solely out of the negligence of Landlord.

11. **DAMAGE OR DESTRUCTION.** If the Leased Premises are totally or partially destroyed during the term of this Lease, then Landlord may elect to either terminate this Lease or restore the destroyed premises. Tenant's Option to Purchase (**Exhibit B**) will also be an option for Tenant to exercise, however, the purchase price will be reduced to fair market value to reflect the damage or destruction amounts. If Landlord elects to restore the premises, then Lease shall not be terminated, and Tenant shall continue paying rent adjusted downward by a percentage equal to the percentage of square feet of the Leased Premises rendered unusable by destruction. Upon completion of restoration, the rent shall be calculated against as if there were not destruction. Tenant may elect to cancel the Lease with no further obligations to either party if the Premise is substantially damaged, absent negligent acts by Tenant that caused the Damages.

12. **ADVERTISING AND WINDOWS.** Tenant has permission to install regulatory compliant signage and business advertising on and around the Premise.

13. **LIENS AND INSOLVENCY.** Tenant shall keep the leased property premises and the building free from any liens arising out of any work performed, materials ordered, or obligations incurred by Tenant. Tenant shall have no authority, express or implied, to create or place any lien or encumbrance of any kind or nature on, or in any manner bind, the interest of Landlord in the premises or to charge the rentals payable under this lease agreement for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to Tenant under this lease agreement.

Initial (T)   
Initial (L) 

14. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations as may be adopted and published which Landlord may from time to time promulgate and/or modify. Landlord shall not be responsible to Tenant for the nonperformance of any of said rules and regulations by any other tenants or occupants.

15. **NO LANDLORD SUBORDINATION.** Given the type of business Tenant subleases this Premises to, its vital to the continuing of said business that this Premises not be encumbered by any financial institution. Therefore, the Parties agree that this lease is not subject to and is not subordinate to any deed of trust, mortgage, lien, encumbrance, lease, financing, loans, other arrangements by a financial institution.

16. **DEFAULTS.** The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

16.1 **Vacation of Premises.** The vacating or abandonment of the Premises by Tenant for more than 30 business days.

16.2 **Failure to Provide Rent.** The failure by Tenant to provide rent as described herein any other payment required to be made by Tenant hereunder as and when due, where such failure shall continue for a period of ten (10) days after written notice thereof by Landlord to Tenant;

17. **REMEDIES IN DEFAULT.** If Tenant shall fail to pay any installment of rent or any additional rent or other charges as and when the same shall become due and payable, and if such default shall continue for a period of ten (10) days after payment shall be due (and within five (5) days of notification by Landlord) or if Tenant shall default in the performance of any of the other items, covenants and conditions of this lease, and if such default shall continue for a period of thirty (30) days after notice in writing specifying the matter claimed to be in default is given by Landlord to Tenant; Landlord shall have the right, at Landlord's option, to terminate this lease and the term hereof, as well as the right, title and interest of Tenant hereunder, unless (except for a default of nonpayment of rent) Tenant shall then diligently be engaged in prosecuting the work necessary to remove said cause or taking the steps necessary to remedy said default, and Landlord may re-enter the Property, using such force as may be necessary, and repossess itself thereof and remove all persons and property from the Property. If Landlord exercises its right of re-entry, Landlord may change the locks to the demised Property without having to provide Lessee with a copy of such key. Notwithstanding any such re-entry, the liability of Tenant for the full rental provided for herein shall not be extinguished for the balance of this lease, and Tenant shall make good such deficiency arising from any re-letting of the Property and reasonable attorney's fees. Landlord will also have the rights of Landlord distraint.

In the event of a Default, Landlord shall not take into its possession any marijuana or marijuana product and shall contact the State of Alaska AMCO Enforcement Department prior to any access

to the licensed premises if Tenant cannot be reached, abandons the property, or similar event. In the event of any such default or breach by Tenant, Landlord may, at any time thereafter, in its sole discretion, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach:

17.1 **Termination.** Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate, and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including but not limited to the cost of recovering possession of the Premises; expenses of reletting, including necessary renovation and alteration of the Premises;

17.2 **Enforce Rights.** Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent and any other charges and Additional Charges as may become due hereunder; or

17.3 **Other Remedies.** Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Premises are located.

18. **CONDEMNATION.** If all of the Premises or any portion of the Building as may be required for the reasonable use of the Premises shall be taken by eminent domain (or by a voluntary conveyance made in lieu of a taking by eminent domain), this Lease shall automatically terminate as of the date Tenant is required to vacate or will be deprived of the reasonable use of the Premises, and all rentals shall be paid to that date. In the case of taking of a part of the Premises, Tenant may, at its election, terminate this Lease by notice in writing to Landlord within (10) days after the receipt by Tenant of written notice of the proposed taking, and with any such notice by Tenant to Landlord to be effective on a date which shall be specified by Tenant in the notice but shall be no later than thirty (30) days after the date of the giving of notice. If within said thirty (30) day period Tenant does not exercise its right to terminate this Lease because of a taking of a part of the Premises this Lease shall continue in full force and effect, and the rental shall be equitably reduced based on the proportion by which the floor area of the Premises is reduced, such rent reduction to be effective as of the date when possession of such portion is delivered to the condemning authority. Tenant shall have the right, however, to claim and recover from the condemning authority compensation for any loss to Tenant's trade fixtures, improvements, and personal property, Tenant's moving expenses and for the interruption of or damage to Tenant's business.

19. **PARKING AND COMMON AREAS.** Tenant shall have complete and sole access to the parking area for staff and customer usage.

20. **ASSIGNMENT AND SUBLETTING.** Landlord Agrees to Tenant subleasing this Premise in whole or in part to any entity. Landlord has already agreed to Tenant subleasing part of the Premises to AK Slow Burn, LLC. Landlord also agrees that Tenant's Option to Purchase in **Exhibit B** may be assignable to an entity that is owned, in whole or in part, by Louis Weaver and may be assigned, in whole or in part, to Tenant's sublessee at Tenant's sole and absolute discretion.

21. **NOTICES.** All notices under this Lease shall be in writing and delivered in person or sent by registered mail, return receipt requested, to Landlord at the same place rent payments are made and to Tenant at the Premises or to such other respective addresses as may hereafter be designated by either party in writing. Notices mailed as aforesaid shall be deemed given on the date of such mailing.

If to LANDLORD: William A Luth, PO Box 428, Willow, AK 99688

If to TENANT:

AK Restorations, LLC

2042 E. 3<sup>rd</sup> Ave., Unit A, Anchorage, Alaska 99501

22. **COSTS AND ATTORNEYS' FEES.** The non-prevailing party in a dispute relating to this Agreement shall bear attorney costs and fees.

23. **LANDLORD'S RIGHT TO INSPECT PREMISES.** Landlord or Landlord's agents, employees or representatives shall have the right to show the Leased Premises during the Term, with a minimum of 24 hours written notice provided to Tenant. Landlord or Landlord's agents, employees or other representatives shall have the right to place notices on any parts of the Leased Premises offering the Leased Premises for lease at any time during the Term, offering the Leased Premises for sale and Tenant shall permit the signs to remain without hindrance or disturbance. During any entry by Landlord or its agents on the premises, Landlord's agents or employees shall be over the age of 21 and shall comply with Tenant's visitor policy, show government issued ID, wear a visitor badge, remain in eye sight of a designated Tenant agent, comply with and sign into the log in sheet and sign out when leaving the premises, as is required by the Alaska Marijuana Control Board Regulations. At no time shall Landlord have more than five persons enter the premises.

24. **SUCCESSORS.** All of the covenants, agreements, terms and conditions contained in this Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns, except as expressly limited herein.

25. **ACCEPTANCE OF PREMISES.** Premises shall be delivered to Tenant in broom clean condition with all debris, lumber, and clutter removed from the Premise and the parcel.



26. **ENTIRE AGREEMENT.** This Lease and its Exhibits sets forth the entire understanding and agreement of Landlord and Tenant with respect to the Premises and the Lease thereof, and all prior understandings or agreements are merged herein. This Lease may be amended or modified only in writing signed by both parties.

27. **FORUM SELECTION.** This Lease shall be construed in accordance with the laws of the State of Alaska. Should any legal proceeding be necessary under this Lease, the same shall be commenced in the Superior Court for the State of Alaska, Third Judicial District at Anchorage, Alaska. Tenants agree specifically that venue and jurisdiction in that court is proper, and further agree to submit themselves to the jurisdiction of that court. Tenants shall not claim that said forum is an inconvenient forum.

28. **EXECUTION AUTHORITY.** Landlord and Tenant, by their signatures below, warrant that they have read and understand this Lease and that the terms and conditions contained herein represent the full and complete agreement of the parties. If Tenant is a corporation or limited liability company, each individual executing this Lease on behalf of the corporation represents that they are duly authorized to execute and deliver this Lease on behalf of the corporation or limited liability company, in accordance with duly adopted resolutions of the board of directors of the corporation or limited liability company, that such action and execution is in accordance with the bylaws of the corporation or limited liability company, and that the Lease is binding upon the corporation or limited liability company in accordance with its terms. Landlord represents that he is in sole title to the Premises and has unchallenged authority to enter into this Lease and to be bound by the terms contained herein.

29. **SEVERABILITY.** If any portion of this Lease shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Lease is invalid or unenforceable, but that by limiting such provision, it would become valid and enforceable, then such provision shall be deemed to be written, construed and enforced as so limited.

30. **EARLY TERMINATION.** In the event that there are changes in Alaska state or municipal law that make the business of Tenant illegal, Tenant may, at Tenant's election, be released from the terms of the Lease. In such event Landlord shall retain, as liquidated damages, all payments and deposits paid or due by or on behalf of the Tenant at the time of delivery of written notification.

### 32. **MISCELLANEOUS PROVISIONS:**

32.1 Time is of the essence of each provision of this Lease.

32.2 Whenever consent or approval of a party is required, that party shall not unreasonably withhold such consent or approval, however, Landlord may exercise its sole discretion in

consenting or withholding consent to use or restriction in use of the Premises under the applicable paragraph of this Lease or consenting or withholding consent to assignment or subletting under the applicable paragraph of this Lease. Any such consent or approval must be in writing and signed by Landlord to be valid and must be given in advance.

32.3 This Lease and exhibits shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns, except as otherwise provided in this Lease.

32.4 This Lease shall be governed by and construed and enforced in accordance with the laws of the State of Alaska.

32.5 This Lease contains all the agreements of the parties and cannot be amended or modified except by a written agreement signed by the parties hereto.

32.6 All provisions contained in this Lease, whether covenants or conditions, on the part of Tenant shall be deemed to be both covenants and conditions.

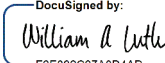
32.7 If any provision of this Lease shall be held to be invalid, void or unenforceable, the remaining provisions shall not be affected or impaired, but shall remain in full force and effect.

