

SETTLEMENT AGREEMENT

Effective November __, 2023 (the "Effective Date"), the State of Maine Department of Administrative and Financial Services ("DAFS" or "the Department") Office of Cannabis Policy ("OCP") and licensees VertiKal Cultivation, LLC, prior license ACN 1202 ("VertiKal"), VertiKal Retail Group, LLC d/b/a The Joint.me, license AMS 1182 ("Joint.me"), and the principals of both LLCs, George Irwin, IIC 1257 and Phyllis Lacca, IIC 2632 (collectively, "the Parties") enter into this Settlement Agreement (the "Agreement").

WHEREAS VertiKal Cultivation LLC was an adult use cannabis nursery cultivation facility. The Licensee VertiKal Retail Group LLC d/b/a The Joint.me is an adult use cannabis store. George Irwin and Phyllis Lacca are principals and owners of both licensees. There is a third owner of both licensees, Progress Forward, LLC. The term "Licensees" or "VertiKal" in this agreement refers to all these entities and individuals, unless otherwise stated.

On August 28, 2023, Michael W. Field, Director of Compliance, Office of Cannabis Policy ("OCP"), DAFS, issued a Notice of Administrative Action to the Licensees concerning certain alleged licensing violations and administrative enforcement actions, including the imposition of monetary penalties, which DAFS was taking with respect to the Licensees pursuant to the Maine Legalization Act, 28-B M.R.S. §§ 101-1102 (the "MLA"), and Maine Adult Use Cannabis Program Rules, 18-691 C.M.R. ch. 1 (the "AUCPR"). Also on August 28, 2023, Elisa C. Ellis, Director of Licensing for OCP issued a Notice of Denial of Renewal for VertiKal Cultivation LLC ACN 1202.

The Notice of Administrative Action is subject to an administrative hearing pursuant to 28-B M.R.S. §801 and in accordance with 5 M.R.S. §§ 9051-9064, and then potentially to judicial review pursuant to 5 M.R.S. §§ 11001-11002 and M.R. Civ. P. 80C, and the Licensees have timely requested an administrative hearing. The Notice of Denial of License Renewal is subject to judicial review pursuant to 5 M.R.S. §§ 11001-11002 and M.R. Civ. P. 80C, and the Licensee has timely petitioned for judicial review in *VertiKal Cultivation, LLC v. Maine Dept. of Admin. and Financial Services, Office of Cannabis Policy*, ANDSC-AP-20-10.

These Notices were based on alleged violations including failure to correctly enter inventory, track sales, or close out inventory on Metrc; sale of adult use cannabis to people who were not participants in the adult use cannabis program and failing to pay excise taxes; and failure to operate in accordance with the operating, cultivation, or facility plan of record on file with DAFS. The Licensees dispute the OCP's determinations and enforcement actions but recognize there are issues they need to address.

The Parties wish to settle the pending administrative hearing and 80C action ANDSC-AP-20-10.

NOW THEREFORE, the Parties wish to settle this matter in consideration of the mutual promises set forth herein, rather than continue the hearing and appeals process, the Parties agree as follows:

1. Licenses. The Parties hereby agree to take the following actions related to the licenses:

a. Reinstatement: DAFS rescinds its revocation of the license of VertiKal Retail Group LLC, d/b/a The Joint.me (AMS 1182), and the revocation of the Individual Identification Cards of principals George Irwin, IIC 1257 and Phyllis Lacca, IIC 2632.

b. Application for New License: VertiKal Cultivation LLC may apply for a new adult-use cannabis nursery cultivation facility license. Upon submitting the necessary materials in accordance with 28-B M.R.S. § 202 and applicable rules, OCP shall review and if everything is approved, shall issue a Conditional License. OCP will not issue an active nursery license to VertiKal Cultivation LLC until VertiKal Cultivation LLC has complied with applicable rules and submitted additional materials as follows:

i. new plans of record that show no co-located medical cannabis business; and,

ii. new acceptable standard operating procedures outlining:

