Memo re Cloudberry Cannabis ownership change application:

Our review of AS17.38 and the regulations indicate to us that AAC 306.045.040 is the applicable regulation for this requested change of ownership.

There is some confusion created by the broad language of Section .040(b), which states that a proposed ownership change "that will result in a change in controlling interest" requires application under AAC 306.045.045 (governing applications for transfer of a license, or a controlling interest therein).

However, section .045(a) specifies that it pertains only to ownership changes where there is a transfer or receipt of a controlling interest.

The Cloudberry application does not involve either transfer or receipt of a controlling interest. The existing partner Lily A. Shimek presently has a controlling interest (60%) —- but that control is being extinguished, not transferred. None of the partners-to-be will have a controlling interest —- after the change of ownership, each of 5 partners will have a 20% interest.

By way of illustration, a controlling partner with 90% ownership who applies to transfer 5% of his ownership to a new partner has "changed" his or her controlling interest from 90% to 85% —- but has not transferred an ownership interest to a different person, nor has the new partner received a controlling interest. Such an application obviously should be handled pursuant to the less cumbersome and less costly regulation of Section .040 —- which would still serve the legitimate goal of the regulatory body to know if and when a controlling interest in a license is being transferred to a new person.

The specific and clear language of Section .045 ("transfer or receive" a controlling interest) provides clarity, and takes precedence over, the overly-broad and undefined language of Section .040 ("change" in controlling interest).

Accordingly , our application is brought as a Section .040 ownership change which does not involve transfer or receipt of a controlling interest in the licenses.

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Alcohol and Marijuana Control Office
550 W 7th Avenue, Suite 1600
Anchorage, AK 99501
marijuana.licensing@alaska.gov
https://www.commerce.alaska.gov/web/amco
Phone: 907.269.0350

Alaska Marijuana Control Board

Form MJ-17: Ownership Change

Why is this form needed?

This ownership change form must be completed and submitted to AMCO's main office, along with all necessary supplemental documents and fees, **before** an ownership change that does not affect the controlling interest of an entity has occurred, as required by 3 AAC 306.040. One form is sufficient to update multiple licenses under the same entity/ownership.

Fees:

- $250.00 per application for a single licensee
- $500.00 for more than one license.

The ownership may not be changed until the approved form is returned to you. "Ownership change" means:

- If the licensee is a **partnership**, including a limited partnership, any change in the identity of the partners, or in the ownership percentages held by the partners.
- If the licensee is a **limited liability company (LLC)**, any change in the identity of the members or managers, or in the ownership percentage held by any member.
- If the licensee is a **corporation**, any sale of corporate stock to a person not currently an owner, any change of the percentage ownership of an existing shareholder, or any change in the corporation's officers or directors.

The following must be submitted for each new person being added as a licensee on the license:

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- A completed copy of **Form MJ-00:** Application Certifications
- A completed copy of **Form MJ-09:** Statement of Financial Interest
- A completed **fingerprint card**
- **Fingerprint fees**
- A copy of the draft **Notice of Change of Officials** that will be filed with the Alaska Division of Corporations, Business & Professional Licensing. (**This document must NOT be submitted to CBPL until the change is approved.**)
- Updated entity documents:
  - If the entity is an LLC, an updated copy of the LLC's **operating agreement**
  - If the entity is a partnership, an updated copy of the **partnership agreement**
  - If the entity is a corporation, an updated copy of the **corporate bylaws**

If there is any proposed change in ownership that will result in a change in controlling interest of the marijuana establishment license, the establishment must file an application for transfer of the license to another person under 3 AAC 306.045.

Section 1 – Establishment Information

Enter information for the licensed business.

Licensee:	Cloudberry Cannabis	MJ License(s)#:	11547 and 11635		
License Type(s):	retail dispensary (11547) and cultivation (11635)				
Mailing Address:	2224 Arcadia Drive				
City:	Anchorage	State:	Alaska	ZIP:	99517
Email:	ddshimek@hotmail.com	Phone #:	907-360-8096		

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Form MJ-17: Ownership Change

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Section 2 – Entity Officials

Enter all information for each of the individuals listed below (attach additional copies of this page, as needed). If any entity official is another entity, you must include the AK Entity # of that entity in the Entity Official Name field, attach a separate completed copy of this page that breaks down the ownership information for that entity, and submit the required supplemental documents and fees listed on Page 1 for each entity official of that entity. Entity documents must be submitted for each entity listed on this form.