32.9 In the event of variation or discrepancy, Lessor's original copy of this Lease shall control.

IN WITNESS WHEREOF, the parties hereto have executed this lease the day and year first above written.

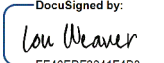
LANDLORD:

**William A Luth**

By: \_\_\_\_\_  
DocuSigned by:  
  
FE8892C07A0D4AD...

TENANT:

**AK Restorations, LLC**

By: \_\_\_\_\_  
DocuSigned by:  
  
FE46EDF3241F4B3...  
 Louis Weaver  
 Its: Managing Member

**EXHIBIT "B" to Commercial Lease Agreement**

**OPTION AGREEMENT FOR PURCHASE OF REAL PROPERTY**

THIS OPTION AGREEMENT ("Agreement") made and entered into this 1st day of January, 2021, by William A. Luth, PO Box 428, Willow, Alaska 99688, hereinafter referred to as "Seller" and AK Restorations, LLC, its member Louis Weaver, or its/his assigned, whose principal address is 2042 E. 3<sup>rd</sup> Ave., Suite A, Anchorage, Alaska 99501, hereinafter referred to as "Purchaser", Purchaser and Seller collectively referred to as the "Parties":

W I T N E S S E T H:

WHEREAS, Seller is the fee simple owner of certain real property being, lying and situated in the Municipality of Anchorage, such real property having the street address of 2042 E. 3<sup>rd</sup> Ave, Anchorage, Alaska 99501 ("Premises") and such property being more particularly described as follows: (legal description)

Also known as:

*Lot One (1), Block Twenty-Six B (26B) Fourth Addition to the Townsite of Anchorage, according to plat C-43, Anchorage Recording District, Third Judicial District, State of Alaska.*

WHEREAS, Purchaser desires to procure an option to purchase the Premises upon the terms and provisions as hereinafter set forth;

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged by the parties hereto and for the mutual covenants contained herein, Seller and Purchaser hereby agree as follows:

1. DEFINITIONS. For the purposes of this Agreement, the following terms shall have the following meanings:

- (a) "Execution Date" shall mean the day upon which the last party to this Agreement shall duly execute this Agreement;
- (b) "Option Fee" shall mean the total sum of a down payment of \$500.00 dollars;
- (c) "Option Term" shall mean that period of time commencing on the Execution Date and ending on or before January 1st, 2036;
- (d) "Option Exercise Date" shall mean that date, within the Option Term, upon which the Purchaser shall send its written notice to Seller exercising its Option to Purchase;
- (e) "Closing Date" shall mean the last day of the closing term or such other date during the closing term selected by Purchaser.

Initial (T) WL  
Initial (L) WAL

2. GRANT OF OPTION. For and in consideration of the Option Fee payable to Seller as set forth herein, Seller does hereby grant to Purchaser the exclusive right and Option ("Option") to purchase the premises upon the terms and conditions as set forth herein.

3. PAYMENT OF OPTION FEE. Purchaser agrees to pay the Seller the Option Fee of \$500.00 upon the mutual execution of this Agreement.

4. EXERCISE OF OPTION. Purchaser may exercise its exclusive right to purchase the Premises pursuant to the Option, at any time during the Option Term, by giving written notice thereof to Seller. As provided for above, the date of sending of said notice shall be the Option Exercise Date. In the event the Purchaser does not exercise its exclusive right to purchase the Premises granted by the Option during the Option Term, Seller shall be entitled to retain the Option Fee, and this agreement shall become absolutely null and void and neither party hereto shall have any other liability, obligation or duty herein under or pursuant to this Agreement.

5. CONTRACT FOR PURCHASE & SALE OF REAL PROPERTY. In the event that the Purchaser exercises its exclusive Option as provided for in the preceding paragraph, Seller agrees to sell and Purchaser agrees to buy the Premises and both parties agree to execute a contract for such purchase and sale of the Premises in accordance with the following terms and conditions:

(a) Purchase Price. The purchase price for the Premises shall be the sum of Five Hundred and Twenty Five Thousand Dollars (\$525,000.00), however, Purchaser shall receive a credit toward such purchase price in the amount of the Option Fee thus, Purchaser shall pay to Seller at closing the remaining balance of the purchase price and Purchaser's share of closing costs.

(b) Closing Date. The closing date shall be no later than one hundred and eighty (180) days from the date Purchaser exercises its right to purchase the Premises, unless extended as agreed to by the parties.

(c) Closing Costs. Purchaser's and Seller's costs of closing the Contract shall be split equally between the Parties;

(d) Default by Purchaser; Remedies of Seller. In the event Purchaser, after exercise of the Option, fails to proceed with the closing of the purchase of the Premises pursuant to the terms and provisions as contained herein and/or under the Contract, Seller shall be entitled to retain the Option Fee as liquidated damages and shall have no further recourse against Purchaser;

(e) Default by Seller; Remedies of Purchaser. In the event Seller fails to close the sale of the Premises pursuant to the terms and provisions of this Agreement and/or under the Contract, Purchaser shall be entitled to either sue for specific performance of the real estate purchase and sale contract or terminate such Contract and sue for money damages.

6. MISCELLANEOUS.

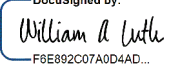


- (a) Execution by Both Parties. This Agreement shall not become effective and binding until fully executed by both Purchaser and Seller.
- (b) Notice. All notices, demands and/or consents provided for in this Agreement shall be in writing and shall be delivered to the parties hereto by hand or by United States Mail with postage pre-paid. Such notices shall be deemed to have been served on the date mailed, postage pre-paid. All such notices and communications shall be addressed to the Seller at PO Box 428, Willow, Alaska 99688 and to Purchaser at 2042 E. 3<sup>rd</sup> Ave, Suite A, Anchorage, Alaska 99501 or at such other address as either may specify to the other in writing.
- (c) Fee Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Alaska.
- (d) Successors and Assigns. This Agreement shall apply to, inure to the benefit of and be binding upon and enforceable against the parties hereto and their respective heirs, successors, and or assigns, to the extent as if specified at length throughout this Agreement.
- (e) Time. Time is of the essence of this Agreement.
- (f) Headings. The headings inserted at the beginning of each paragraph and/or subparagraph are for convenience of reference only and shall not limit or otherwise affect or be used in the construction of any terms or provisions hereof.
- (g) Cost of this Agreement. Any cost and/or fees incurred by the Purchaser or Seller in executing this Agreement shall be borne by the respective party incurring such cost and/or fee.
- (h) Entire Agreement. This Agreement contains all of the terms, promises, covenants, conditions and representations made or entered into by or between Seller and Purchaser and supersedes all prior discussions and agreements whether written or oral between Seller and Purchaser with respect to the Option and all other matters contained herein and constitutes the sole and entire agreement between Seller and Purchaser with respect thereto. This Agreement may not be modified or amended unless such amendment is set forth in writing and executed by both Seller and Purchaser with the formalities hereof.

*Signatures to follow on immediate next page.*



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under proper authority:

**William A Luth**

By:  \_\_\_\_\_  
DocuSigned by:  
F6E892C07A0D4AD...

**AK Restorations, LLC**

By:  \_\_\_\_\_  
Louis Weaver  
Its: Managing Member  
DocuSigned by:  
FE46EDF3241F4B3...

Initial (T)   
Initial (L) 

Department of Commerce, Community, and Economic Development  
**CORPORATIONS, BUSINESS & PROFESSIONAL  
LICENSING**

[State of Alaska](#) / [Commerce](#) / [Corporations, Business, and Professional Licensing](#) / [Search & Database Download](#) / [Corporations](#) / Entity Details

## ENTITY DETAILS

### Name(s)

Type	Name
Legal Name	AK SLOW BURN, LLC
Previous Legal Name	AK Slow Burn Cannabis Outlet, LLC

**Entity Type:** Limited Liability Company

**Entity #:** 10037194

**Status:** Good Standing

**AK Formed Date:** 3/29/2016

**Duration/Expiration:** Perpetual

**Home State:** ALASKA

**Next Biennial Report Due:** 1/2/2022

**Entity Mailing Address:** 2042 E 3RD AVE, ANCHORAGE, AK 99515

**Entity Physical Address:** 1551 E. TUDOR RD., ANCHORAGE, AK 99507

### Registered Agent

**Agent Name:** Jana Weltzin

**Registered Mailing Address:** 901 PHOTO AVE, ANCHORAGE, AK 99503

**Registered Physical Address:** 901 PHOTO AVE, ANCHORAGE, AK 99503

### Officials

☐ Show Former

AK Entity #	Name	Titles	Owned
	Lou Weaver	Manager, Member	100.00

## Filed Documents

Date Filed	Type	Filing	Certificate
3/29/2016	Creation Filing	<a href="#">Click to View</a>	<a href="#">Click to View</a>
3/29/2016	Initial Report	<a href="#">Click to View</a>	
12/13/2017	Biennial Report	<a href="#">Click to View</a>	
8/21/2018	Change of Officials	<a href="#">Click to View</a>	
11/19/2018	Change of Officials	<a href="#">Click to View</a>	
6/04/2019	Agent Change	<a href="#">Click to View</a>	
12/19/2019	Biennial Report	<a href="#">Click to View</a>	
11/23/2020	Amendment	<a href="#">Click to View</a>	<a href="#">Click to View</a>
5/05/2021	Entity Address Change	<a href="#">Click to View</a>	

COPYRIGHT © STATE OF ALASKA · DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT ·

State of Alaska  
Department of Commerce, Community, and Economic Development  
Corporations, Business, and Professional Licensing

## Certificate of Organization

The undersigned, as Commissioner of Commerce, Community, and Economic Development of the State of Alaska, hereby certifies that a duly signed and verified filing pursuant to the provisions of Alaska Statutes has been received in this office and has been found to conform to law.

ACCORDINGLY, the undersigned, as Commissioner of Commerce, Community, and Economic Development, and by virtue of the authority vested in me by law, hereby issues this certificate to

**AK Slow Burn Cannabis Outlet, LLC**



IN TESTIMONY WHEREOF, I execute the certificate  
and affix the Great Seal of the State of Alaska  
effective **March 29, 2016**.

A handwritten signature in black ink, appearing to read "Chris Hladick".

Chris Hladick  
Commissioner





THE STATE

of

**ALASKA**

Department of Commerce, Community, and Economic Development  
Division of Corporations, Business, and Professional Licensing  
PO Box 110806, Juneau, AK 99811-0806  
(907) 465-2550 • Email: [corporations@alaska.gov](mailto:corporations@alaska.gov)  
Website: [Corporations.Alaska.gov](http://Corporations.Alaska.gov)

AK Entity #: 10037194  
Date Filed: 03/29/2016  
State of Alaska, DCCED

FOR DIVISION USE ONLY

## Articles of Organization

Domestic Limited Liability Company

Web-3/29/2016 12:17:29 PM

### 1 - Entity Name

**Legal Name:** AK Slow Burn Cannabis Outlet, LLC

### 2 - Purpose

Retail store for various goods and crops and any lawful purpose.

