

RESTRICTED EQUITY PURCHASE AND OPTION MOU

This RESTRICTED EQUITY PURCHASE AND OPTION MOU (this "**Agreement**") is made and entered into as of April 20, 2023 (the "**Effective Date**") by and between The Pajaro Inc., a California corporation (the "**Company**"), and South Cord Management, LLC, a California limited liability company (the "**Purchaser**").

WHEREAS, concurrently herewith, the Company and the Purchaser (or one of its affiliates) are entering into that certain Consulting Services Agreement, dated as of the Effective Date (the "**CSA**"), pursuant to which the Purchaser or one of its affiliates is providing certain management and advisory services to the Company;

WHEREAS, the transactions contemplated by the CSA require that the Company issue, or the Members to sell, to the Purchaser, or that the Company and the Purchaser form a new entity to which all assets and licenses of the Company are assigned and of which the Purchaser will be issued, equity interests equal to forty percent (40%) of the fully diluted capitalization of the Company (such equity, the "**Restricted Equity**"), subject to repurchase rights as detailed in this Agreement (the "**Equity Transaction**"), and the existing owners of the Company will retain equity interests equal to sixty percent (60%) of the fully diluted capitalization of the Company, in both cases determined at the time for issuance of the Restricted Equity; and

WHEREAS, the Purchaser is unable to determine the proper structure for the Equity Transaction as of the Effective Date, and so the parties hereto desire to enter into this Agreement to set forth the certain binding obligations relating to the Equity Transaction.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Sale of Restricted Equity. As soon as reasonably practical following the Purchaser's determination of the structure of the Equity Transaction, the Purchaser and either the Company and/or the Members, as applicable, shall execute and deliver documentation, in the form reasonably drafted by the Purchaser's counsel and reasonably acceptable to the Company, effecting the Equity Transaction. The purchase price for the Equity Transaction is set forth in Section 4(g) of the CSA, and each of the parties agrees to treat such purchase price in the manner reasonably determined by the Purchaser.

2. Restricted Period; Vesting.

2.1 Upon vesting of any Restricted Equity as described in this Section 2.1 (such period prior to vesting, the "**Restricted Period**"), the Company's Repurchase Option (defined below) shall lapse and the Purchaser shall be fully vested in such Restricted Equity. The Restricted Equity will vest and be released from the Repurchase Option as follows:

(a) One half of the Restricted Equity shall vest upon Quarterly Gross Revenue (as defined in the CSA) being equal to or greater than \$900,000.00 with respect to any quarter during the Restricted Period;

(b) An additional one quarter of the Restricted Equity shall vest upon Quarterly Gross Revenue being equal to or greater than \$1,200,000.00 with respect to any quarter during the Restricted Period; and

(c) The remaining one quarter of the Restricted Equity shall vest upon Quarterly Gross Revenue being equal to or greater than \$1,500,000.00 with respect to any quarter during the Restricted Period.

For the avoidance of doubt, the vesting of the Restricted Equity is cumulative and may occur with respect to the same quarter during the Restricted Period.

2.2 In the event that the CSA is terminated by the Company in accordance with Section 13(c) of the CSA, the Company shall upon the date of such termination (the "**Termination Date**") have an irrevocable, exclusive option (the "**Repurchase Option**") for a period of thirty (30) days from such date to repurchase all or any portion of the Unvested Equity held by the Purchaser as of the Termination Date at an amount equal to \$10.00 (adjusted for any stock splits, stock dividends and the like) specified in Section 1. As used in this Agreement, "**Unvested Equity**" means a portion of Restricted Equity, if any, that has not yet been released from the Repurchase Option.

2.3 As a result of any repurchase of Unvested Equity pursuant to this section, the Company shall become the legal and beneficial owner of the repurchased Unvested Equity and shall have all rights and interest therein or related thereto, and the Company shall have the right to transfer to its own name the number of repurchased Unvested Equity, without further action by the Purchaser.

3. Shareholders' Agreement; Termination of Certain Agreements. Consummation of the Equity Transaction will require the execution and delivery by the Company and/or the Members of a shareholders' agreement in form reasonably acceptable to the Purchaser and the Company consistent with similar agreement the Purchaser and/or its affiliates have in place with other license-holding entities under management. Consummation of the Equity Transaction will also require that certain agreements be terminated, in whole or in part to the extent applicable to the Company, that may interfere with the Purchaser's ownership of the Restricted Equity or its or its affiliate's management of the Company pursuant to the CSA.

4. Rights as Equityholder; Dividends. The Purchaser shall be the record owner of the Restricted Equity until sold or otherwise disposed of and shall be entitled to all of the rights of an equityholder of the Company including, without limitation, the right to vote such equity and receive all dividends or other distributions paid with respect to such equity.