- If the applicant is a corporation, each officer or director, and owner of any of the corporation's stock.
- If the applicant is a limited liability company, each member holding any ownership interest and each manager.
- If the applicant is a partnership, each partner holding any interest in the partnership, and each general partner.

Entity Official Name:	Lily A. Shimek				
Title(s):	partner	Phone:	907-350-8886	% Owned:	20
Email:	kicker204@live.com				
Mailing Address:	6601 Cherigny St.				
City:	Anchorage	State:	AK	ZIP:	99502

Entity Official Name:	Joseph D. Shimek				
Title(s):	partner	Phone:	907-317-3380	% Owned:	20
Email:	avalantek@gmail.com				
Mailing Address:	6601 Cherigny St				
City:	Anchorage	State:	AK	ZIP:	99502

Entity Official Name:	Zachary McGuire				
Title(s):	partner	Phone:	907-632-1647	% Owned:	20
Email:	zem_216@yahoo.com				
Mailing Address:	6601 Cherigny St				
City:	Anchorage	State:	AK	ZIP:	99502

Entity Official Name:	Jennifer Cardona				
Title(s):	partner	Phone:	503-778-0560	% Owned:	20
Email:	cardelling@gmail.com				
Mailing Address:	6242 Spruce Meadows Drive				
City:	Anchorage	State:	AK	ZIP:	99507

Entity Official Name:	Luke Stokes				
Title(s):	partner	Phone:	907-351-9424	% Owned:	20
Email:	lukecable@gmail.com				
Mailing Address:	6160 Fairpoint Drive				
City:	Anchorage	State:	AK	ZIP:	99507

Section 3 – Declarations

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

Completed copies of all required documents and fees listed on Page 1 of this form are attached.

I hereby certify that I am the person herein named and subscribing to this application and that I have read the complete application, and I know the full content thereof. I declare that all of the information contained herein, and evidence or other documents submitted are true and correct. I understand that any falsification or misrepresentation of any item or response in this application, or any attachment, or documents to support this application, is sufficient grounds for denying or revoking a license/permit. I further understand that it is a Class A misdemeanor under Alaska Statute 11.56.210 to falsify an application and commit the crime of unsworn falsification.

Signature of licensee

Lily Anastasia Shinek
Printed name of licensee

Signature of Notary Public

Notary Public in and for the State of Alaska.

My commission expires: August 14, 2025

Subscribed and sworn to before me this 24 day of March, 2025.

MARITA GROZIER NOTARY PUBLIC My Comm. Exp. August 14, 2025 STATE OF ALASKA

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AMCO Review: Approved Denied

Signature of Director

Printed name of Director

AMCO Comments:

License #

SECOND AMENDMENT to Cloudberry Cannabis Partnership Agreement

The existing Partners of Cloudberry Cannabis (formerly Cloudberry Partners) do hereby agree to the addition of three additional (new) Partners to the Partnership, effective and conditioned upon approval of this change in ownership by AMCO, following which all partners shall be considered to have a 20% ownership interest in the Partnership:

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Zachary McGuire
Jennifer Cardona
Luke Stokes

If and when the change in ownership is approved by AMCO, the existing Partnership Agreement, including the Amendment thereto dated May 25, 2018, is hereby amended to include the following provisions, which shall supersede any provisions of the existing Partnership Agreement and the Amendment thereto:

A) The provisions of the Partnership Agreement relating to the withdrawal, voluntary or involuntary, of a Partner, are amended hereby to clearly reflect the intent of the Partners that the Partnership financial interests and business operations shall not be damaged or impeded by the departure of a Partner.

To that end, it is agreed that no partner may transfer, sell or otherwise convey or legally encumber his/her Partnership interest, to any person or entity, including other Partners. The Partnership will not be bound by any attempted conveyance by a Partner. The rights of a Partner to be compensated for withdrawal from the Partnership, whether voluntary or involuntary, are as set forth herein in the following Paragraph B and C.