### 3 - NAICS Code

453998 - ALL OTHER MISCELLANEOUS STORE RETAILERS (EXCEPT TOBACCO STORES)

### 4 - Registered Agent

**Name:** Jana Weltzin

**Mailing Address:** 3003 Minnesota Drive, Suite 201, Anchorage, AK 99503

**Physical Address:** 3003 Minnesota Drive, Suite 201, Anchorage, AK 99503

### 5 - Entity Addresses

**Mailing Address:** 1120 Huffman Rd., Suite 24, BOX 356, Anchorage, AK 99515

**Physical Address:** 1551 E. Tudor Rd., Anchorage, AK 99507

### 6 - Management

The limited liability company is managed by a manager.

## 7 - Officials

Name	Address	% Owned	Titles
Lou Weaver			Organizer

### **Name of person completing this online application**

I certify under penalty of perjury under the Uniform Electronic Transaction Act and the laws of the State of Alaska that the information provided in this application is true and correct, and further certify that by submitting this electronic filing I am contractually authorized by the Official(s) listed above to act on behalf of this entity.

**Name:** Jana D. Weltzin



THE STATE  
of **ALASKA**

Department of Commerce, Community, and Economic Development  
Division of Corporations, Business, and Professional Licensing  
PO Box 110806, Juneau, AK 99811-0806  
(907) 465-2550 • Email: [corporations@alaska.gov](mailto:corporations@alaska.gov)  
Website: [corporations.alaska.gov](http://corporations.alaska.gov)

AK Entity #: 10037194  
Date Filed: 12/19/2019  
State of Alaska, DCCED

FOR DIVISION USE ONLY

## Domestic Limited Liability Company

### 2020 Biennial Report

For the period ending December 31, 2019

Web-12/19/2019 4:25:03 PM

**Due Date:** This report along with its fees are due by January 2, 2020

**Fees:** If postmarked before February 2, 2020, the fee is \$100.00.

If postmarked on or after February 2, 2020 then this report is delinquent and the fee is \$137.50.

**Entity Name:** AK Slow Burn Cannabis Outlet, LLC

**Entity Number:** 10037194

**Home Country:** UNITED STATES

**Home State/Prov.:** ALASKA

**Physical Address:** 1551 E. TUDOR RD., ANCHORAGE, AK  
99507

**Mailing Address:** 1120 HUFFMAN RD., SUITE 24, BOX 356,  
ANCHORAGE, AK 99515

**Registered Agent** information cannot be changed on this form. Per Alaska Statutes, to update or change the Registered Agent information this entity must submit the Statement of Change form for this entity type along with its filing fee.

**Name:** Jana Weltzin

**Physical Address:** 901 PHOTO AVE, ANCHORAGE, AK  
99503

**Mailing Address:** 901 PHOTO AVE, ANCHORAGE, AK  
99503

**Officials:** The following is a complete list of officials who will be on record as a result of this filing.

- **Provide all officials and required information. Use only the titles provided.**
- **Mandatory Members:** this entity must have at least one (1) Member. A Member must own a %. In addition, this entity must provide all Members who own 5% or more of the entity. A Member may be an individual or another entity.
- **Manager:** If the entity is manager managed (per its articles or amendment) then there must be at least (1) Manager provided. A Manager may be a Member if the Manager also owns a % of the entity.

Full Legal Name	Complete Mailing Address	% Owned	Manager	Member
Lou Weaver	2891 MORGAN LP, ANCHORAGE, AK 99516	100.00	X	X

If necessary, attach a list of additional officers on a separate 8.5 X 11 sheet of paper.

**Purpose:** Retail store for various goods and crops and any lawful purpose.

**NAICS Code:** 453998 - ALL OTHER MISCELLANEOUS STORE RETAILERS (EXCEPT TOBACCO STORES)

**New NAICS Code (optional):**

This form is for use by the named entity only. Only persons who are authorized by the above Official(s) of the named entity may make changes to it. If you proceed to make changes to this form or any information on it, you will be certifying under penalty of perjury that you are authorized to make those changes, and that everything on the form is true and correct. In addition, persons who file documents with



State of Alaska  
Division of Corporations  
**CORPORATIONS**

PO Box 110806

Juneau, AK 99811-0806

Phone: (907) 465-2550

Fax: (907) 465-2974

Website: [www.commerce.alaska.gov/occ](http://www.commerce.alaska.gov/occ)



\* 2 0 2 0 2 1 2 7 6 6 4 4 \*

ing

DO NOT STAMP ABOVE THIS BOX

Office Use Only

**CORP**

**RECEIVED**  
**Juneau**

**NOV 23 2020**

Division of Corporations, Business  
and Professional Licensing

*125 JD*

**ARTICLES OF AMENDMENT**  
**Domestic Limited Liability Company**  
**AS 10.50.100**

☒ **\$25.00 Filing Fee (non-refundable)**

Pursuant to Alaska Statutes 10.50.100, the undersigned corporation adopts the following amended Articles of Organization.

**ITEM 1: Name of the Entity:**

**Alaska Entity #:**

AK Slow Burn Cannabis Outlet, LLC

10037194

**ITEM 2:**

Date the original Articles of Organization were filed: **3/29/2016**

**ITEM 3:** List each article number being amended, and the amended article in full. Any article being changed is considered an amendment; this includes deletions, edits, corrections, or renumbering of the articles. Verify with previous Articles of Organization and amendments already filed.

Article 1 - Entity Name - Amend from AK Slow Burn Cannabis Outlet, LLC to AK Slow Burn, LLC

Attach a separate sheet if needed.

**ITEM 4:** The Articles of Amendment must be signed by a member, manager, or Attorney-in-Fact.

	Jana Weltzin	Attorney-in-Fact	11/18/2020
Signature	Printed name	Title	Date

*If signing on behalf of a member or manager which is an entity, then identify signer's relationship and signing authority with the member entity.  
For example: John Smith, President of XYZ Inc. the sole member of ABC LLC.*

Mail the Articles of Amendment and the non-refundable \$25.00 filing fee in U.S. dollars to:  
State of Alaska, Corporations Section, PO Box 110806, Juneau, AK 99811-0806

**STANDARD PROCESSING TIME** for complete and correct applications submitted to this office is approximately 10-15 business days. All applications are reviewed in the date order they are received.



K 2 9 8 9 0 5 7

State of Alaska  
Department of Commerce, Community, and Economic Development  
Corporations, Business, and Professional Licensing

## Certificate of Amendment

The undersigned, as Commissioner of Commerce, Community, and Economic Development of the State of Alaska, hereby certifies that a duly signed and verified filing pursuant to the provisions of Alaska Statutes has been received in this office and has been found to conform to law.

ACCORDINGLY, the undersigned, as Commissioner of Commerce, Community, and Economic Development, and by virtue of the authority vested in me by law, hereby issues this certificate to

**AK SLOW BURN, LLC**  
formerly  
**AK Slow Burn Cannabis Outlet, LLC**



IN TESTIMONY WHEREOF, I execute the certificate and affix the Great Seal of the State of Alaska effective **November 23, 2020**.

A handwritten signature in cursive script, appearing to read "Julie Anderson".

Julie Anderson  
Commissioner



the commissioner that are known to the person to be false in material respects are guilty of a class A misdemeanor. Continuation means you have read this and understand it.

**Name:** Jana Weltzin

## **OPERATING AGREEMENT**

### **AK SLOW BURN CANNABIS OUTLET, LLC an Alaska limited liability company**

#### **TABLE OF CONTENTS**

<b><u>SECTION I: FORMATION; NAME AND OFFICE; PURPOSE</u></b>	<b><u>1</u></b>
<b><u>SECTION II: DEFINITIONS</u></b>	<b><u>2</u></b>
<b><u>SECTION III: CAPITAL CONTRIBUTIONS</u></b>	<b><u>4</u></b>
<b><u>SECTION IV: DISTRIBUTIONS</u></b>	<b><u>5</u></b>
<b><u>SECTION V: MANAGEMENT</u></b>	<b><u>6</u></b>
<b><u>SECTION VI: MEMBERS</u></b>	<b><u>10</u></b>
<b><u>SECTION VII: TRANSFERS AND WITHDRAWALS</u></b>	<b><u>12</u></b>
<b><u>SECTION VIII: DISSOLUTION AND TERMINATION</u></b>	<b><u>14</u></b>
<b><u>SECTION IX: OTHER INTERESTS OF AN INTEREST HOLDER</u></b>	<b><u>16</u></b>
<b><u>SECTION X: INDEMNITY</u></b>	<b><u>16</u></b>
<b><u>SECTION XI: MISCELLANEOUS</u></b>	<b><u>17</u></b>
<b><u>SECTION XII: ARBITRATION</u></b>	<b><u>19</u></b>
<b><u>SECTION XIII: AGREEMENT OF SPOUSES OF MEMBERS</u></b>	<b><u>19</u></b>
<b><u>SECTION XIV: REPRESENTATION</u></b>	<b><u>20</u></b>
<b>EXHIBIT A: MEMBERS, CAPITAL CONTRIBUTIONS, AND INTEREST</b>	<b>22</b>
<b>EXHIBIT B: TAX MATTERS</b>	<b>23</b>
<b>EXHIBIT C: PURCHASE PRICE OF A MEMBER’S INTEREST AND PAYMENT TERMS</b>	<b>32</b>

**OPERATING AGREEMENT  
OF  
AK SLOW BURN CANNABIS OUTLET, LLC  
an Alaska limited liability company**

THIS OPERATING AGREEMENT (this "Agreement") is entered into to be effective as of the 3rd day of MARCH, 2016 (the "Effective Date"), by and among each of the persons listed on **Exhibit A** and executing this Agreement, or a counterpart thereof, as Members of AK SLOW BURN CANNABIS OUTLET, LLC, an Alaska limited liability company (the "Company").

**Section I  
Formation; Name and Office; Purpose**

1.1. *Formation.* Pursuant to the Alaska Revised Limited Liability Company Act, A.S. Sections 10.50.010 through 10.50.995 (the "Act"), the parties have formed an Alaska limited liability company effective upon the filing of the Articles of Organization of this Company (the "Articles") with the State of Alaska Department of Commerce, Community, and Economic Development. The parties have executed this Agreement to serve as the "Operating Agreement" of the Company, as that term is defined in A.S. section 10.50.095, and, subject to any applicable restrictions set forth in the Act, the business and affairs of the Company, and the relationships of the parties to one another, shall be operated in accordance with and governed by the terms and conditions set forth in this Agreement. By executing this Agreement, the Members certify that those executing this Agreement constitute all of the Members of the Company at the time of its formation. The parties agree to execute all amendments of the Articles, and do all filing, publication, and other acts as may be appropriate from time to time hereafter to comply with the requirements of the Act.

