

**Host Community Agreement
Between
Town of Douglas, Massachusetts
and
CANNABIS - RETAIL ESTABLISHMENT**

This Host Community Agreement (this “**HCA**”) is made as of December 17, 2019 (the “**Effective Date**”) by and between the Town of Douglas, a Massachusetts municipal corporation, acting by and through its Board of Selectmen, (the “**Town**”), and CANNABIS RETAIL ESTABLISHMENT, a Massachusetts corporation with a principal place of business located at 93 Davis Street (“**Z & T Inc.**” or the “**Company**”). The Town and the Company are collectively referred to as the “**Parties**” and each as a “**Party**”.

RECITALS

WHEREAS, pursuant to 935 CMR 500.000 et seq. (the “**Adult Use Regulations**”) promulgated by the Massachusetts Cannabis Control Commission (the “**Commission**”), the Company intends to submit an application to the Commission for a license or licenses to operate a Marijuana Retailer, as defined by M.G.L. c. 94G, § 1 to be located in Douglas (the “**Adult Use Application.**”)

WHEREAS, the Adult Use Regulations require that the Company include in its Adult Use Application “documentation in the form of a single-page certification signed by the contracting authorities for the municipality and applicant evidencing that the applicant for licensure and host municipality in which the address of the adult-use Marijuana Establishment is located have executed a host-community agreement specific to the adult-use Marijuana Establishment” (a “**Town HCA Certification**”). This HCA is intended to constitute the host-community agreement specific to the Company’s proposed adult-use Marijuana Establishment in Douglas, pursuant to 935 CMR 500.101(2)(b)(6).

WHEREAS, this HCA shall also constitute the stipulations of responsibilities between the Town, as host community, and the Company, pursuant to M.G.L. c. 94G, § 3(d).

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants set forth in this HCA and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by each Party, the Parties agree as follows:

1. Community Impact Payments - Retail Marijuana Establishment.

(a) **Commitment to Make Community Impact Payments.** The Company agrees to pay the community impact payments (the “**CI Payments**”) specified in this Section 1 to the Town pursuant to M.G.L. c. 94G, §3(d) if the Company obtains one or more final licenses from the Commission to operate as a Marijuana Retailer (as defined in the Adult Use Regulations) within the Town of Douglas, Massachusetts (a “**Massachusetts Adult Use License**”). No CI Payments will be due or payable unless the Company obtains a Massachusetts Adult Use License.

(b) **CI Payment Amount.** The CI Payments, if due and payable pursuant to Section 1(a) above, shall be in the amount of three percent (3%) of the Gross Receipts received by the Company from retail sales made at the Company’s retail locations in the Town of Douglas, Massachusetts of Marijuana, Marijuana Accessories and Marijuana Products, as those terms are defined by M.G.L. c. 94G, § 1, under a Massachusetts Adult Use License (“**Covered Sales**”) during a period of five consecutive 12 month periods commencing with the date of the first Covered Sale at the Company’s Marijuana Retail Establishment in the Town of Douglas (the “**Douglas Marijuana Retail Establishment**”) (such period of five consecutive 12 month periods, the “**CI Period**”). “**Gross Receipts**” means the aggregate retail purchase price paid to the Company by retail customers for Covered Sales, but before sales, excise and other taxes and before amounts collected for the CI Payments.

(c) **Schedule of Payments.** Within ninety days of the close of each of the first five calendar years ending after the start of the CI Period, the Company shall pay the CI Payment to the Town annually for Covered Sales that were made during the portion (which may be all) of such calendar year that is included in the CI Period. For clarity and by way of example only, if the CI Period starts on November 1, 2018, the first CI Payment is due March 31, 2019 for Covered Sales made from November 1, 2018 through December 31, 2018, the second CI Payment is due March 31, 2020 for Covered Sales made from January 1, 2019 through December 31, 2019 and the fifth and final CI Payment is due January 31, 2024 for Covered Sales made from January 1, 2023 through October 31, 2023. After payment of the fifth payment, the parties shall meet and negotiate in good faith further payments to the extent allowable by law.

(d) **Documentation.** The Company shall maintain financial records on its Covered Sales made during the CI Period and, upon written request, the Company shall make such documentation available for review by the Town on a confidential basis at the end of each fiscal quarter, including the company’s annual financial statements.

(e) **CI Payments Relative to Town Costs.** Pursuant to M.G.L. c. 94G, §3(d), a “community impact fee shall be reasonably related to the costs imposed upon the municipality by the operation of the marijuana establishment...” (“**Town Costs**”). Notwithstanding the foregoing, the Parties acknowledge the difficulty in computing actual Town Costs and agree that three percent (3%) of Gross Receipts is a reasonable approximation of actual Town Costs incurred. The Company acknowledges that the impacts of its operation may be impracticable to ascertain and assess as impacts may result in budgetary increases though not separately identified, and consequently, the Company acknowledges that the payments due under this Agreement are reasonably related to Town Costs and waives any claims to the contrary. The Company acknowledges and agrees that the Town is under no obligation to use the CI Payment in any particular manner.