5. Investment and Taxation Representations. In connection with the sale of the Restricted Equity, the Purchaser represents and warrants to the Company the following:

5.1 The Purchaser is aware of the Company's business affairs and financial condition and has obtained sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Restricted Equity. The Purchaser is acquiring the Restricted Equity for investment for the Purchaser's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities

Act or under any applicable provision of state law. The Purchaser does not have any present intention to transfer the Restricted Equity to any other person or entity.

5.2 The Purchaser understands that the Restricted Equity has not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Purchaser's investment intent as expressed herein.

5.3 The Purchaser further acknowledges and understands that the securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Purchaser further acknowledges and understands that the Company is under no obligation to register the securities.

5.4 The Purchaser is familiar with the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permits limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer of the securities (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions. The Purchaser understands that the Company provides no assurances as to whether the Purchaser will be able to resell any or all of the Restricted Equity pursuant to Rule 144, which rule requires, among other things, that the Company be subject to the reporting requirements of the Exchange Act that resales of securities take place only after the holder of the Restricted Equity has held the Restricted Equity for certain specified time periods, and under certain circumstances, that resales of securities be limited in volume and take place only pursuant to brokered transactions. Notwithstanding this Section 5.4, the Purchaser acknowledges and agrees to the restrictions set forth in Section 5.5 below.

5.5 The Purchaser further understands that, in the event all of the applicable requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 is not exclusive, the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and other than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

5.6 The Purchaser represents that the Purchaser is not subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act. The Purchaser also agrees to notify the Company if the Purchaser becomes subject to such disqualifications after the date hereof.

5.7 The Purchaser represents that the Purchaser has consulted any tax consultants the Purchaser deems advisable in connection with the purchase or disposition of the Restricted Equity and that the Purchaser is not relying on the Company for any tax advice.

6. Representations and Warranties of the Company. In connection with the sale of the Restricted Equity, each of the Company and the Members, jointly and severally, represents and warrants to the Purchaser the following:

6.1 The Company is a corporation duly organized, validly existing, and in good standing under the laws of the state of California and has full power and authority to own, operate, or lease the properties and assets now owned, operated, or leased by it and to carry on its business as it has been and is currently conducted. The Company is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the properties owned or leased by it or the operation of its business as currently conducted makes such licensing or qualification necessary.

6.2 The Restricted Equity together with the other equity of the Company (collectively, the “**Equity**”) have been duly authorized, are validly issued, fully paid and nonassessable, free and clear of all liens, encumbrances, or other restrictions. The owners, beneficially or otherwise, of the Equity are solely the Members and, upon consummation of the Equity Transaction, the Purchaser.

6.3 All of the Equity was issued in compliance with applicable laws. None of the Equity was issued in violation of any agreement or commitment to which the Company or any equityholder of the Company is a party or is subject to or in violation of any preemptive or similar rights of any individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association, or other entity (each, a “**Person**”).

6.4 There are no outstanding or authorized options, warrants, convertible securities, stock appreciation, phantom stock, profit participation, or other rights, agreements, or commitments relating to the Equity or obligating the Company or any Member to issue or sell any shares of, or any other interest in, the Company, except for this Agreement and the CSA. There are no voting trusts, equityholder agreements, proxies, or other agreements in effect with respect to the voting or transfer of any of the Equity, except as expressly contemplated hereby in connection with the Equity Transaction.

6.5 The Company does not have, or have the right to acquire, an ownership interest in any other Person.

6.6 The execution, delivery, and performance by the Company and the Members of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with any provision of the articles or other governing documents of the Company; (b) violate or conflict with any provision of any statute, law, ordinance, regulation, rule, code, treaty, or other requirement of any governmental authority or any order, writ, judgment, injunction, decree, determination, penalty, or award entered by or with any governmental authority applicable to the Company or the Members; (c) require the consent, notice, or filing with or other action by any Person or require any permit, license, or governmental order, except for notice to the California Department of Cannabis Control and the City where the Company’s premises are located; (d) violate or conflict with, result in the acceleration of, or create in any party the right to accelerate, terminate, or modify any contract,

lease, deed, mortgage, license, instrument, note, indenture, joint venture, or any other agreement, commitment, or legally binding arrangement, whether written or oral, to which the Company or any Member is a party or by which the Company or any Member is bound or to which any of their respective properties and assets are subject; or (e) result in the creation or imposition of any lien, encumbrance, or other restriction on any properties or assets of the Company.

6.7 There are no claims, actions, causes of action, demands, lawsuits, arbitrations, inquiries, audits, notices of violation, proceedings, litigation, citations, summons, subpoenas, or investigations of any nature, whether at law or in equity pending or, to the Company's or any Member's knowledge, threatened against or by the Company or any Member relating to or affecting the Company or any of the Company's properties or assets. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any of the foregoing.

6.8 Each of the Company and the Members has complied, and is now complying, with all laws applicable to it or its business, properties, or assets. All permits, licenses, franchises, approvals, registrations, certificates, variances, and similar rights obtained, or required to be obtained, from governmental authorities in order for the Company to conduct its business.