1.2. *Name and Known Place of Business.* The Company shall be conducted under the name of AK SLOW BURN CANNABIS OUTLET, LLC, and the known place of business of the Company shall be at 2042 E. 3<sup>RD</sup> Ave, Suite A., Anchorage, AK 99501, or such other place as the Members may from time to time determine.

1.3. *Purpose.* The purpose and business of this Company shall be to operate a state licensed retail establishment for cannabis and related crops and goods, and any other lawful purpose as may be determined by the Members. The Company shall have the power to do any and all acts and things necessary, appropriate, or incidental in furtherance of such purpose.

1.4. *Treatment as a Partnership.* It is the intent of the Members that the Company shall always be operated in a manner consistent with its treatment as a partnership for federal income tax purposes, but that the Company shall not be operated or treated as a partnership for purposes of the federal Bankruptcy Code. No Member shall take any action inconsistent with this intent.

## **Section II Definitions**

The following terms shall have the meanings set forth in this Section II:

*“Act”* means the Alaska Revised Limited Liability Company Act, A.S. Sections 10.50.010 through 10.50.995, as amended from time to time (or any corresponding provisions of succeeding law).

*“Affiliate”* means, with respect to any Interest Holder or Member, any Person: (i) who is a member of the Interest Holder’s or Member’s Family; (ii) which owns more than ten percent (10%) of the voting or economic interests in the Interest Holder or Member; (iii) in which the Interest Holder or Member owns more than ten percent (10%) of the voting or economic interests; or (iv) in which more than ten percent (10%) of the voting or economic interests are owned by a Person who has a relationship with the Interest Holder or Member described in clause (i), (ii), or (iii) above.

*“Capital Contribution”* means the total amount of cash and the fair market value of any other assets contributed (or deemed contributed under Regulation Section 1.704-1(b)(2)(iv)(d)) to the Company by an Interest Holder, net of liabilities secured by the contributed Property that the Company is considered to assume or take subject to under Section 752 of the Code.

*“Cash Flow”* means all cash funds derived from operations of the Company (including interest received on reserves), without reduction for any noncash charges, but less cash funds used to pay current operating expenses and to pay or establish reasonable reserves for future expenses, debt payments, capital improvements, and replacements as determined by the Members. Cash Flow shall be increased by the reduction of any reserve previously established.

*“Event of Withdrawal”* means those events and circumstances listed in Section 10.50.220 and 10.50.225 of the Act provided, however, that following an Event of Withdrawal described in Section 10.50.220 and 10.50.225(4) of the Act the Member shall remain a Member until it ceases to exist as a legal entity.

*"Family"* means a Person's spouse, lineal ancestor, or descendant by birth or adoption, sibling, and trust for the benefit of such Person or any of the foregoing.

*"Fiscal Year" or "Annual Period"* means the fiscal year of the Company, as determined under Section V.

*"Interest"* means a Person's share of the Profits and Losses (and specially allocated items of income, gain, and deduction) of, and the right to receive distributions from, the Company.

*"Interest Holder"* means any Person who holds an Interest, whether as a Member or as an unadmitted assignee of a Member.

*"Involuntary Transfer"* shall include, without limitation, any Transfer of a Member or Interest Holder's Interest pursuant to any order of any court relating to any petition for divorce, legal separation, marital dissolution, or annulment, or any guardianship, conservatorship, or other protective proceeding.

*"Majority in Interest"* means one or more Members who own, collectively, a simple majority of the Percentage Interests held by Members.

*"Majority of the Members"* means one or more of the Members, regardless of the Percentage Interest held by the Members.

*"Member"* means each Person signing this Agreement and any Person who subsequently is admitted as a member of the Company until such time as an Event of Withdrawal has occurred with respect to such Member.

*"Membership Rights"* means all of the rights of a Member in the Company, including a Member's: (i) Interest, (ii) right to inspect the Company's books and records, and (iii) right to participate in the management of and vote on matters coming before the Company.

*"Percentage Interest"* means, as to a Member, the percentage set forth after the Member's name on Exhibit A, as amended from time to time, and, as to an Interest Holder who is not a Member, the Percentage of the Member whose Interest has been acquired by such Interest Holder, to the extent the Interest Holder has succeeded to that Member's Interest.

*"Person"* means and includes an individual, corporation, partnership, association, limited liability company, trust, estate, or other entity.



*“Property”* means all real and personal property (including cash) acquired by the Company, and any improvements thereto.

*“Transfer”* means, when used as a noun, any voluntary or involuntary sale, hypothecation, pledge, assignment, attachment, or other transfer, and, when used as a verb, means voluntarily or involuntarily to sell, hypothecate, pledge, assign, or otherwise transfer.

### **Section III Capital Contributions**

#### **3.1. *Capital Contributions.***

3.1.1. *Initial Capital Contributions.* Upon the execution of this Agreement, the Members have or shall make contributions to the capital of the Company as set forth in **Exhibit A** attached hereto and by this reference made a part hereof.

3.1.2. *Additional Capital Contributions.* No Member shall be required to contribute any additional capital to the Company, and no Member shall have any personal liability for any obligation of the Company.

3.2. *Withdrawal or Return of Capital Contributions.* Except as specifically provided in this Agreement, no Interest Holder shall have the right to withdraw or reduce the Capital Contributions he or she makes to the Company. Upon dissolution of the Company or liquidation of his or her interest in the Company, each Interest Holder shall look solely to the assets of the Company for return of his or her Capital Contributions and, if the Company’s property remaining after the payment or discharge of the debts, obligations, and liabilities of the Company is insufficient to return the Capital contributions of each Interest Holder, no Interest Holder shall have any recourse against the Company, any Interest Holder, or Member except for gross negligence, malfeasance, bad faith, or fraud.

3.3. *Form of Return of Capital.* Under circumstances requiring a return of any Capital Contributions, no Interest Holder shall have the right to receive property other than cash except as may be specifically provided herein.

3.4. *Salary or Interest.* Except as otherwise expressly provided in Section V of this Agreement, no Interest Holder shall receive any interest, salary, or drawing with respect to his or her Capital Contributions or his or her Capital Account, or for services rendered on behalf of the Company.

3.5. *Member Loans.* If the Members determine that the Company requires additional capital to carry out the purposes of the Company, the Members shall have the right, but not the obligation, to make loans to the Company (a "Member Loan"). Such Member Loans shall be made by the Members willing to make such Member Loans *pro rata* based on their Percentage Interests unless the Members willing to make such Member Loans agree otherwise.

3.6. *Terms of Member Loans.* All Member Loans made pursuant to Section 3.5 shall bear interest at the prime rate of interest as reported by *the Wall Street Journal - Western Edition*, shall be unsecured, and shall be repaid in full out of available funds of the Company before any distribution may be made to any Member. If more than one Member has made a Member Loan, repayment shall be made to each Member in proportion to the amount of principal each has advanced.

## **Section IV Distributions**

4.1. *Distributions.* Except as otherwise provided in this Agreement, distributions shall be made to the Interest Holders at such times and in such amounts as determined by the Members. Distributions will be made to Interest Holders *pro rata*, in proportion to their Percentage Interests. Notwithstanding the other provisions of this Section, all Cash Flow for each Fiscal Year of the Company shall be distributed to the Interest Holders no later than seventy-five (75) days after the end of such Fiscal Year.

### **4.2. General.**

4.2.1. *Form of Distribution.* In connection with any distribution, no Interest Holder shall have the right to receive Property other than cash except as may be specifically provided herein. If any assets of the Company are distributed in kind to the Interest Holders, those assets shall be valued on the basis of their fair market value, and any Interest Holder entitled to any interest in those assets shall receive that interest as a tenant-in-common with all other Interest Holders so entitled. Unless the Interest Holders otherwise agree, the fair market value of the assets shall be determined by an independent appraiser who shall be selected by the Members.

4.2.2. *Withholding.* All amounts required to be withheld pursuant to Code Section 1446 or any other provision of federal, state, or local tax law shall be treated as amounts actually distributed to the affected Interest Holders for all purposes under this Agreement.

4.2.3. *Varying Interests; Distributions in Respect to Transferred Interests.*

If any Interest is sold, assigned, or transferred in compliance with the provisions of this Agreement, all distributions on or before the date of such transfer shall be made to the transferor, and all distributions thereafter shall be made to the transferee. Solely for purposes of making distributions, and allocating Profits, Losses, and other items of income, gain, loss, and deduction pursuant to **Exhibit B** hereof, the Company shall recognize the transfer not later than the end of the calendar month during which it is given notice of such, provided that if the Company does not receive a notice stating the date such Interest was transferred and such other information as it may reasonably require within thirty (30) days after the end of the Fiscal Year during which the transfer occurs, then all of such items shall be allocated, and all distributions shall be made, to the person who, according to the books and records of the Company, on the last day of the Fiscal Year during which the transfer occurs, was the owner of the Interest. Neither the Company nor any Interest Holder shall incur any liability for making allocations and distributions in accordance with the provisions of this Section, whether or not any Interest Holder or the Company has knowledge of any transfer of ownership of Interest.

**Section V**  
**Management**

5.1. *Management.* Subject to the rights under the Act or the provisions of this Agreement to approve certain actions, the business and affairs of the Company shall be managed exclusively by its Members. The Members shall direct, manage, and control the business of the Company to the best of their ability and, subject only to those restrictions set forth in the Act or this Agreement, shall have full and complete authority, power, and discretion to make any and all decisions and to do any and all things which the Members deem appropriate to accomplish the business and objectives of the Company. Each Member agrees not to incur any liability on behalf of the other Members or otherwise enter into any transaction or do anything which will subject the other Members to any liability, except in all instances as contemplated hereby.

5.2. *Certain Management Powers of the Member.* Without limiting the generality of Section 5.1, the Members shall have power and authority on behalf of the Company:

5.2.1. In the ordinary course of business, to acquire property from and sell property to any person as the Members may determine. The fact that a Member is directly or indirectly affiliated or connected with any such person shall not prohibit dealing with that Person;

5.2.2. Subject to approval by a Majority of the Members under Section 5.3.4, to use credit facilities and borrow money for the Company from banks, other lending institutions, the Interest Holders, or Affiliates of the Interest Holders, on such terms as approved by the Members, and in connection therewith, to hypothecate, encumber, and grant security interests in the assets of the Company to secure repayment of the borrowed sums. No debt or other obligation shall be contracted or liability incurred by or on behalf of the Company by the Member;

5.2.3. To purchase liability and other insurance to protect the Members and the Company's property and business;

5.2.4. Subject to approval by a Majority of the Members, to hold and own any Company real and personal property in the name of the Company or others as provided in this Agreement;

5.2.5. Subject to approval by a Majority of the Members, to execute on behalf of the Company all instruments and documents, including, without limitation, checks, drafts, notes, and other negotiable instruments, mortgages, or deeds of trust, security agreements, financing statements, documents providing for the acquisition, mortgage, or disposition of the Company's property, assignments, bills of sale, leases, partnership agreements, and any other instruments or documents necessary, in the opinion of the Member, to accomplish the purposes of the Company;

5.2.6. To employ accountants, legal counsel, managing agents, or other experts to perform services for the Company and compensate them from Company funds;

5.2.7. Except for the agreements described in Section 5.3.6 below, to enter into any and all other agreements on behalf of the Company, with any other Person for any purpose, in such forms as the Member may approve;

5.2.8. To vote any shares or interests in other entities in which Company holds an interest;

5.2.9. To do and perform all other acts as may be necessary or appropriate to accomplish the purposes of the Company; and

5.2.10. To take such other actions as do not expressly require the consent of any non-managing Members under this Agreement.