(f) **No Contest of Local Taxes.** At all times during the CI Period, the real and personal property and automobiles, if any, located in the Town of Douglas, Massachusetts, owned or operated by the Company, shall be treated as taxable by the Town in accordance with the Town’s applicable real and personal property and automobile tax laws and regulations. All applicable real estate, personal and excise taxes due to the Town for that property shall be paid either directly by the Company or by its landlord for such locations within the Town of Douglas, Massachusetts, and

the Company for such locations within the Town of Douglas, Massachusetts may not object or otherwise challenge the taxability of such real or personal property and automobiles in accordance with this Section. In the event the Company's landlord objects, the Company agrees to remit the full amount of tax. Further, the Company will remit payment of the local Marijuana Sales tax for all sales in Douglas in accordance with G.L. c. 64N, § 3.

(g) **Other Payments.** The Company anticipates that it may make annual purchases of water and sewer services from local government agencies. The Company will pay any and all fees associated with the local permitting of the Douglas Marijuana Retail Establishment.

2. **Term and Termination.**

(a) **Term.** The Term of this Agreement shall be five (5) years from the Effective Date (the "**Term**"), provided however, the provisions for payment under Section 1 herein, shall survive until the fifth payment has been remitted to the Town.

(b) **Termination.** In the event Company ceases all Marijuana Retailer operations in the Town of Douglas for a period in excess of six (6) consecutive months, this Agreement shall terminate on such six month date and thereafter be null and void. In the event the Company loses or has its Massachusetts Marijuana Retailer license(s), approvals, and/or permits to operate in the Town of Douglas revoked by the Commission or the Town for a period longer than six (6) consecutive months, this Agreement shall terminate on such six month date and thereafter be null and void. If this Agreement is terminated due to the Company's noncompliance with the terms hereof or the obligations contained herein, including compliance with local law or compliance with state law as determined by the Commission or another applicable state authority, the Company shall be required to cease operations as a Marijuana Retailer in the Town of Douglas following the termination of this Agreement.

(c) **Renewal.** The Parties agree to renegotiate or renew this Agreement prior to the end of the Term. Upon payment of the fifth and final CI Payment due pursuant to paragraph 1 herein, the Parties further agree to renegotiate the terms and payments due under Paragraph 1 to the extent permissible by law.

3. **Community Support - Marijuana Retail Establishment.**

(a) to the extent such practice and its implementation are consistent with federal, state, and local laws and regulations and the Company's quality and cost control and security requirements, the Company shall use good faith efforts in a legal and non-discriminatory manner to give priority to qualified local businesses and vendors in the provision of goods (other than Marijuana and Marijuana Products) and services for the construction, maintenance and operation of the Company's business at the Douglas Marijuana Retail Establishment;

(b) except for senior management, to the extent such practice and its implementation are consistent with federal, state, and local laws and regulations and the Company's quality and cost control and security requirements, the Company shall use good faith efforts in a legal and non-discriminatory manner to give priority to hire local qualified residents at the Douglas Marijuana Retail Establishment; and

(c) if requested by the Town, the Company shall assist the Town with, participate in, or contribute to community educational programs on public health and drug abuse prevention, and prevention programs that address youth marijuana use.

3. **Town Obligations.** The Town agrees: to provide to the Company (or directly to the Commission or other applicable governmental authority (the “**Licensing Authority**”), if so requested by the Licensing Authority) all documentation and information required or requested by the Licensing Authority from the Town in connection with the Company’s Adult Use Application and any licenses requested or issued thereunder and to participate and cooperate (to the extent reasonably requested by the Company or the Licensing Authority) in the Licensing Authority’s licensing process as it relates to the Company’s Adult Use Application and such licenses, such documentation, information, participation and cooperation to be provided by the Town on a timely basis and so as not to adversely affect the Commission’s evaluation and decision on the Company’s Adult Use Application. The Town agrees to support the Company’s Adult Use Application but the Town makes no representation or promise that it will act on any other license or permit request from the Company in any particular way other than by the Town’s normal and regular course of conduct and in accordance with its codes, rules, and regulations and any statutory guidelines governing them. Without limiting this Section, within two business days after the Effective Date, the Town will execute a Town HCA Certification as prepared by the Company according to the applicable requirements of the Commission.