1. employee training, including track and trace (Metrc) compliance;
2. tracking of inventory including tissue cultures;
3. proper review of a person or entity's credentials before engaging in any sales or transfers; and
4. reporting inventory and regulatory discrepancies to supervisors and OCP; and

iii. George Irwin shall show proof of training under Paragraph 3(c). If, for any reason, George Irwin does not choose to move forward as an OCP licensee, then at least one remaining principal must show proof of training under Paragraph 3(c); and,

iv. proof of payment for any fines or taxes due under paragraph 4.

c. Nothing herein shall prevent the Licensees, individually or collectively, from ceasing to operate in the Maine Adult Use market subject to paragraph 3(g).

2. Prohibitions.

a. The Licensees agree they will not co-locate medical cannabis entities or individuals with VertiKal Cultivation LLC;

b. The Licensees agree that they will not participate in the Maine Medical Use of Cannabis Program, meaning they will not obtain a registry identification card or registration certificate, nor own, or have a financial interest in, any business entity holding, or business entity owned by, an individual holding, a registry identification card or registration certificate under Title 22 Chapter 558-C, Maine Medical Use of Cannabis Act.

3. Additional Requirements. In addition to the supplemental materials outlined in Section 2 of this Agreement, Licensees agree and understand that their licenses are conditioned on the following "special terms" pursuant to 28-B M.R.S. § 206(2)(B):

a. VertiKal Cultivation LLC agrees that they will retain Rocky Mountain Cannabis Consulting (RMCC) for two years. They will provide proof of their compliance with this requirement to OCP within thirty (30) days of the effective date of this agreement. Quarterly audits will be conducted by RMCC throughout the two-year period, including blind physical counts, and shared with OCP, including any action items.

b. VertiKal Cultivation LLC principals will work with RMCC to create the SOPs to be submitted to the OCP for approval under paragraph 1.

c. VertiKal Cultivation LLC principals, George Irwin, or at least one principal, and, at all times, a simple majority of employees that enter data into Metrc will successfully complete the RMCC Compliance and Operations Certification Program. VertiKal shall provide proof of the successful completion of the certification program for their employees within ninety (90) days of the effective date of this agreement. VertiKal shall provide proof of the successful completion of the certification program for George Irwin, or at least one principal owner, along with the materials required for the issuance of an active license.

d. VertiKal must notify OCP immediately of any termination of services with RMCC. Within seven days of any termination with RMCC, VertiKal will propose an acceptable replacement consultant for approval by OCP. Once OCP notifies VertiKal of approval VertiKal will notify OCP with proof of compliance within fourteen (14) days.

e. VertiKal Cultivation LLC will notify OCP of all staffing changes for two years. Changes to staffing must be reported to OCP through the compliance email address within three (3) business days. Notification will include the person's name, position, IIC#, any job responsibilities specifically related to handling inventory and use of the track and trace system, the person's hire date if a new employee, or last date of employment. Additionally, a narrative description of the impact on VertiKal's operations related to track and trace (Metrc) and if there is any anticipated impact on VertiKal's ability to remain compliant with track and trace requirements.

f. Licensees will maintain all business records required by statute and rule, including required records for employees, and will be able to produce them for inspections.

g. Nothing herein shall prevent the Licensees, individually or collectively, from ceasing to operate in the Maine Adult Use market, subject to the following:

(i) In such an event, the applicable provisions herein shall continue to apply to the remaining Licensee(s) and IIC cardholder(s) and shall

apply to a Licensee(s) and/or IIC cardholder(s) that have ceased operation if it/he/she decides to re-apply to the OCP for any Adult Use license or IIC.

- (ii) If both VertiKal Retail Group LLC, d/b/a The Joint.me and VertiKal Cultivation LLC cease to operate, George Irwin and Phyllis Lacca shall surrender their IIC cards to OCP, and any unpaid amounts under paragraph 4, shall be immediately due and owing, and George Irwin and Phyllis Lacca shall each be jointly and severally liable for any such fines or taxes.
- (iii) If George Irwin or Phyllis Lacca transfer their membership interest in VertiKal Cultivation LLC, or VertiKal Retail group, LLC, or add a new principal to these companies, that new member or principal must also comply with this agreement.