A Member may act by a duly authorized attorney-in-fact. Unless authorized to do so by this Agreement, no Member, agent, or employee of the Company shall have any

power or authority to bind the Company in any way, to pledge its credit, or to render it liable for any purpose.

5.3. *Actions Requiring Approval of the Members.* In addition to those actions for which this Agreement specifically requires the consent of the Members, the following actions require approval by a Majority of the Members:

5.3.1. Amend this Agreement or the Articles, except that any amendments required under the Act to correct an inaccuracy in the Articles may be filed at any time;

5.3.2. Authorize the Company to make an assignment for the benefit of creditors of the Company, file a voluntary petition in bankruptcy, or consent to the appointment of a receiver for the Company or its assets; or

5.3.3. Approve a plan of merger or consolidation of the Company with or into one or more business entities;

5.3.4. Borrow money for the Company from banks, other lending institutions, the Interest Holders, Members, or Affiliates of the Interest Holders or to hypothecate, encumber, or grant security interests in the assets of the Company;

5.3.5. Sell or otherwise dispose of all or substantially all of the assets of the Company in a single transaction or a series of related transactions; or

5.3.6. Enter into any contract or agreement between the Company and any Member, Interest Holder, or Affiliate of a Member or Interest Holder without the consent of a Majority of the Members.

5.4. *Member Has No Exclusive Duty to Company.* The Members shall not be required to manage the Company as the Members' sole and exclusive function and the Members may engage in other business and investment activities in addition to those relating to the Company. Neither the Company nor any Interest Holder shall have any right, solely by virtue of this Agreement or its relationship to a Member or the Company, to share or participate in any such other investments or activities of the Members or to the income or proceeds derived therefrom. Members shall not have any obligation to disclose any such other investments or activities to the Interest Holders unless it actually or potentially adversely affects the business or property of the Company.

5.5. *Compensation and Expenses.* The Company may enter into management or employment contracts, under such terms and conditions and providing for such



compensation as shall be approved by the Members as provided herein, with one or more Member or Interest Holders or Persons Affiliated with the Member or Interest Holders.

5.6. *Books and Records.* At the expense of the Company, the Members shall keep or cause to be kept complete and accurate books and records of the Company and supporting documentation of transactions with respect to the conduct of the Company's business. The books and records shall be maintained in accordance with sound accounting practices and kept at the Company's known place of business and such other location or locations as the Members shall from time to time determine. At a minimum the Company shall keep at its known place of business the following records:

5.6.1. A current list of the full name and last known business, residence, or mailing address of each Member;

5.6.2. A copy of the initial Articles and all amendments thereto and restatements thereof;

5.6.3. Copies of the Company's federal, state, and local income tax returns and reports, if *any*, for the three most recent fiscal years;

5.6.4. Copies of this Agreement and all amendments hereto or restatements hereof, including any prior operating agreements no longer in effect;

5.6.5. Copies of any documents relating to a Member's obligation to contribute cash, property, or services to the Company;

5.6.6. Copies of any financial statements of the Company for the three (3) most recent fiscal years; and

5.6.7. Copies of minutes of all meetings of the Members and all written consents obtained from Members for actions taken by Members without a meeting.

5.7. *Financial Accounting / Member Access to Books and Records.* The Members shall prepare and make available a financial accounting of the Company no less than once every sixty (60) days. Within three (3) calendar days following written notice, which may be submitted in writing, via facsimile or electronic mail, each Member shall have the right, during normal business hours, to inspect and copy, at the Member's expense, the Company's books and records.

5.8. *Reports.* Within seventy-five (75) days after the end of each Fiscal Year of the Company, the Members shall cause to be sent to each Person who was a Member at

any time during the Fiscal Year a complete accounting of the affairs of the Company for the Fiscal Year then ended. In addition, within seventy-five (75) days after the end of each Fiscal Year of the Company, the Members shall cause to be sent to each Person who was an Interest Holder at any time during the Fiscal Year, the tax information concerning the Company which is necessary for preparing the Interest Holder's income tax returns for that year. At the request of any Member, and at the Member's expense, the Members shall cause an audit of the Company's books and records to be prepared by independent accountants for the period requested by the Member.

**5.9. Title to Company Property.**

5.9.1. Except as provided in Section 5.9.2, all real and personal property acquired by the Company shall be acquired and held by the Company in its name.

5.9.2. Ten (10) days after giving notice, the Members may direct that legal title to all or any portion of the Company's property be acquired or held in a name other than the Company's name. Without limiting the foregoing, the Members may cause title to be acquired and held any one Member's name or in the names of trustees, nominees, or straw parties for the Company. It is expressly understood and agreed that the manner of holding title to the Company's property (or any part thereof) is solely for the convenience of the Company and all of that property shall be treated as Company property. The notice to be given to the Members under this section shall identify the asset or assets to be titled outside of the Company name, the Person in whom legal title is intended to vest, and the reason for the proposed transaction. If any Member provides written notice of an objection to the transaction before the expiration of the ten (10) day period, the transaction shall not be consummated except upon approval of a Majority of the Members.

**Section VI  
Members**

6.1. *Meetings.* Unless otherwise prescribed by the Act, meetings of the Members may be called, for any purpose or purposes, by a Majority of the Members.

6.2. *Place of Meetings.* Whoever calls the meeting may designate any place, either within or outside the State of Alaska, as the place of meeting for any meeting of the Members.

6.3. *Notice of Meetings.* Except as provided in this Agreement, written notice stating the date, time, and place of the meeting, and the purpose or purposes for which the meeting is called, shall be delivered not less than three (3) nor more than fifty (50) days

before the date of the meeting, either personally or by mail, electronic mail, facsimile, or overnight or next-day delivery services by or at the direction of the person or persons calling the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered two (2) days after being deposited in the United States mail, postage prepaid, addressed to the Member at his or her address as it appears on the books of the Company. If transmitted by way of electronic mail or facsimile, such notice shall be deemed to be delivered on the date of such electronic mail or facsimile transmission to the electronic mail address or fax number, if any, for the respective Member which has been supplied by such Member to the Company and identified as such Member's electronic mail address or facsimile number. If transmitted by overnight or next-day delivery, such notice shall be deemed to be delivered on the next business day after deposit with the delivery service addressed to the Member at his or her address as it appears on the books of the Company. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than thirty (30) days. At the adjourned meeting the Company may transact any business which might have been transacted at the original meeting.

6.4. *Meeting of All Members.* If all of the Members shall meet at any time and place, including by conference telephone call, either within or outside of the State of Alaska, and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice.

6.5. *Record Date.* For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, the date on which notice of the meeting is mailed shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof, unless notice of the adjourned meeting is required to be given pursuant to Section 6.3.

6.6. *Quorum.* A Majority of the Members, represented in person or by proxy, shall constitute a quorum at any meeting of Members. Business may be conducted once a quorum is present.

6.7. *Voting Rights of Members.* Each Member shall be entitled to one (1) vote on all matters stipulated herein. If all of an Interest is transferred to an assignee who does not become a Member, the Member from whom the Interest is transferred shall no longer be entitled to vote. No withdrawn Member shall be entitled to vote nor shall such Member's Interest be considered outstanding for any purpose pertaining to meetings or voting.

6.8. *Manner of Acting.* Unless otherwise provided in the Act, the Articles, or this Agreement, the affirmative vote of a Majority of the Members at a meeting at which a quorum is present shall be the act of the Members.

6.9. *Proxies.* At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Company before or at the time of its exercise. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

6.10. *Action by Members without a Meeting.* Any action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, circulated to all the Members with an explanation of the background and reasons for the proposed action, signed by that percentage or number of the Members required to take or approve the action. Any such written consent shall be delivered to the Members of the Company for inclusion in the minutes or for filing with the Company records. Action taken by written consent under this Section shall be effective on the date the required percentage or number of the Members have signed and delivered the consent to all Members, unless the consent specifies a different effective date. The record date for determining Members entitled to take action without a meeting shall be the date the written consent is circulated to the Members.

6.11. *Telephonic Communication.* Members may participate in and hold a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such meeting shall constitute attendance and presence in person, except where the Member participates in the meeting for the express purpose of objecting to the transaction of any business on the ground the meeting is not lawfully called or convened.

6.12. *Waiver of Notice.* When any notice is required to be given to any Member, a waiver thereof in writing signed by the Person entitled to such notice, whether before, at, or after the time stated therein, shall be equivalent to the giving of such notice.

## **Section VII**

### **Transfers and Withdrawals**

7.1. *Transfers.* Except as otherwise provided in this Section VII no Member may Transfer all, or any portion of, or any interest or rights in, the Membership Rights owned by the Member, and no Interest Holder may Transfer all, or any portion of, or any

interest or rights in, any Interest without the prior written consent of the other Members, which consent may be withheld in the Members' sole and absolute discretion. Any sale or foreclosure of a security interest will itself constitute a Transfer independent of the grant of security. Each Member hereby acknowledges the reasonableness of this prohibition in view of the purposes of the Company and the relationship of the Members. The Transfer of any Membership Rights or Interests in violation of the prohibition contained in this Section shall be deemed invalid, null, and void, and of no force or effect. Any Person to whom Membership Rights or an Interest are attempted to be transferred in violation of this Section shall not be entitled to vote on matters coming before the Members, participate in the management of the Company, act as an agent of the Company, receive allocations or distributions from the Company, or have any other rights in or with respect to the Membership Rights or Interest.

7.2. *Withdrawal.* Except as otherwise provided in this Agreement, no Member shall have the right to withdraw from the Company. Any such withdrawal shall constitute a material breach of this Agreement and the Company shall have the right to recover damages from the withdrawn member and to offset the damages against any amounts otherwise distributable to such Member under this Agreement.

7.3. *Option on Death, Bankruptcy or Involuntary Transfer.* On the death, bankruptcy, or similar event (whether voluntary or involuntary) of a Member or Interest Holder, and upon any Involuntary Transfer, the Member or Interest Holder (or such Person's estate) shall offer, or shall automatically be deemed to have offered, to sell the Member's or Interest Holder's Interest to the Company or its nominee. Upon the approval of a Majority of the Members other than the offering Member, the Company or its nominee shall have the right and option, within seventy-five (75) days after the Members' actual knowledge of the death, bankruptcy, or similar event, to acquire the Interest, for the purchase price and on the terms set forth in Exhibit C attached hereto and made a part hereof. If the Interest is not purchased by the Company or its nominee, the Interest shall be transferred to the assignee of the Interest but shall remain fully subject to and bound by the terms of this Agreement.