4. **Notices.** All notices or other communications under this HCA shall be in writing and addressed as follows and will be deemed delivered upon actual receipt if actual receipt is on a business day and otherwise on the first business day after such receipt:

Town: Town of Douglas
29 Depot Street
Douglas, MA 01516
Attention: Matthew J. Wojcik, Town Administrator

Company: Z & T Inc.
39 Hawthorne Ave.
Cranston, RI 02910
Attention: Sabhan Z. Kosto, President

5. **Severability.** If under applicable Massachusetts law any term of this HCA is to any extent illegal, otherwise invalid, or incapable of being enforced, such term will be excluded to the extent of such illegality, invalidity or unenforceability; all other terms of this HCA will remain in full force and effect; and, to the extent permitted and possible, the illegal, invalid or unenforceable term will be deemed replaced by a term that is legal, valid and enforceable and that comes closest to expressing the intention of such illegal, invalid or unenforceable term. If application of the preceding sentence should materially and adversely affect the economic substance of the transactions contemplated by this HCA, the Parties shall negotiate in good faith amendments to this HCA so as to result in neutral economic impact to either Party.

6. **Nonpayment of taxes.** CI Payments are expressly included as “other municipal charges” pursuant to M.G.L. c. 40, § 57. A Town of Douglas licensing authority may deny, revoke or suspend any license or permit, including renewals and transfers, of the Company or agent thereof if the Company’s name appears on a list furnished to the licensing authority from the Tax Collector of individuals delinquent on their taxes and/or water bills. Written notice must be given to the Company by the Tax Collector, as required by applicable provision of law, and the Company must be given the opportunity for a hearing not earlier than 14 days after said notice.

7. **Security, Reporting and Emergency Contact.**

(a) **Security.** The Company shall maintain security at the Douglas Retail Marijuana Establishment at least in accordance with the security plan which will be submitted by the Company to the Douglas Police Department for approval. Approval of such security plan by the Douglas Police Department is a requirement for the opening of the Douglas Retail Marijuana Establishment. In addition, the Company shall at all times comply with all local applicable laws and regulations regarding the operations of the Douglas Retail Marijuana Establishment. Such compliance shall include, but will not be limited to, conditions imposed by the Douglas Board of Selectmen as the local licensing authority.

(b) **Reporting.** The Company will report any and all incidents to local law enforcement authorities as required pursuant to 935 CMR 500.000 and permit local law enforcement authorities access to the Douglas Retail Marijuana Establishment as required pursuant to 935 CMR 500.000.

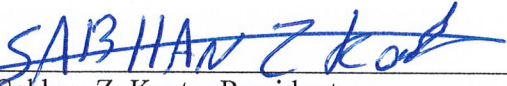
(c) **Emergency Contact.** The Company shall provide to local law enforcement authorities the name, phone number and address for a person responsible for operations who may be contacted after hours; said contact person shall have been registered successfully by the Commission pursuant to 935 CMR 500.030. Said contact information shall be updated as necessary pursuant to 935 CMR 500.105(1)(c).

8. **Miscellaneous.** Amendments to this HCA may be made only by written agreement of the Parties. Waivers of any provision of this HCA may only be given by the Party that is the intended beneficiary of this HCA. This HCA is binding upon the Parties and their respective successors and permitted assigns. Neither Party may assign this HCA without the written consent of the other Party, such consent not to be unreasonably withheld, delayed or conditioned. There are no intended third party beneficiaries of this HCA and only the Parties hereto have the right to enforce this HCA. The headings in this HCA are for reference only and shall not affect the interpretation of this HCA. This HCA will be governed by, construed and enforced in accordance with the laws of the Commonwealth of Massachusetts, other than choice of law principles, and the Parties submit to the jurisdiction of any of the appropriate courts of the Commonwealth of Massachusetts for the adjudication of disputes arising out of this HCA. This HCA will be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting an instrument or causing any instrument to be drafted.

.The Parties have executed and delivered this HCA as of the Effective Date.

Z & T Inc.

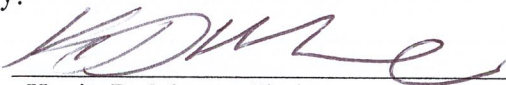
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Sabhan Z. Kosto, President

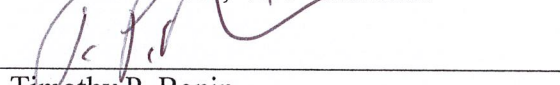
TOWN OF DOUGLAS

By:



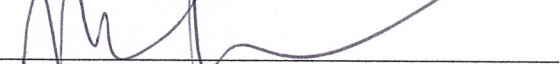
Kevin D. Morse, Chairman

David P. Cortese, Vice Chairman



Timothy P. Bonin

Harold R. Davis



Michael D. Hughes

BOARD OF SELECTMEN

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