4. Fines and Payment. In consideration of the terms and conditions herein, the Licensees shall make the following payments.

a. A total fine of One Hundred Five Thousand Dollars (\$105,000.00) shall be imposed against the Licensees. DAFS shall not issue invoices and payment shall be made as follows:

i. Within thirty (30) days of executing this Agreement, Licensees shall make a total initial payment of Fifty Thousand Dollars (\$50,000.00) (the "Initial Payment"). The OCP's issuance of an active license to VertiKal Cultivation LLC is conditioned on the Initial Payment being made prior to issuance.

ii. Licensees shall pay the total remaining balance of Fifty-Five Thousand Dollars (\$55,000.00) in ten (10) equal installments of Five Thousand Five Hundred Dollars (\$5,500.00), with the first payment being made on January 1, 2024, and the final payment on October 1, 2024.

Any payment not made after thirty (30) days of its due date shall be considered late and subject to a ten percent (10%) late fee. Payments shall be made by way of Money Order or Bank Check and shall be made payable to the Treasurer, State of Maine.

b. Licensees shall pay Two Hundred Sixty-Four Dollars (\$264.00) in excise taxes to Maine Revenue Services and provide proof to OCP that they have done so within fourteen (14) days of the effective date of this Agreement.

5. Pending Actions. Upon the execution of this Agreement, the parties agree to dismiss the pending administrative hearings and the 80C action, docket number ANDSC-AP-20-10. Both dismissals shall be with prejudice and without costs.

6. Material Terms. All terms and conditions herein are considered material unless specified otherwise.

7. **Entire Agreement.** This Agreement sets forth the entire agreement of the Parties in relation to the conduct described above and in the letters of August 28, 2023, and any amendment hereof shall be in writing. Representations that are not contained in the Agreement or subsequent written amendment shall have no effect.

8. **Acknowledgment.** The Parties acknowledge that this Agreement and its reduction to final written form is the result of good faith negotiations between the Parties. The Parties and their respective counsel (if applicable) have carefully reviewed and examined this Agreement before execution by said Parties. Any statute or rule of construction that requires ambiguities to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

9. **Choice of Law.** This Agreement shall be governed by the laws of the State of Maine.

10. **Successors in Interest.** The Parties agree that this Agreement is binding upon, and inures to the benefit of, the Parties and their successors and assigns.

11. **Authorization.**

a. The signatory for DAFS, Michael W. Field, represents that he is duly authorized and empowered to execute this Agreement on behalf of DAFS, and that his signature is enough to legally bind DAFS to the terms of this Agreement.

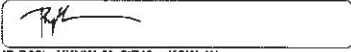
b. The signatory for the Licensees, Phyllis Lacca, represents that she is duly authorized and empowered to execute this Agreement on behalf of the Licensees and that her signature is enough to legally bind Licensees and their principals to the terms of this Agreement.

IN WITNESS WHEREOF, the duly authorized representative of DAFS, and Phyllis Lacca, have signed this Agreement below:

SIGNATURES ON NEXT PAGE

SIGNATURE PAGE

VertiKal Cultivation, LLC and VertiKal Retail Group, LLC



ID D39hcYKHwMs6IT19yxKCWqW

Date: 11/20/2023

By Owner and Principal, Phyllis Lacca

Department of Administrative and Financial Services



Date: 11/20/2023

By Michael W. Field, its Director of Compliance,
Office of Cannabis Policy

eSignature Details

Signer ID:	D39hcYKHwaMs6tT19yxKCWqW
Signed by:	Phyllis Lacca
Sent to email:	[REDACTED]
IP Address:	174.57.107.95
Signed at:	Nov 20 2023, 2:58 pm EST