7.4. *No Transfer of Membership Rights.* The Transfer of an Interest shall not result in the Transfer of any of the Transferring Member's other Membership Rights, if any, and unless the transferee is admitted as a Member pursuant to Section VII of this Agreement, the transferee shall only be entitled to receive, to the extent transferred, the share of distributions, including distributions representing the return of contributions, and the allocation of Profits and Losses (and other items of income, gain, or deduction), to which the Transferring Member would have otherwise been entitled with respect to the Transferring Member's Interest. The transferee shall have no right to participate in the



management of the business and affairs of the Company or to become or to exercise any rights of a Member.

7.5. *Substitute Members.* Notwithstanding any provision of this Agreement to the contrary, an assignee of a Member may only be admitted as a substitute Member upon the written consent of a Majority of the non-transferring Members, which consent may be withheld in the Members' sole and absolute discretion.

7.6. *Additional Members.* The Company shall not issue additional Interests after the date of formation of the Company without the written consent or approval of a Majority of the Members, which consent may be withheld in the Members' sole and absolute discretion.

7.7. *Expenses.* Expenses of the Company or of any Interest Holder occasioned by transfers of Interests shall be reimbursed to the Company or Interest Holder, as the case may be, by the transferee.

7.8. *Distributions on Withdrawal.* Upon the occurrence of an Event of Withdrawal with respect to a Member, the withdrawn Member shall not be entitled to receive a withdrawal distribution but the withdrawn Member (or the withdrawn Member's personal representatives, successors, and assigns) shall be entitled to receive the share of distributions, including distributions representing a return of Capital Contributions, and the allocation of Profits and Losses, to which the withdrawn Member otherwise would have been entitled if the Event of Withdrawal had not occurred, during the continuation of the business of the Company and during and on completion of winding up. If the Event of Withdrawal violated this Agreement, the distributions paid to the withdrawn Member shall be offset by any damages suffered by the Company or its Members as a result of the Event of Withdrawal.

## **Section VIII**

### **Dissolution and Termination**

#### **8.1. *Dissolution.***

8.1.1. *Events of Dissolution.* The Company will be dissolved upon the occurrence of any of the following events:

8.1.1.1. Upon the written consent of a Majority of the Members;

8.1.1.2. Upon the entry of a decree of dissolution under Section 10.50.405 of the Act or an administrative dissolution under Section 10.50.408 of the Act;



8.1.1.3. Upon the sale or other disposition of all or substantially all of the Company's assets and receipt by the Company of the proceeds therefrom; or

8.1.1.4. Upon the occurrence of an Event of Withdrawal of the last remaining Member unless within ninety (90) days all assignees of Interests in the Company consent in writing to admit at least one member to continue the business of the company.

8.2. *Continuation.* An Event of Withdrawal with respect to a Member shall not cause dissolution, and the Company shall automatically continue following such an Event of Withdrawal.

8.3. *Distributions and Other Matters.* The Company shall not terminate until its affairs have been wound up and its assets distributed as provided herein. Promptly upon the dissolution of the Company, the Members shall cause to be executed and filed a Notice of Winding Up with the Alaska Department of Commerce, Community, and Economic Development, and will liquidate the assets of the Company and apply and distribute the proceeds of such liquidation, or distribute the Company's assets in kind, as follows and in the following order:

8.3.1. *Ordinary Debts.* To payment of the debts and liabilities of the Company, including debts owed to Interest Holders, in the order of priority provided by law; provided that the Company shall first pay, to the extent permitted by law, liabilities with respect to which any Interest Holder is or may be personally liable;

8.3.2. *Reserves and Distributions.* To the setting up of such reserves as the Members may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company arising out of or in connection with the Company business;

8.3.3. *Remainder.* The balance of the proceeds shall be distributed to the Interest Holders in accordance with the positive balance in their Capital Accounts, determined as though all of the Company assets were sold for cash at their fair market value as of the date of distribution. Any such distributions shall be made in accordance with the timing requirements of Treasury Regulation Section 1.704-1(b)(2)(ii)(b)(2).

8.4. *Deficit Capital Accounts.* Notwithstanding anything to the contrary in this Agreement, if any Interest Holder's Capital Account has a deficit balance (taking into account all contributions, distributions, and allocations for the year in which a liquidation occurs), the Interest Holder shall not be obligated to make any contribution to the capital of the Company and the negative balance of such Interest Holder's Capital Account shall

not be considered a debt owed by the Interest Holder to the Company or to any other person for any purpose whatsoever.

8.5. *Rights of Interest Holders—Distributions of Property.* Except as otherwise provided in this Agreement, each Interest Holder shall look solely to the assets of the Company for the return of his or her Capital Contribution and shall have no right or power to demand or receive property other than cash from the Company. No Interest Holder shall have priority over any other Interest Holder for the return of his or her Capital Contributions, distributions, or allocations.

8.6. *Articles of Termination.* When all the assets of the Company have been distributed as provided herein, the Members shall cause to be executed and filed Articles of Termination as required by the Act.

## **Section IX**

### **Other Interests of an Interest Holder**

Any Interest Holder may engage in or possess interests in other business ventures of every nature and description, independently or with others. Neither the Company nor any Interest Holder shall have any right to any independent ventures of any other Interest Holder or to the income or profits derived therefrom. The fact that an Interest Holder, a member of his or her Family, or an Affiliate is employed by, or owns, or is otherwise directly or indirectly interested in or connected with, any person, firm, or corporation employed or retained by the Company to render or perform services, including without limitation, management, contracting, mortgage placement, financing, brokerage, or other services, or from whom the Company may buy property or merchandise, borrow money, arrange financing, or place securities, or may lease real property to or from the Company, shall not prohibit the Company from entering into contracts with or employing that person, firm, or corporation or otherwise dealing with him or it, and neither the Company nor any of the Interest Holders as such shall have any rights in or to any income or Profits derived therefrom.

## **Section X**

### **Indemnity**

10.1. *Indemnity Rights.* The Company shall indemnify each Interest Holder who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of his or her actions as an Interest Holder or by reason of his or her acts while serving at the request of the Company as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against

expenses, including attorneys' fees, and against judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding, provided that the acts of such Interest Holder were not committed with gross negligence or willful misconduct, and, with respect to any criminal action or proceeding, such Interest Holder had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, or conviction, or upon a plea of no contest or its equivalent, shall not, in and of itself, create a presumption that the Interest Holder acted with gross negligence or willful misconduct, or with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

10.2. *Notice and Defense.* Any Interest Holder who is or may be entitled to indemnification shall give timely written notice to the Company, the Interest Holders that a claim has been or is about to be made against him or her, shall permit the Company to defend him or her through legal counsel of its own choosing, and shall cooperate with the Company in defending against the claim. The Interest Holder shall have the sole power and authority to determine the terms and conditions of any settlement of the claim.

10.3. *Other Sources.* The indemnification provided for herein shall apply only in the event, and to the extent that, the person is not entitled to indemnification, or other payment, from any other source (including insurance), and the Company's indemnity obligations hereunder shall be in excess of any indemnification or other payment provided by such other source.

10.4. *Survival.* The indemnification provided for herein shall continue as to a person who has ceased to be an Interest Holder and shall inure to the benefit of the heirs, executors, and administrators of such person.

## **Section XI Miscellaneous**

11.1. *Notices.* Any notice, demand, offer, or other communication which any person is required or may desire to give to any other person shall be delivered in person or by United States mail, electronic mail, facsimile, or overnight or next-day delivery service. If mailed, such notice shall be deemed to be delivered two (2) days after being deposited in the United States mail, postage prepaid, addressed to the person at his or her address as it appears on the books of the Company. If transmitted by way of electronic mail or facsimile, such notice shall be deemed to be delivered on the date of such electronic mail or facsimile transmission to the electronic mail address or facsimile number, if any, for the person which has been supplied by such person and identified as such person's electronic mail address or facsimile number. If transmitted by overnight or

next-day delivery, such notice shall be deemed to be delivered on the next business day after deposit with the delivery service addressed to the person at his or her address as it appears on the books of the Company.

11.2. *Bank Accounts.* All funds of the Company shall be deposited in a bank account or accounts opened in the Company's name. The Members shall determine the institution or institutions at which the accounts will be opened and maintained, the types of accounts, and the Persons who will have authority with respect to the accounts and the funds therein.

11.3. *Partial Invalidity.* The invalidity of any portion of this Agreement will not affect the validity of the remainder hereof.

11.4. *Governing Law; Parties in Interest.* This Agreement will be governed by and construed according to the laws of the State of Alaska without regard to conflicts of law principles and will bind and inure to the benefit of the heirs, successors, assigns, and personal representatives of the parties.

11.5. *Execution in Counterparts.* This Agreement may be executed in counterparts, all of which taken together shall be deemed one original.

11.6. *Titles and Captions.* All article, section, or paragraph titles or captions contained in this Agreement are for convenience only and are not deemed part of the context thereof.

11.7. *Pronouns and Plurals.* All pronouns and any variations thereof are deemed to refer to the masculine, feminine, neuter, singular, or plural as the identity of the person or persons may require.

11.8. *Waiver of Action for Partition.* Each of the Interest Holders irrevocably waive any right that he or she may have to maintain any action for partition with respect to any of the Company Property.

11.9. *Entire Agreement.* This Agreement contains the entire understanding between the parties, and supersedes any prior understandings and agreements between or among them with respect to the subject matter hereof.

11.10. *Estoppel Certificate.* Each Member shall, within ten (10) days after written request by any Member or the Members, deliver to the requesting Person a certificate stating, to the Member's knowledge, that: (a) this Agreement is in full force and effect; (b) this Agreement has not been modified except by any instrument or instruments

identified in the certificate; and (c) there is no default hereunder by the requesting Person, or if there is a default, the nature and extent thereof.

## **Section XII Arbitration**

If the parties are unable to resolve any dispute arising out of this Agreement either during or after its term informally, including the question as to whether any particular matter is arbitrable, the parties agree to submit the matter to binding arbitration. In the event the parties have not agreed upon an arbitrator within twenty (20) days after either party has demanded arbitration, either party may file a demand for arbitration with an Alaska regional office of the American Arbitration Association ("AAA") and a single arbitrator shall be appointed in accordance with the then existing Commercial Arbitration Rules of the AAA. At all times during arbitration, the arbitrator shall consider that the purpose of arbitration is to provide for the efficient and inexpensive resolution of disputes, and the arbitrator shall limit discovery whenever appropriate to insure that this purpose is pre-served. The dispute between the parties shall be submitted for determination within sixty (60) days after the arbitrator has been selected. The decision of the arbitrator shall be rendered within thirty (30) days after the conclusion of the arbitration hearing. The decision of the arbitrator shall be in writing and shall specify the factual and legal basis for the decision. Upon stipulation of the parties, or upon a showing of good cause by either party, the arbitrator may lengthen or shorten the time periods set forth herein for conducting the hearing or for rendering a decision. The decision of the arbitrator shall be final and binding upon the parties. Judgment to enforce the decision of the arbitrator, whether for legal or equitable relief, may be entered in any court having jurisdiction thereof, and the parties hereto expressly and irrevocably consent to the jurisdiction of the Alaska Courts for such purpose. The arbitrator shall conduct all proceedings pursuant to the then existing Commercial Arbitration Rules of the AAA, to the extent such rules are not inconsistent with the provisions of this Article III. The AAA Uniform Rules of Procedure shall not apply to any arbitration proceeding relating to the subject matter or terms of the documents. In the event a dispute is submitted to arbitration pursuant to this Section, the prevailing party shall be entitled to the payment of its reasonable attorneys' fees and costs, as determined by the arbitrator. Each of the parties shall keep all disputes and arbitration proceedings strictly confidential, except for disclosures of information required by applicable law or regulation.