6.9 All returns, declarations, reports, information returns and statements, and other documents relating to taxes (including amended returns and claims for refund) required to be filed by the Company on or before the date hereof have been timely filed. Such tax returns are true, correct, and complete in all respects. All taxes due and owing by the Company (whether or not shown on any tax return) have been timely paid. There are no liens for taxes (other than for current taxes not yet due and payable) upon the assets of the Company.

7. Section 83(b) Election. The Purchaser may make an election under Code Section 83(b) (an "**83(b) Election**") with respect to the Restricted Equity. Any such election must be made within thirty (30) days after the Effective Date. The Purchaser agrees to assume full responsibility for ensuring that the 83(b) Election is actually and timely filed with the US Internal Revenue Service and for all tax consequences resulting from the 83(b) Election. The Purchaser understands that failure to file such an election in a timely manner may result in adverse tax consequences for the Purchaser. The Purchaser further understands that an additional copy of such election form should be filed with the Purchaser's federal income tax return for the calendar year in which the date of this Agreement is executed. The Purchaser acknowledges that the Company has directed the Purchaser to seek independent advice regarding the applicable provisions of the Code, including Code Section 83 and the tax consequences of making an 83(b) Election, the income tax laws of any municipality, state or foreign country in which the Purchaser may reside, and the tax consequences of the Purchaser's death, and the Purchaser has consulted, and has been fully advised by, the Purchaser's own tax advisor regarding such tax laws and tax consequences or has knowingly chosen not to consult such a tax advisor. **THE PURCHASER (AND NOT THE COMPANY, ITS AGENTS OR ANY OTHER PERSON) SHALL BE SOLELY RESPONSIBLE FOR APPROPRIATELY FILING SUCH FORM WITH THE IRS, EVEN IF THE PURCHASER REQUESTS THE COMPANY, ITS AGENTS OR ANY OTHER PERSON MAKE THIS FILING ON THE PURCHASER'S BEHALF.**

8. Option to Purchase Equity. Each of the Company and/or the Members, as applicable, hereby grants the Purchaser (and/or its affiliated designee) the option to purchase all or any portion of the Equity (to the extent not already owned by the Purchaser) following the consummation of the Equity Transaction at the Option Purchase Price. “**Option Purchase Price**” be equal to the greater of either: (i) (A) \$6,000,000.00 *multiplied by* (B) the percentage of the fully diluted capitalization of the Company represented by the Equity being purchased in connection with such exercise, or (ii) (A) one and one tenth (1.1) *multiplied by* (B) Gross Revenue (as defined in the CSA) over the trailing twelve months prior to exercise of the option, *multiplied by* (C) the percentage of the fully diluted capitalization of the Company represented by the Equity being purchased in connection with such exercise. For the purposes of this provision, the Company and/or the Members, as applicable, shall have the right to be paid in cash (or the equivalent) or in the capital stock of the Purchaser, or the controlling Affiliate of the Purchaser. Any such exercise shall be accomplished by delivery of a written notice of exercise on behalf of the Purchaser at the office of the Company and the payment by the Purchaser (or its designee, if applicable) of the applicable Option Purchase Price in respect of the Equity to be purchased. In the event the Purchase exercises its rights herein, the Company shall be entitled to receive an additional five (5%) of the Option Purchase Price in capital stock of the Purchaser, or the controlling Affiliate of the Purchaser, irrespective of whether the Purchase elects to pay the Option Purchase Price in capital stock.

9. California Corporate Securities Law. THE SALE OF THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF BUSINESS OVERSIGHT OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF THE SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO THE QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON THE QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

10. Notices. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Company at the Company's principal corporate offices. Any notice required to be delivered to the Purchaser under this Agreement shall be in writing and addressed to the Purchaser at the Purchaser's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

11. Governing Law. This Agreement will be construed and interpreted in accordance with the laws of the State of California without regard to conflict of law principles.

12. Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company and the Purchaser.

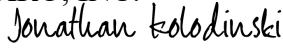
13. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each provision of this Agreement shall be severable and enforceable to the extent permitted by law.

14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE PAJARO INC:

By: 
9158C44B97E944D...

Name: Jonathan Kolodinski

Title: CEO

SOUTH CORD MANAGEMENT LLC

By: South Cord Holdings LLC, its Sole Member

By: 
55F129EC5E22456...

Name: Elliot Lewis

Title: Manager


SHAREHOLDERS:


9158C44B97E944D...


Jonathan Kolodinski (24.5% shareholder)


A56A7949D994496...


Allen Flores (24.5% shareholder)


8F480424B38B4BF...

Mark Davis (24.5% shareholder)


528A0BE7342C4BD...

Jake Farrar (24.5% shareholder)


E0D85ADA56F6430...

Victor Marani (2% shareholder)