B) Any Partner desiring to withdraw from the Partnership shall provide written notice of that intent at least 6 calendar months prior to the withdrawal date (unless the withdrawal is caused by the death or disability of a partner, in which case no notice need be given). If such withdrawal is voluntary or results from the death or (mental or physical) disability of the Partner, the remaining Partners will succeed to all ownership interests of the withdrawing Partner in proportion to their then-existing Partnership ownership interests. The withdrawing Partner shall be compensated for the termination of his/her Partnership interests and rights by payment of 11% of the estimated available earnings distributions from the partnership in each of the 12 calendar months following the notice of intent to withdraw (or death or disability of that partner). Payments owed but not paid timely will carry interest at the rate of 12% per annum until paid. Should more than one partner have his/her partnership terminated under this provision, the partnership shall not be required to commence payments to the second withdrawing partner until 30 days after the first withdrawing partner has been fully paid. Similarly, a third withdrawing partner would not be entitled to payments for termination until 30 days after completion of payments to the second withdrawing partner.

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C) In the event that a Partner is involuntarily terminated from the Partnership for good cause, consisting of 1) breach of fiduciary duty as a Partner, or 2) felony criminal conviction of any kind, the Partnership will pay the terminated Partner the sum of $30,000, payable starting 30 days after the effective date of the termination, in the amount of $2500 each month for 12 months. Payments which are owed but not paid timely will carry interest at the rate of 12% per annum until paid. The remaining Partners will accede to the interest of the terminated Partner in proportion to the their then-existing Partnership ownership interests. However, the right of an involuntarily-terminated partner to payments under this Paragraph are subservient to the rights of partners under Paragraph B: any payments owed to an involuntarily-terminated partners will not commence, or continue to be paid, until the rights of partners under Paragraph B have been fully satisfied.

D) Paragraph 5 of the Partnership Agreement is amended to designate 3307 Spenard Road, Anchorage, Alaska, as the principal office of the Partnership.

E) Paragraph 14 of the Partnership Agreement is hereby deleted and cancelled.

F) Paragraphs 31, 33, 34, 35, 36, 37, 39, 41, and 43 are hereby deleted and cancelled.

G) Paragraph 45 is hereby deleted and cancelled.

H) Paragraph 46(c) is hereby amended to read: " c) to the Partners by first paying to each Partner the amount of his/her Capital Account as shown on the most recent federal tax filing of the Partnership, and any amount remaining after paying such sums shall be divided among the Partners proportionate to their respective ownership interests.

I) Paragraphs 48 and 49 are hereby deleted and cancelled.

J). Paragraph 71 is hereby amended to delete the existing language of Paragraph 71 and to replace it with the following language:

" The partners intend that monthly distributions of estimated available earnings and/or surplus funds shall be made; such distributions shall reflect the time and value of services rendered by each partner to the partnership during that month, including such additional hours as may be credited to a partner for special tasks with the agreement of all partners. All partners are expected to devote such hours to the partnership as are scheduled for him/her to the best of his/her ability insofar as consistent with personal obligations and objectives.

The Partnership will endeavor to have federal income tax reporting reflect the share of taxable income reported on each partner's K-1 reflect the actual proportion of distributions of profits to each partner that were made for the affected year, relative to the total amount of all Partnership distributions. In the event that that is not possible for

that is not possible for any reason, the Partners agree that any Partner whose K-1 reflects a proportionate taxable income greater than the proportion of actual distributions made pursuant to this Paragraph shall be reimbursed by any Partner whose K-1 reflects a taxable income less than the proportion of actual distributions to that Partner pursuant to this Paragraph. In the event of a disagreement about the amount of any such reimbursement between the Partners or any of them, the disputed matter shall be decided by the Certified Public Accountant who prepared the federal income tax return and K-1's. If the Certified Public Accountant is unable or unwilling to act in this capacity, the disputed matter shall by decided by David Shimek, or his designee."

Dated this _____ day of _____, 2025

Lily A. Shimek

Joseph D. Shimek

Zachary McGuire

Jennifer Cardona

Luke Stokes

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