## **Section XIII Agreement of Spouses of Members**

By executing this Agreement, the spouse of each Interest Holder acknowledges and consents to the terms and conditions of this Agreement and agrees, for himself or

herself and for the community of himself and herself and the Interest Holder, to be bound hereby. Each spouse of an Interest Holder, for himself or herself and the community of which he or she is a member, hereby irrevocably appoints the Interest Holder as attorney-in-fact with an irrevocable proxy coupled with an Interest to vote on any matter to come before the Members or to agree to and execute any amendments of this Agreement without further consent or acknowledgment of the spouse and to execute proxies, instruments, or documents in the spouse's name as may be required to effect the same. This power of attorney is intended to be durable and shall not be affected by disability of the spouse.

#### **Section XIV Representation**

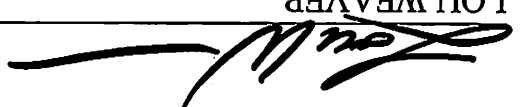
The parties hereby acknowledge that (i) JDW, LLC (the "Firm") has represented AK Slow Burn Cannabis Outlet, LLC in connection with the drafting of this Operating Agreement; (ii) that each of the signatories has been advised to seek independent counsel in connection with such matters; and (iii) that the Firm does not represent any Member individually either directly or indirectly, but rather represents the Company. Payment of the Firm's fees by the Company shall not alter or amend any of the relationships.

IN WITNESS WHEREOF, the Members have executed this Operating Agreement, effective as of the date first set forth above.

*Signatures of the Members follow on Page 21.*




MEMBERS:

  
LOU WEAVER

**EXHIBIT A**

**Members, Capital Contributions, and Interest**

<b><u>Member</u></b>	<b><u>Initial Capital Contribution</u></b>	<b><u>Current Capital Account</u></b>	<b><u>Percentage Interest</u></b>
Lou Weaver	<del>325,000.00</del> 	\$ <del>182,000.00</del>	100.00%
TOTAL		\$ <del>325,000.00</del>	100.00%

## **EXHIBIT B**

### **Tax Matters**

1. *Definitions.* The capitalized words and phrases used in this **Exhibit B** shall have the following meanings:

1.1. “*Adjusted Book Value*” means with respect to Company Property, the Property’s Initial Book Value with the adjustments required under this Agreement.

1.2. “*Adjusted Capital Account Deficit*” means, with respect to any Interest Holder, the deficit balance, if any, in the Interest Holder’s Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

1.2.1. the Capital Account shall be increased by the amounts which the Interest Holder is obligated to restore under this Agreement or is deemed obligated to restore pursuant to Regulation Sections 1.704-2(g)(1) and (i)(5) (i.e., the Interest Holder’s share of Minimum Gain and Member Minimum Gain); and

1.2.2. the Capital Account shall be decreased by the items described in Regulation Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

This definition of Adjusted Capital Account Deficit is intended to comply with Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted and applied in a manner consistent with that Regulation.

1.3. “*Capital Account*” means the account maintained by the Company for each Interest Holder in accordance with the following provisions:

1.3.1. An Interest Holder’s Capital Account shall be credited with the amount of money contributed by the Interest Holder to the Company; the fair market value of the Property contributed by the Interest Holder to the Company (net of liabilities secured by such contributed Property that the Company is considered to assume or take subject to under Section 752 of the Code); the Interest Holder’s allocable share of Profit and items of income and gain; and the amount of Company liabilities that are assumed by the Interest Holder under Regulation Section 1.704-1(b)(2)(iv)(c);

1.3.2. An Interest Holder’s Capital Account shall be debited with the amount of money distributed to the Interest Holder; the fair market value of any Company property distributed to the Interest Holder (net of liabilities secured by such distributed Property that the Interest Holder is considered to assume or take subject to

under Section 752 of the Code); the Interest Holder's allocable share of Loss and items of deduction; and the amount of the Interest Holder's liabilities that are assumed by the Company under Regulation Section 1.704-1(b)(2)(iv)(c);

1.3.3. If Company Property is distributed to an Interest Holder, the Capital Accounts of all Interest Holders shall be adjusted as if the distributed Property had been sold in a taxable disposition for the gross fair market value of such Property on the date of distribution (taking into account Section 7701 of the Code) and the Profit or Loss from such disposition allocated to the Interest Holders as provided in this **Exhibit B**.

1.3.4. If money or other Property (other than a *de minimis* amount) is (a) contributed to the Company by a new or existing Interest Holder in exchange for an interest in the Company; or (b) distributed by the Company to a retiring or continuing Interest Holder as consideration for an interest in the Company; then, if the Members deem such an adjustment to be necessary to reflect the economic interests of the Interest Holders, the Book Value of the Company's Property shall be adjusted to equal its gross fair market value on such date (taking into account Section 7701(g) of the Code) and the Capital Accounts of all Interest Holders shall be adjusted in the same manner as if all the Company Property had been sold in a taxable disposition for such amount on such date and the Profit or Loss allocated to the Interest Holders as provided in this **Exhibit B**.

1.3.5. To the extent an adjustment to the tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the Book Value of the Company's Property and the Capital Account of the Interest Holders shall be adjusted in a manner consistent with the manner in which the Capital Accounts are required to be adjusted pursuant to that Section of the Regulations.

1.3.6. If any Interest is transferred pursuant to the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent the Capital Account is attributable to the transferred Interest. It is intended that the Capital Accounts of all Interest Holders shall be maintained in compliance with the provisions of Regulation Section 1.704-1(b), and all provisions of this Agreement relating to the maintenance of Capital Accounts or the Adjusted Book Value of Company Property shall be interpreted and applied in a manner consistent with that Section of the Regulations.

1.4. "*Code*" means the Internal Revenue Code of 1986, as amended, or any corresponding provision of any succeeding law.

1.5. "*Company Minimum Gain*" has the meaning set forth in Regulation Section 1.704-2(b)(2) for "partnership minimum gain."

1.6. “*Initial Book Value*” means, with respect to Property contributed to the Company by an Interest Holder, the Property’s fair market value at the time of contribution and, with respect to all other Property, the Property’s adjusted basis for federal income tax purposes at the time of acquisition.

1.7. “*Member Nonrecourse Debt*” has the meaning set forth in Section 1.704-2(b)(4) of the Treasury Regulations for “partner nonrecourse debt.”

1.8. “*Member Nonrecourse Debt Minimum Gain*” has the meaning set forth in Regulation Section 1.704-2(i) for “partner nonrecourse debt minimum gain.”

1.9. “*Member Nonrecourse Deductions*” has the meaning set forth in Regulation Section 1.704-2(i) for “partner nonrecourse deductions.”

1.10. “*Nonrecourse Deductions*” has the meaning set forth in Regulation Section 1.704-2(b)(1). The amount of Nonrecourse Deductions shall be determined according to the provisions of Regulation Section 1.704-2(c).

1.11. “*Nonrecourse Liability*” has the meaning set forth in Regulation Section 1.704-2(b)(3).

1.12. “*Profit*” and “*Loss*” means, for each Fiscal Year of the Company (or other period for which Profit or Loss must be computed), the Company’s taxable income or loss determined in accordance with Code Section 703(a), with the following adjustments:

1.12.1. All items of income, gain, loss, deduction, or credit required to be stated separately pursuant to Code Section 703(a)(1) shall be included in computing taxable income or loss;

1.12.2. Any tax-exempt income of the Company, not otherwise taken into account in computing Profit or Loss, shall be included in computing Profit or Loss;

1.12.3. Any expenditures of the Company described in Code Section 705(a)(2)(B) (or treated as such pursuant to Regulation Section 1.704-1(b)(2)(iv)(i)) and not otherwise taken into account in computing Profit or Loss, shall be included in computing Profit or Loss;

1.12.4. If the Adjusted Book Value of Company Property differs from its adjusted basis for federal income tax purposes, then gain or loss resulting from any taxable disposition of Company property shall be computed by reference to the Adjusted

Book Value of the Property disposed of rather than the adjusted basis of the property for federal income tax purposes;

1.12.5. If the Adjusted Book Value of Company Property differs from its adjusted basis for federal income tax purposes, then in lieu of the depreciation, amortization, or cost recovery deductions allowable in computing taxable income or loss, the depreciation, amortization (or other cost recovery deduction) shall be an amount that bears the same ratio to the Adjusted Book Value of such Property as depreciation, amortization (or other cost recovery deduction) computed for federal income tax purposes for such period bears to the adjusted tax basis of such Property. If the Property has a zero adjusted tax basis, the depreciation, amortization (or other cost recovery deduction) of such Property shall be determined under any reasonable method selected by the Company; and

1.12.6. Any items that are specially allocated pursuant to Sections 2.3 and 2.4 hereof shall not be taken into account in computing Profit or Loss.

1.13. "Treasury Regulations" or "Regulations" means the income tax regulations, including any temporary regulations, promulgated under the Code as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

2. *Allocations.* After making any special allocations contained in Section 2.5, remaining Profits and Losses shall be allocated for any Fiscal Year in the following manner:

2.1. *Profits.*

2.1.1. First, Profits shall be allocated among the Interest Holders in proportion to the cumulative Losses previously allocated to the Interest Holder under Section 2.2.3 until the cumulative Profits allocated to each Interest Holder under this subparagraph equal the cumulative Losses previously allocated to each Interest Holder under Section 2.2.3;

2.1.2. Second, Profits shall be allocated proportionately among the Interest Holders until the cumulative Profits allocated to each Interest Holder under this subparagraph equal the cumulative Priority Return each Interest Holder has received through the end of the Fiscal Year plus Losses, if any, allocated to the Interest Holder under Section 2.2.2; and



2.1.3. Third, Profits shall be allocated to the Interest Holders in accordance with their Percentage Interests.

## 2.2. *Losses.*

2.2.1. First, Losses shall be allocated to the Interest Holders in proportion to the cumulative Profits previously allocated to the Interest Holders under Section 2.1.3 until the cumulative Losses allocated pursuant to this subparagraph to each Interest Holder are equal to the cumulative Profits previously allocated to each Interest Holder under Section 2.1.3.

2.2.2. Second, Losses shall be allocated to the Interest Holders in proportion to the cumulative Profits previously allocated to the Interest Holders under Section 2.1.2 until the cumulative Losses allocated pursuant to this subparagraph to each Interest Holder are equal to the cumulative Profits previously allocated to each Interest Holder under Section 2.1.2; and

2.2.3. Third, Losses shall be allocated to the Interest Holders in accordance with their Percentage Interests.

## 2.3. *Loss Limitations.*

2.3.1. *Adjusted Capital Account Deficit.* No Losses shall be allocated to any Interest Holder pursuant to Section 2.1 if the allocation causes the Interest Holder to have an Adjusted Capital Account Deficit or increases the Interest Holder's Capital Account Deficit. All Losses in excess of the limitations set forth in this Subsection shall be allocated to the other Interest Holders in accordance with the other Interest Holders' Percentage Interests until all Interest Holders are subject to the limitation of this Subsection, and thereafter, in accordance with the Interest Holders' interest in the Company as determined by the Members. If any Losses are allocated to an Interest Holder because of this Subsection, then notwithstanding any other provision of this Agreement, all subsequent Profits shall be allocated to the Interest Holders pro rata based on Losses allocated to them pursuant to this Subsection until each Interest Holder has been allocated an amount of Profits pursuant to this Subsection equal to the Losses previously allocated to that Interest Holder under this Subsection.

2.3.2. *Cash Method Limitation.* If the Company is on the cash method of accounting and more than 35% of the Company's Losses in any year would be allocable to Interest Holders who are limited entrepreneurs (within the meaning of § 464(e)(2) of the Code), then except as otherwise provided in Section 2.2.1, the Losses in excess of 35% otherwise allocable to those Interest Holders shall be specially allocated among the

other Interest Holders in the ratio that each shares in Losses. If any Losses are allocated to an Interest Holder under this Subsection, then notwithstanding any other provision of this Agreement, all subsequent Profits shall be allocated to the Interest Holders pro rata based on Losses allocated to them pursuant to this Subsection until each Interest Holder has been allocated an amount of Profits pursuant to this Subsection in the current and previous Fiscal Years equal to the Losses allocated to that Interest Holder pursuant to this Subsection in previous Fiscal Years.

#### 2.4. *Section 704(c) Allocations.*

2.4.1. *Contributed Property.* In accordance with Code Section 704(c) and the Regulations thereunder, as well as Regulation Section 1.704-1(b)(2)(iv)(d)(3), income, gain, loss, and deduction with respect to any property contributed (or deemed contributed) to the Company shall, solely for tax purposes, be allocated among the Interest Holders so as to take account of any variation between the adjusted basis of the property to the Company for federal income tax purposes and its fair market value at the date of contribution (or deemed contribution).

2.4.2. *Adjustments to Book Value.* If the Adjusted Book Value of any Company asset is adjusted as provided in clause (iv) of the definition of Capital Account, subsequent allocations of income, gain, loss, and deduction with respect to the asset shall, solely for tax purposes, take account of any variation between the adjusted basis of the asset for federal income tax purposes and its adjusted book value in the manner as provided under Code Section 704(c) and the Regulations thereunder.

2.5. *Regulatory Allocations.* The following allocations shall be made in the following order:

2.5.1. *Company Minimum Gain Chargeback.* Except as set forth in Regulation Section 1.704-2(f)(2), (3), (4), and (5), if during any Fiscal Year there is a net decrease in Company Minimum Gain, each Interest Holder, prior to any other allocation pursuant to this Section IV, shall be specially allocated items of gross income and gain for such taxable year (and, if necessary, succeeding taxable years) in an amount equal to that Interest Holder's share of the net decrease of Company Minimum Gain, computed in accordance with Regulation Section 1.704-2(g)(2). Allocations of gross income and gain pursuant to this Subsection shall be made first from gain recognized from the disposition of Company assets subject to Nonrecourse Liabilities to the extent of the Minimum Gain attributable to those assets and, thereafter, from a pro rata portion of the Company's other items of income and gain for the taxable year. It is the intent of the parties hereto that any allocation pursuant to this Subsection shall constitute a "minimum gain chargeback" under Regulation Section 1.704-2(f).

**2.5.2. Member Nonrecourse Debt Minimum Gain Chargeback.** Except as set forth in Regulation Section 1.704-2(i)(4), if during any Fiscal Year there is a net decrease in Member Nonrecourse Debt Minimum Gain, each Interest Holder with a share of that Member Nonrecourse Debt Minimum Gain (determined under Regulation Section 1.704-2(i)(5)) as of the beginning of the Fiscal Year shall be specially allocated items of income and gain for such Fiscal Year (and, if necessary, succeeding Fiscal Years) in an amount equal to that Interest Holder's share of the net decrease in Member Nonrecourse Debt Minimum Gain, computed in accordance with Regulation Section 1.704-2(i)(4). Allocations of gross income and gain pursuant to this Subsection shall be made first from gain recognized from the disposition of Company assets subject to Member Nonrecourse Debt to the extent of the Member Minimum Gain attributable to those assets and, thereafter, from a pro rata portion of the Company's other items of income and gain for the Fiscal Year. It is the intent of the parties hereto that any allocation pursuant to this Subsection shall constitute a "minimum gain chargeback" under Regulation Section 1.704-2(i)(4).

**2.5.3. Qualified Income Offset.** If an Interest Holder unexpectedly receives an adjustment, allocation, or distribution described in Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5), or (6), then to the extent required under Regulations Section 1.704-1(b)(2)(d), such Interest Holder shall be allocated items of income and gain of the Company (consisting of a pro rata portion of each item of Company income, including gross income and gain for that Fiscal Year) before any other allocation is made of Company items for that Fiscal Year, in the amount and in proportions required to eliminate the Interest Holder's Adjusted Capital Account Deficit as quickly as possible. This Subsection is intended to comply with, and shall be interpreted consistently with, the "qualified income offset" provisions of the Regulations promulgated under Code Section 704(b).

**2.5.4. Nonrecourse Deductions.** Nonrecourse Deductions for a Fiscal Year or other period shall be allocated among the Interest Holders in proportion to their Percentage Interests.

**2.5.5. Member Nonrecourse Deductions.** Any Member Nonrecourse Deduction for any Fiscal Year or other period attributable to a Member Nonrecourse Liability shall be allocated to the Interest Holder who bears the risk of loss for the Member Nonrecourse Debt in accordance with Regulation Section 1.704-2(i).

**2.5.6. Regulatory Allocations.** The allocations contained in Section 2.5 are contained herein to comply with the Regulations under Section 704(b) of the Code. In allocating other items of Profit or Loss, the allocations contained in Section 2.5 shall be

taken into account so that to the maximum extent possible the net amount of Profit or Loss allocated to each Interest Holder will be equal to the amount that would have been allocated to each Interest Holder if the allocations contained in Section 2.4 had not been made.

2.6. *Varying Interests; Allocations in Respect to Transferred Interests.* Profits, Losses, and other items shall be calculated on a monthly, daily, or other basis permitted under Code Section 706 and the Regulations. If any Interest is sold, assigned, or transferred in compliance with the provisions of this Agreement, profits, losses, each item thereof, and all other items attributable to such Interest for such period shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during the period in accordance with Code Section 706(d), using any conventions permitted by law and selected by the Company.

2.7. *Tax Matters Partner.* The Members shall select one Member to be the Company's tax matters partner ("Tax Matters Partner") unless the Members designate a different Person to serve in this capacity. The Tax Matters Partner shall have all powers and responsibilities provided in Code Section 6221, et seq. The Tax Matters Partner shall keep all Members informed of all notices from government taxing authorities which may come to the attention of the Tax Matters Partner. The Company shall pay and be responsible for all reasonable third-party costs and expenses incurred by the Tax Matters Partner in performing those duties. The Company shall be responsible for any costs incurred by any Member with respect to a tax audit or tax-related administrative or judicial proceeding against the Member. The Tax Matters Partner shall not compromise any dispute with the Internal Revenue Service without the approval of the Members.

2.8. *Returns and Other Elections.* The Members shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business.

2.9. *Annual Accounting Period.* The annual accounting period of the Company shall be its Fiscal Year. The Company's Fiscal Year shall be selected by the Members, subject to the requirements and limitations of the Code.

2.10. *Knowledge.* The Interest Holders acknowledge that they understand the economic and income tax consequences of the allocations and distributions under this Agreement and agree to be bound by the provisions of this **Exhibit B** in reporting their taxable income and loss from the Company.

2.11. *Amendment.* The Members are hereby authorized, upon the advice of the Company's tax counsel, to amend this Exhibit B to comply with the Code and the Regulations promulgated under Code Section 704(b); provided, however, that no amendment shall materially affect the distributions to an Interest Holder without the Interest Holder's prior written consent.

## **EXHIBIT C**

### **Formula For Determining The Purchase Price Of A Member's Interest And Payment Terms Pursuant To Section VII**

When required pursuant to Section VII of this Agreement, the value of an Interest will be determined by a valuation professional accredited in business valuation by the AICPA or American Society of Appraisers ("Appraiser"). Such Appraiser shall be jointly selected by the Company and the offering Member, Interest Holder, or such Person's estate (the "Offering Member") within fifteen (15) days after the other Members' actual knowledge of the Offering Member's death or bankruptcy. The cost of the Appraiser shall be borne equally by the Company and the Offering Member. If a mutually satisfactory Appraiser cannot be selected, then the Company and the Offering Member each shall select and pay for its own Appraiser and the two Appraisers shall attempt to reconcile their valuations to arrive at a single valuation. If they are unable to do so, they shall jointly select a third Appraiser to value the Offering Member's Interest. The cost of the third Appraiser shall be borne equally by the Company and the Offering Member. The three Appraisers shall attempt to reconcile their valuations to arrive at a single valuation. If they are unable to do so, then the middle of the three appraisals shall be used as the valuation. The standard of value shall be fair market value.

If applicable, each party shall appoint its Appraiser within seven (7) days after the parties determine they cannot agree on a single Appraiser. The two Appraisers appointed shall select a third Appraiser within seven (7) days after they determine they cannot agree on a single valuation. The Appraisers shall be instructed to provide their valuations within thirty (30) days after their appointment.

Payment of the Offering Member's Interest shall be due and payable by the Company as follows: ten percent (10%) in cash within sixty (60) days after acceptance by the Company of the offer to purchase the Offering Member's Interest and the balance in ten (10) equal semi-annual installments commencing on the six (6) month anniversary of the initial down payment, together with interest on the unpaid balance from time to time outstanding until paid at the prime rate of interest reported by *The Wall Street Journal - Western Edition* (such rate to be determined and fixed as of the date of the initial payment hereunder), payable at the same time as and in addition to the installments of principal.